



Hanna-Kaisa Ellonen

**EXPLORING THE STRATEGIC IMPACT OF TECHNOLOGICAL
CHANGE – STUDIES ON THE ROLE OF INTERNET
IN MAGAZINE PUBLISHING**

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ABSTRACT

Hanna-Kaisa Ellonen

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Over the past few decades, turbulent change has characterized the situation in the media industry. It has been noted that digitalization and new media are strongly influencing the industry: it is changing the existing market dynamics and requires new strategies. Prior research on the impact of digitalization and the Internet has emphasized news-focused media such as newspaper publishing and broadcasting, yet magazine publishing is very seldom the focus of the research.

This study examines how the Internet impacts magazine publishing. The work presents a multi-level analysis on the role and impact of the Internet on magazine products, companies and industry. The study is founded on strategic management, technology management and media economics literature.

This study consists of two parts. The first part introduces the research topic and discusses the overall results of the study. The second part comprises five research publications. Qualitative research methods are used throughout.

The results of the study indicate that the Internet has not had a disruptive effect on magazine publishing, and that its strategic implications could rather be considered complementary to the print magazine and the business as a whole. It seems that the co-specialized assets, together with market-related competencies and unchanged core competence have protected established firms from the disruptive effect of the new technology in magazine publishing. In addition, it seems that the Internet offers a valuable possibility to build and nourish customer relationships. The study contributes to media management and economics research by moving from product- or industry-level investigations towards a strategic-management perspective.

Keywords: Magazine publishing, Internet, strategy, competitive advantage, innovation, technological change

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One of the most inspiring doctoral dissertations I have read is written by Ulla Hytti (2003). She argues that conducting research is in many ways similar to being an entrepreneur. I fully agree. You need to follow your passion and make sure things get done. In that respect, what better background could one wish for than coming from a family of an entrepreneur and a researcher? I would like to thank my parents, Pirkko and Kari, for giving me such excellent examples.

In many ways, this dissertation was inspired by strong and talented women. I was fortunate to have had a chance to work under Kerstin Rinne, Minna Träsk-Karhilahti, Pirkko Jokinen and Elina Männikkö. Their examples inspired me and got me interested in the dynamics of the media industry. I am sure my best friends Piia Karhu, Anna-Maria Levy and Saara Snellman will also recognize themselves with the description. Strong women have also been influential in my family

for generations. Now I am happy to witness that this heritage has not been broken but it is well alive in our persistent daughter Liisa-Lotta.

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Lappeenranta, December 2006

Hanna-Kaisa Ellonen

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PART II: PUBLICATIONS

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2. Ellonen, Hanna-Kaisa and Karhu, Piia (2006). **Always the little brother? Digital-product innovation in the media sector.** *International Journal of Innovation and Technology Management*, 3(1), 83-105.
3. Ellonen, Hanna-Kaisa and Kuivalainen, Olli (2006). **The development of an online success story: A case from the magazine publishing industry.** In Soliman, K. (ed) *Managing Information in the Digital Economy*, Proceedings of the 6th IBIMA conference (June 19-21, 2006, Bonn, Germany) – CD ROM, p. 90-98. Full paper peer reviewed. *Best Paper Award*. Accepted for publication in Soliman, K. (Ed). *Advancing @ the Speed of Technology: E-Business Strategies for Modern Corporations*, IBIMA Press in Spring 2007.
4. Ellonen, Hanna-Kaisa, Kosonen, Miia and Henttonen, Kaisa (2007). **The development of a sense of virtual community.** *International Journal of Web Based Communities*, 3(1).
5. Ellonen, Hanna-Kaisa (2006). **The impact of Internet on the magazine publishing industry.** Proceedings of the eBRF Global Conference on Emergent Business Phenomena in the Digital Economy, 28 November – 2 December, 2006, Tampere, Finland. Full paper peer reviewed.

The contribution of Hanna-Kaisa Ellonen to the publications:

1. Made the research plan and coordinated the writing of the paper. Wrote most of the paper.
2. Made the research plan and coordinated the writing of the paper. Wrote the introduction, methodology, discussion and conclusion sections of the paper, while the co-author focused on the theoretical part of the paper. Conducting the interviews and the interpretation of the empirical results was a joint effort.
3. Made the research plan and coordinated the writing of the paper. Wrote most of the paper. Collected the case data and interpreted the empirical results.
4. Made the research plan and coordinated the writing of the paper. Wrote most of the paper. Took most responsibility in collecting the case data and interpreting the empirical results with the co-authors.
5. Sole author.

PART I: OVERVIEW OF THE DISSERTATION

1. INTRODUCTION

1.1. Research background

Over the past few decades, the media industry has been confronted by turbulent, complex and rapid change, high and multivariate competition, new forms of production and distribution, and perhaps most radically, entirely new types of products (Küng 2004, Chan-Olmsted 2006a). Researchers have followed this development and proposed that the rise of the Internet and digitalization are strongly influencing the industry: they are changing the existing market dynamics and activities, and are thus requiring new strategies (see, for example, Doyle 2002, MTT 2005).

I first became intrigued by the strategic challenges of the magazine publishing industry and the Internet after graduation when I started working in the media in the late 1990's. At the change of the millennium, the Internet as such, and especially with its interactive applications, represented something totally new to most consumers – and to most publishers. Publishers were forced to ponder upon what would be the ideal use of the Internet, how it would be embedded in the daily operations of their magazines, and what their strategic options were.

When I started my graduate studies I knew I wanted to pursue issues concerning the Internet in the media industry. My personal goal was to become engrossed in the fascinating world of magazine publishing and, with the help of previous research, make more sense and structure of the role and the impact of the Internet in this particular setting. During this exploration I became familiar with a stream of research called media management and economics (MME) research. This growing body of literature focuses on economic, management and business issues in the media industry, and thus has greatly contributed to this study and to my understanding. It should be noted, however, that while MME research strives towards a deeper understanding of the challenges faced by contemporary media companies, it is not tied to specific theoretical approaches. It is rather a multifaceted discipline (c.f. Mierzewska & Hollifield 2006) that incorporates and closely interacts with classic disciplines such as strategic management, and the management of technology and innovation.

The magazine publishers have acted and reacted quickly to the changing market forecasts: in the late 1990's we saw a few years of high-profile Internet investments, but in the early 2000's many ventures were closed or run down. Now, for the past couple of years, another new perspective has opened up as publishers have taken a step-by-step approach in continuously developing and updating their websites. In this "second wave" it seems that efforts are more focused on improving online services rather than marketing them, which was the case in the late 1990's. From the changes that have taken place in the industry it is evident that publishers' objectives and strategies are under constant modification. It has also been realized that making Internet ventures profitable is more difficult than previously thought, and it may even be impossible (cf. Barsh *et al.* 2001). The Internet clearly represents a major challenge. This research responds to this by seeking a deeper understanding of *the impact of the Internet in magazine publishing*.

1.2. Research context: the magazine publishing industry

This section briefly introduces the research context, i.e. the magazine publishing industry. It begins with a definition of the magazine concept, and different types of magazines are classified. This is followed by a review of the characteristics of and facts about the industry in general terms, and then with a particular focus on the Finnish market.

According to Daly *et al.* (1997), a magazine is a periodical publication that includes articles, reportage, essays, fictional stories and photographs. They list its typical features as follows:

- It has a defined audience
- It can be printed on any kind of paper, but must have pages
- It does not need to have subscribers or to publish the advertising of other companies, but most do
- It can be published at any frequency.

The Finnish Periodical Publishers' Association (Aikakauslehtien liitto 2006a) also adds two other attributes: it is possible to subscribe to a magazine or it is in other ways widely available; and it is not necessarily in paper format - it may constitute only the web publication.

Basically, there are three types of magazines: consumer magazines, trade or business magazines and custom magazines. On some occasions, also scholarly journals, catalogues and crossword puzzle magazines are included in the definition. Most magazines are run as profit-making businesses and make money through the sale of single copies and subscriptions to consumers, and of advertising space to advertisers (e.g., Daly *et al.* 1997). The industry is less dependent on advertising revenue than the newspaper industry, however. Long-term contracts have a stabilizing effect on both revenue sources - advertising and circulation - but the financial performance is highly cyclical. (Picard 2002)

On the international level the magazine publishing industry has been flourishing (Doyle 2002) — in marked contrast to the struggling newspaper industry, for example: the last two decades have seen growth in both readership and revenue. Doyle also observes that magazine publishing is more international than newspaper publishing, and that European magazine titles have been successfully sold across national boundaries. However, while most of the content is not constrained by locality, many publications do have a cultural specificity and localization is often needed in order to meet the demands of a particular market environment (*ibid.*, 135).

Recent technological advancements have moved the business towards economies of scope and the production of a larger number of magazine titles with low print runs, whereas it used to rely strongly on economies of scale, and focused on a few high-circulation titles (*ibid.*). Thus, the general trends are towards an increasing number of titles and a declining average circulation per title (Picard 2002, 2003, Toivonen *et al.* 2004). The industry has also witnessed reductions in advertising revenues, and the overall competition for advertising is expected to be fiercer with the rise of new media channels such as the Internet and interactive digital television (Toivonen *et al.* 2004). For example, Carat International (2006) estimated that Internet advertising would continue its rapid growth of 25 per cent year-on-year worldwide in 2006, and that in early-adoption countries such as Sweden, the Internet would overtake magazines and become the third biggest advertising medium after TV and newspapers.

The focus of the empirical papers that comprise this study is on a single market, i.e. Finland. The characteristics of the Finnish magazine market are briefly described in the following.

The Finnish magazine-publishing market as a whole is dispersed and only a minority of the titles falls under the umbrella of the main commercial publishers. Of the 2,800 and more titles the majority are published by different associations and organizations, and the consumer-magazine market is, in fact, rather consolidated: eight major publishers produce over 85 per cent of the titles (Grönlund *et al.* 2003).

The annual turnover of the industry was 680 million euros in 2004 (Tilastokeskus 2006a), and it is the second largest media industry in Finland after newspaper publishing. It has also witnessed continuous growth for the last ten years. A special attribute of the Finnish market is the relatively low proportion of single-copy sales: only six per cent of all magazines are sold as single copies, the rest being distributed by post. In 2005, magazines accounted for 16.3 per cent of the total ad spend, and the Internet for three per cent (Aikakauslehtien liitto 2006a). In both cases this represented an increase over the 2004 figure, but while the share of magazines increased by 4.7 per cent year-on-year, that of the Internet increased by 42.1 per cent. Internet advertising is by far the most rapidly increasing channel. (Aikakauslehtien liitto 2006b)

Finns spent 33 minutes on average reading magazines every day in 2004 – exactly the same amount of time they spent using the Internet. The time spent on both activities has increased: 25 minutes were spent reading magazines and 21 minutes using the Internet daily in 2002. In comparison with time spent with other mass media, both the Internet and magazines are gaining ground, while television and radio, for example, have been losing ground (Aikakauslehtien liitto 2005).

It is also worth noting that in terms of use and adoption, Finland as a country has been at the forefront since the inception of the Internet (e.g., Nurmela *et al.* 2000). According to Statistics Finland (Tilastokeskus 2005), 54 per cent of Finnish households had an Internet connection and 36 per cent had a broadband connection in 2005, and 73 per cent of Finns used the Internet in 2005 (Tilastokeskus 2006b). The Finnish government actively promotes ICT development in Finland (cf. Liikenne- ja viestintäministeriö 2005).

In sum, the market in Finnish magazine publishing is very competitive, yet the industry is doing well. However, it seems that the Internet has started to put on pressure in the competition for both customer time and advertising revenue. What makes the situation very interesting is that both magazines and the Internet have increased their shares of the total ad spend and of consumer time in recent years.

1.3. Research gap

MME researchers have been studying issues to do with the so-called “new media”, convergence and digitalization since the end of the 1990s. Research on the impact of digitalization and the Internet in the industry has emphasized news-focused media such as newspaper publishing (e.g., Chyi & Sylvie 2000, Chyi & Lasorsa 2002, Saksena & Hollifield 2002, Dimmick *et al.* 2004) and broadcasting (e.g., Chan-Olmsted & Jung 2001, Liu & Chan-Olmsted 2003, Bucy 2004). It is notable that magazine publishing is very seldom the focus of the research: it is specifically targeted in only seven per cent of the published studies on media management and economics¹. There are even fewer studies focusing on new media activities in the magazine publishing industry (for a review, see Publication 1). The ones that do exist have investigated diverse issues on the product level. On the other hand, several MME handbooks and textbooks describe general trends, such as digitalization, which are prevalent in different media industries, yet they do not address the competitive impact of the Internet on the company level.

On a more general level, there seems to be a need in MME research to move towards conducting more strategic studies on media companies (e.g., Chan-Olmsted, 2006a). Several researchers have noted the dramatic changes that are going on in the industry (e.g., Doyle 2002, Küng 2004, Chan-Olmsted 2006a), yet current research fails to address the competitive implications of this development. In fact, Shaver & Shaver (2006) have called for studies investigating strategic issues to do with the Internet in media industries.

¹ Estimate based on articles published in the International Journal of Media Management and the Journal of Media Economics in 2001-2005, a total of 188 articles.

The last twenty years have produced a growing body of literature focusing on how the introduction of new technologies affects industries and companies (e.g., Dosi 1982, Tushman & Anderson 1986, Anderson & Tushman 1990, Tripsas 1997, Christensen 1997, Christensen & Overdorf 2000, Christensen 2006, Markides 2006, Tellis 2006). Nevertheless, Danneels (2004) suggests that scholars should still seek to enhance understanding of how new technologies shape firms and industries.

Tripsas (1997) stressed the importance of considering multiple perspectives in his analysis of the competitive implications of technological change. Pettigrew & Whipp (1991) argue in favor of combining different levels of analysis in studies on the competitive implications of strategic change. Multilevel analysis is also often called for in media-management studies (see Albarran 2006, Dimmick 2006). Therefore, in order to arrive at a multifaceted and more holistic understanding of the phenomenon in question, a multi-level approach was chosen for this study.

The multi-level analysis was conducted with regard to the sources of competitive advantage. The concept of competitive advantage refers to *a firm's ability* to outperform its industry (cf. Besanko *et al.* 2000, 626). However, strategy theories differ as to the sources of competitive advantage, and researchers debate the relative impact of *industry-* and *firm-specific* factors (see e.g., Rumelt 1991, McGahan & Porter 1997, Hawawini *et al.* 2003). According to Besanko *et al.* (2000), there are two broad approaches to achieving competitive advantage: the first is to pursue a cost advantage (lower costs with the same or lower perceived customer benefit), and the second is to pursue a benefit advantage (higher perceived customer benefit with the same or higher prices). These approaches are reflected in *product-level* choices, as customers' perceived value and the price are linked to an individual product. Hence it was also considered worthwhile to study product-level attributes. The impact of technological change on the magazine publisher's competitive advantage is discussed in this study on these three analytic levels: the industry, the company and the product.

In sum, this study aims at contributing to MME research in moving towards more strategic, company-level questions, and also, given the multi-level setting, to technology-management research and the promotion of a deeper understanding of the competitive implications of

technological change. The research gap is thus justified, and the chosen approach to pursue a multi-level analysis of the strategic competitive implications of technological change in magazine publishing is supported by the literature and in terms of the potential contribution to the theoretical developments in the field. The research questions and the structure of the study are presented in the following.

1.4. The goals and structure of the study

The purpose of this study is to explore the role and effect of the Internet on magazine publishing. Thus it aims at building a descriptive theory² (cf. Christensen 2006) regarding the effect of this technological change in this particular industrial context, and as such follows the applied tradition of media economics scholarship with its emphasis on understanding trends and changes (Picard 2006).

The nature or impact of technological change could be studied from diverse perspectives. The one taken in this study is that of *a firm* operating in this industry, and the nature of this technological change is interpreted with regard to its impact on the individual firm's competitiveness, i.e. the *strategic* impact. Therefore, the primary unit of analysis in this study is the company.

The main research question is thus:

What is the strategic effect of Internet on the magazine publisher's competitive advantage?

An inductive approach was chosen to complement the exploratory research design of the study. The exploration started with product-level investigations and proceeded to more general

² According to Christensen (2006), theory is built in two major stages: the descriptive stage and the normative stage. The descriptive stage aims at inductively observing and classifying phenomena and defining their relationships, while the purpose of the normative stage is to deductively confirm and refine the statements of causality made in the earlier stages.

approximations on the firm and industry levels. In order to solve the main problem it was necessary to start by answering the following sub-questions:

- | |
|--|
| <ol style="list-style-type: none"> 1. What is the role and impact of the Internet on the product level? 2. What is the role and impact of the Internet on the firm level? 3. What is the role and impact of the Internet on the industry level? |
|--|

Finally, the findings of these three levels of analysis were interpreted from the perspective of the competitive advantage to answer the main research question.

Figure 1 below illustrates the units of analysis, positions of the individual publications and Part I of the thesis within the research setting:

Unit of analysis	Research questions	Part II: Publications	Part I
Product	Sub research question 1: What is the role and impact of Internet <i>at the product level</i> in magazine publishing?	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 2px;">Publication 1</div> <div style="border: 1px solid black; padding: 2px;">Publication 3</div> </div> <div style="display: flex; justify-content: center; margin-top: 10px;"> <div style="border: 1px solid black; padding: 2px;">Publication 4</div> </div>	Section 4.1
Company	Sub research question 2: What is the role and impact of Internet <i>at the company level</i> in magazine publishing?	<div style="border: 1px solid black; padding: 2px; margin-bottom: 10px;">Publication 2</div> <div style="border: 1px solid black; padding: 2px; margin-left: 100px;">Publication 5</div>	Section 4.2
Industry	Sub research question 3: What is the role and impact of Internet <i>at the industry level</i> in magazine publishing?		Section 4.3
Company	Main research question: What is the <i>strategic impact</i> of Internet on the magazine publisher's competitive advantage?		Section 4.5

Figure 1. The research setting

Consequently, several publications are on the product-level: The discussion in Publication 1 mainly reflects product-level decisions. Publications 3 and 4 analyze the web sites of a single magazine. In Publication 2, the unit of analysis is an individual digital development project, typically a linked to an individual product. However, the discussion in Publication 2 also reflects some company-level phenomena. Publication 5, on the other hand, combines the views of two strategy schools and therefore, the discussion is at both company and industry levels.

The findings of the publications are discussed in the Part I of the thesis. Especially Chapter 4 elaborates on the findings of the individual publications and relates them to prior research. The discussion covers the three research sub-questions on the effect of the Internet at the product (4.1), company (4.2) and industry (4.3) levels. Chapter 4.5 concludes the study by answering the main research question regarding the strategic effect of the technological change.

The structure of Part I of the thesis is presented in Figure 2 below.

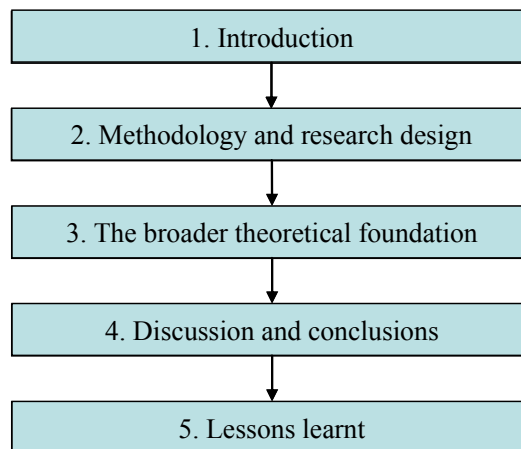


Figure 2. The structure of Part I of the dissertation

The introduction gives the background and context, and sets out the research questions. Chapter 2 introduces and justifies the research design and methodological choices that correspond with the chosen research strategy. The broader theoretical foundations of strategic and competitive

advantage and technological change are reviewed in Chapter 3, while Chapter 4 links prior research with the findings reported in the individual publications. Finally, Chapter 5 concludes the study with an assessment of the research design and the quality of the results, and a discussion of the main contributions.

1.5. The scope of the study

As discussed earlier, this study aims to promote a multifaceted understanding of the competitive impact of the Internet on magazine publishing. However, several limitations concerning its scope should be mentioned, and these are presented below.

The first limitation concerns the analysis of competitive advantage. While it is acknowledged that achieving competitive advantage is linked to both the costs and the value of the firm's offerings, this study does not focus on the financial aspects of the Internet: the goal is rather to understand its strategic effect on a more general level.

Secondly, the impact of the Internet could be studied from various perspectives. The goal in this introductory part of the dissertation is to analyze the nature of this technological change with regard to its impact on the individual firm's competitiveness, i.e. the *strategic* impact. This therefore sets the dissertation primarily in the fields of strategic management and technology management. Several other streams of literature, such as that on relationship marketing, e-commerce, knowledge management and journalism, also discuss issues closely related to the Internet in this industry, but those discussions fall beyond the scope of this study.

Several different types of magazines were mentioned in section 1.2 in the presentation of the magazine publishing industry. Different types of magazines differ considerably in terms of their business logics, and it is also assumed that the impact of the Internet also differs across magazine types. Therefore, one sub-market was chosen for this study: the aim was to further understanding of the impact of the Internet on the market for consumer magazines.

Magazine markets also differ geographically - in terms of Internet penetration and business logic, for example (revenue from single copies/subscriptions and circulation/advertising). This study focuses on the Finnish consumer-magazine market.

2. METHODOLOGY AND RESEARCH DESIGN

2.1. Research design

As mentioned earlier, previous literature on the role or impact of the Internet in the magazine publishing industry is very limited. Therefore, as with most media-management and economics studies, only little ‘benchmark research’ was available (c.f. Albarran 2006). In order to gain new insights, a *descriptive* and *exploratory* research strategy was chosen: capturing new knowledge and new perspectives was emphasized in the choice of design and methodology. The research approaches are illustrated in Figure 3 below.

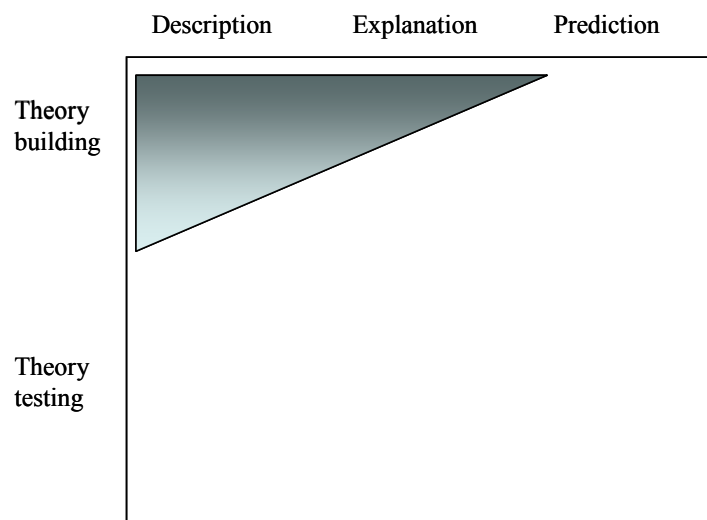


Figure 3. Research strategies (Adapted from Snow & Thomas 1994, 470)

2.2. The research process and the contribution of the researcher

This study includes five refereed research papers (for summaries of the objectives and contributions of each paper, see Appendices 1-5). Since the extant literature on the subject was

scarce, the research strategy was exploratory and sequential, each publication gradually building up understanding of the subject. Figure 4 gives a general overview of the research process and of how the different papers relate to each other.

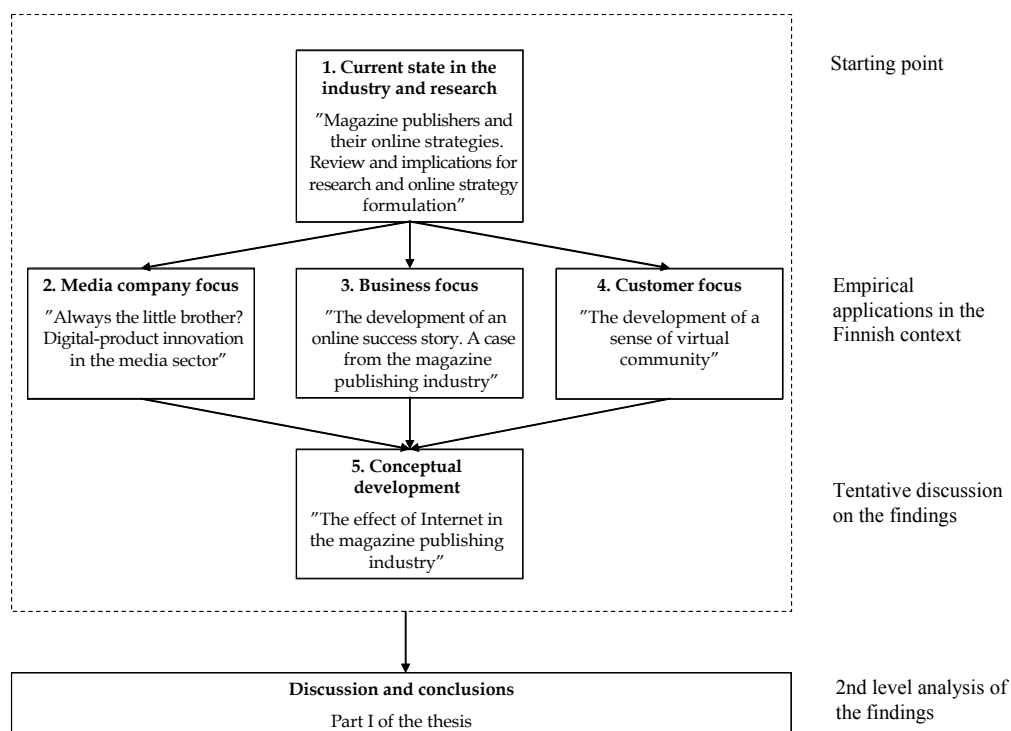


Figure 4. Outline of the study

The order of the publications also roughly reflects the chronological order of the research process. My initial aim was to review what had been written about the Internet in magazine publishing, and while I was carrying out the research that resulted in Publication 1 I became interested in virtual communities as well. Virtual communities were very fashionable in academic journals at that time, and featured regularly in various reports on the magazine publishing industry as the first Finnish success stories received publicity in the Finnish media. As a result, while somewhat naive and normative, Publication 1 serves as the starting point for the whole study in that the prior research on and knowledge of the Internet in magazine publishing is

reviewed and discussed. Several avenues for future research arose from the analysis: firstly, to examine the internal resistance in magazine companies to the Internet and secondly, to investigate the role of an online community in the magazine website. I took the main responsibility for planning and writing this publication, while Olli Kuivalainen's role included writing a section on the strategic planning of the firm and giving support in the writing of the paper, as well as providing guidance during the different phases of the publication process.

The next three papers explore these research avenues empirically in the context of the Finnish media. Publication 2 was the first to be published and it builds on the notion of internal resistance towards the Internet in magazine publishing companies. The purpose was to explore the internal factors that influenced digital innovations in media companies: what project- and company-level issues in Finnish media companies either hindered or supported digital services. The paper was co-authored with Piia Karhu, who took the main responsibility for writing the literature review, while my role was to plan and write the introduction, the methodology section, the discussion and the conclusions. We shared the responsibility for conducting the interviews. Both authors coded the data individually for certain interviews and contributed to the key findings individually. The findings were double-checked and agreed upon jointly.

Because of my prior working experience in magazine publishing I had closely followed the development of Finnish consumer-magazine websites. I felt that a good single case study would help me to understand the indirect possibilities of such a website better, while prior research seemed to focus on business models and very particular aspects of consumer behavior, for example. I had the opportunity to study the Baby and Pregnancy (BAP) magazine for two of the publications. The objective of Publication 3 was to explore the motives for hosting a magazine website. The case magazine could be considered a success story in terms of the website visitors it attracts, thus a further objective was to consider the reasons behind the success. As a single case study, the publication was focused not on generalization, but rather on illustrating that magazine web sites could support traditional print magazines in a number of indirect ways.

This third publication was co-authored by Olli Kuivalainen, whose role was to write a section about Internet penetration in Finland, and to generally act as a consultant in the research process.

I drew up the research plan and coordinated the writing of the paper. I also independently collected the case data and interpreted the empirical results. The text was, for the most part, written by me.

Publication 1 had aroused interest in virtual communities in connection with magazines. The BAP magazine also hosts one of the most active virtual communities in Finland, thus the purpose of Publication 4 was to take a customer perspective and explore the factors that actually attracted and attached people to communal websites. This publication has undergone several rounds of iterations, and the revisions made have taught me not only about the dynamics of virtual groups, but also about analyzing and reporting qualitative data. The version included in this study is the most advanced and generally applicable in terms of the research contributions, but it also lacks some of the discussion that was more closely linked with the specific attributes of magazine publishing,

I worked on Publication 4 with Miia Kosonen and Kaisa Henttonen. I drew up the research plan and coordinated the writing process. I also collected the case data, but my co-authors provided valuable support in interpreting the results. I wrote most of the text, but Miia Kosonen is responsible for the literature review on the sense of virtual community,

Finally, Publication 5 represents an initial attempt to further the discussion on a more conceptual level. The findings from the preceding papers are used, together with classical literature on strategies, to further understanding of the impact of the Internet on both industry and company levels. I was the sole author of this publication.

As I was preparing Publication 5 I also realized that it would be useful to have some data on the company and industry levels. The data collected for the other publications provides interesting leads in terms of understanding the nature of the Internet's impact on competitive advantage, but I wanted to conduct another round of interviews in order to gather expert opinions on the strategic issues as well. As explained earlier, this Part I of the thesis includes a 'second-level' analysis and discussion of the findings reported in the publications. The purpose is to elaborate on the findings with the help of the data from the expert interviews, and to proceed towards

answering the main research question: what is the strategic effect of the Internet on a magazine publisher's competitive advantage. I am the sole author of this introductory Part I of the dissertation.

2.3. Four types of triangulation

The methods of a study should correspond to the chosen research strategies. In this case, the research strategies were descriptive and exploratory, thus the methods should also be appropriate for capturing new knowledge and perspectives.

According to Hollifield & Coffey (2006), qualitative methods generate rich, detailed data that could offer insights into the inner workings of organizations. Thus, they consider them suitable for researching issues of media management. Snow & Thomas (1994) recommend the use of realistic methods, such as observation and interviews, in strategy research as well, reflecting the fact that management studies often use multiple methods across different phases of the research project. Therefore, qualitative methods were chosen to execute the explorative research strategy in this study.

Denzin & Lincoln (2000, 4) used the metaphor describing 'a qualitative researcher as a quilt maker', referring to the researcher's role of stitching, editing and putting pieces of reality together. They (ibid, 5) also state that in qualitative research, "Many different things are going on at the same time – different voices, different perspectives, points of view, angles of vision". Thus, qualitative research, by nature, is multi-methodological. The notion of using multiple methods or viewpoints is closely related to the concept of triangulation, which refers to the use of 1) multiple data-collection technologies, 2) multiple theories, 3) multiple researchers, and 4) multiple methodologies, or a combination of these four categories (cf. Eskola & Suoranta 1998, Berg 2004).

Triangulation reflects an attempt to secure an in-depth understanding of the research phenomenon (Denzin & Lincoln 2000). Eskola & Suoranta (1998) see its value in situations in which it is very difficult to get an extensive understanding of the phenomenon by using a single method. This is

close to Christensen's (2006) argumentation for using multiple methods and theoretical lenses in theory building to help to avoid incomplete and misleading results. For the purposes of this study, triangulation was chosen in order to obtain an in-depth understanding of the phenomenon and to increase the validity of the results (cf. Yin 2003).

All four types of triangulation were utilized, each of which is now described in turn.

Theoretical triangulation

Theoretical triangulation refers to the use of multiple perspectives in interpretation. Thus, several streams of research are combined and the research phenomenon is interpreted using multiple lenses to produce complementary insights. Figure 5 below illustrates the research streams used in different phases of the research process.

Publication 1 started the process with a review of previous studies on magazine publishers' online activities, which incorporates research on media management and economics, and also on e-business. The notion of virtual communities is also addressed and related research is presented. Publication 2 takes an innovation perspective on digital services in the media sector, Publication 3 combines research on e-business and virtual communities from a business perspective, while Publication 4 focuses on the internal social processes of the virtual community. All these notions are brought together in Publication 5 within the frameworks of two streams of strategy research: industrial organization economics and the resource-based view of the firm. The introduction of the thesis presents the broader theoretical foundations, i.e. research on competitive advantage and technological change.

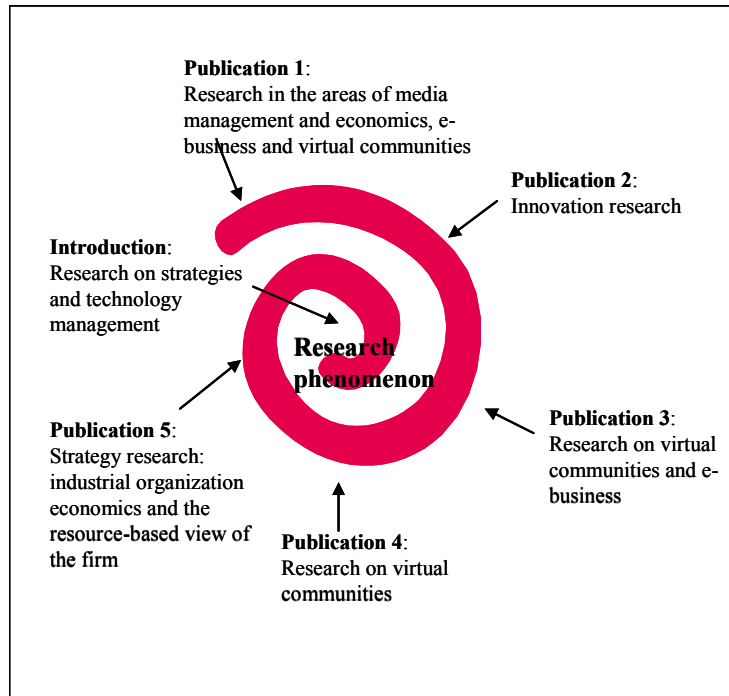


Figure 5. Theoretical triangulation

Methodological triangulation

Methodological triangulation refers to using multiple methods in one study, which in this case meant using different types of qualitative methods in the data collection and analysis. Figure 6 illustrates the methodological triangulation of the whole study, and describes the methods used in different phases of the research process.

Publication 1 comprises a literature review, while the data collection for Publication 2 was carried out by means of narrative interviews. Narrative, or storytelling, is a burgeoning interdisciplinary method (Riessmann 2002), and is particularly useful in business research when complex organizational issues are being studied (Czarniawska 1997, Agostino n.d.). Narratives offer a means of gaining access to deeper organizational realities, and are closely linked to

members' experiences (Yiannis 1998). In particular, issues of resistance and disagreement can be addressed through narratives (Rhodes 1996). This aspect was important, as the aim in Publication 2 was to promote a deeper understanding of the factors that promote and also hinder digital innovations in media organizations. The narratives thus supported the exploratory objects and the organizational context of the study very well. The suggestions made by Auerbach & Silverstein (2003) were followed when the narratives were collected, and the participants were asked to talk about their history with regard to the phenomenon in question (for the narrative interview guide, see Appendix 6).

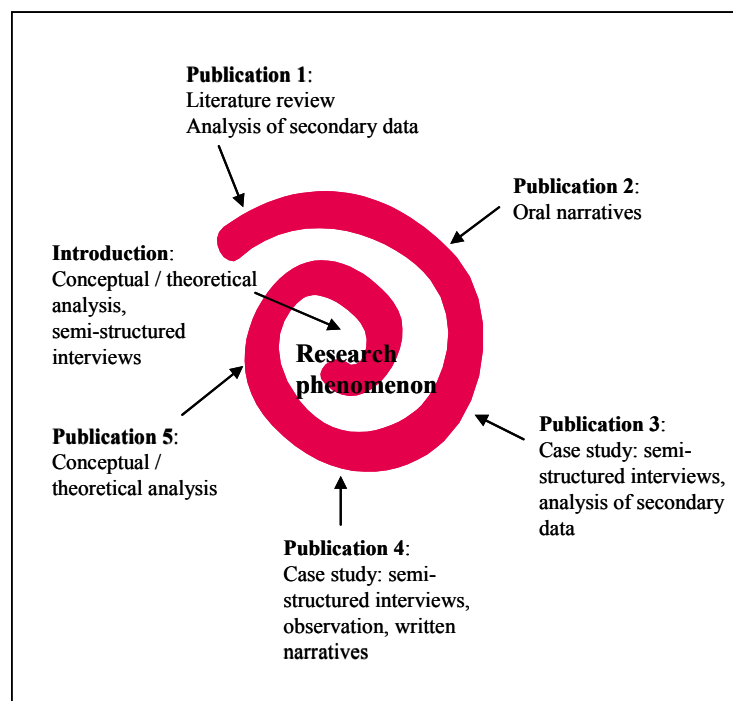


Figure 6. Methodological triangulation

The next two publications (Publications 3 and 4) report case studies. According to Yin (2003), the objective of a case study is to understand a phenomenon in its natural context. Eriksson & Koistinen (2005) emphasize the importance of describing and understanding the context, as it

makes the case understandable and partly explains it. Dyer & Wilkins (1991) consider “good stories” to be the ultimate result of case studies: good stories may make us see new theoretical relationships and question old ones. Given the scant number of prior studies, the stories in the form of these cases were seen as a fruitful way to proceed with the research project and to obtain new insights into the phenomenon.

The main data-collection method used for Publication 3 was the semi-structured interview. This involves the implementation of a number of predetermined questions and special topics, but allows the interviewers freedom to digress (Berg 2004) and latitude in terms of how the questions are asked and in what order (Shank 2006). For the purposes of this study, semi-structured interviews were considered useful as they allow in-depth study of the phenomena. Snow & Thomas (1994) consider interviews an important method in theory building, and thus would support the exploratory research design of this study (for the interview guide, see Appendix 8).

The above-mentioned semi-structured interviews also provided background information for Publication 4, for which written narratives and observation were also used. Written narratives were chosen because the objective was to gain a deeper understanding of the positive and negative experiences related to trust and sense of community in the case community. As Riessman (2004a) notes, “If we want to learn about experience in all its complexity, details count: specific incidents, not general evaluations of experience.” A request for narratives (see Appendix 10) was posted on the case magazine’s web site. The community actions on the website were also observed, and a field diary was kept of the observations. As Snow & Thomas (1994) note, case studies rely heavily on direct observation. Observation is also seen as a necessary method in online research (Kendall 1999), and thus it was considered relevant for Publication 4 when the research focus was on the social processes of a virtual community. Publication 5 includes a conceptual /theoretical analysis of prior research.

After the data collection and analysis that led to the writing of the five individual papers, a further eight people were interviewed in April 2006 in order to elaborate on the findings. These expert interviews were semi-structured (see Appendix 12 for the interview guide). They were purposefully informal and conversational in nature, as it has been suggested that corporate

leaders tend to respond more positively to a conversational style that allows them some control over the direction of the interview (Hollifield & Coffey 2006). Six of the interviews were one-on-one, and on one occasion there were two respondents. Each interview lasted for 45-75 minutes.

All of the interviews were tape-recorded, with the permission of the interviewees, and transcribed for analysis. According Miles & Huberman (1994, 56), coding is equivalent to analysis in qualitative research. The method used for analyzing the data for the five publications as well as for this introduction was thematic analysis (cf. Auerbach & Silverstein 2003), which emphasizes the content of the text (e.g., Aronson 1994, Riessman 2004b). The researcher is more interested in “what” is said than in “how” it is said. The thematic approach is useful for theorizing across a number of cases or interviews (Riessman 2004b), and was used in this study for finding common thematic elements running throughout a number of interviews/narratives. The coding technique was elaborative, or top-down coding, which is based on theoretical constructs (Auerbach & Silverstein 2003). The Atlas/Ti-program was used as a coding tool. The main advantage of using a computer program in the coding is that it helps with the cut-paste techniques and enables the researcher to maintain a chain of evidence. The analysis is always the task of the researcher, yet the software provides a tool for handling a large amount of data (see Appendices 7, 9, 11 and 13 for lists of the main codes used in the data analysis).

Each of the five publications contains a detailed description of the data-gathering and analysis procedures.

Data triangulation

Data triangulation refers to using a variety of data sources. Figure 7 below shows how it was applied in this study.

Publication 1 reviews and analyzes prior academic research as well as secondary data from the magazine publishing industry. Using secondary data is considered typical of research in the media industry (Doyle & Frith 2006).

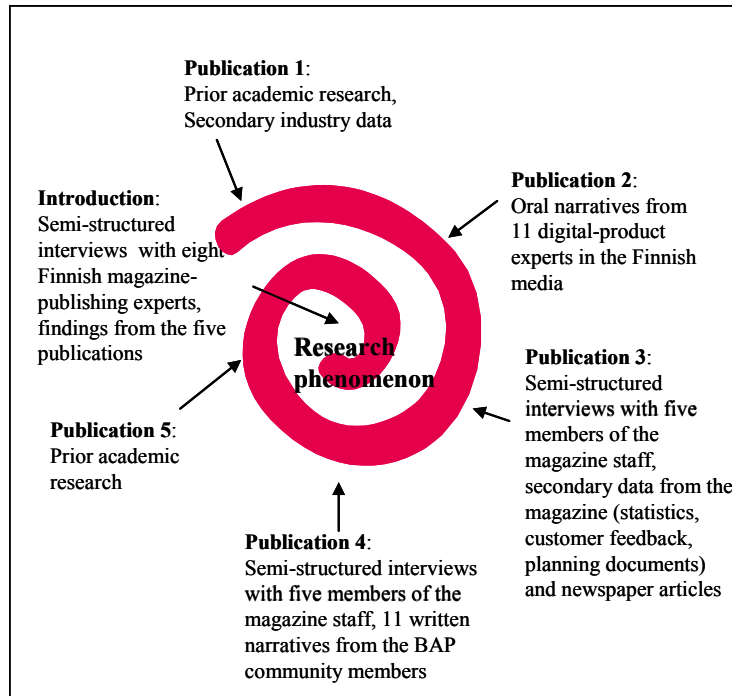


Figure 7. Data triangulation

The sample population for Publication 2 included 11 digital-product experts (see Table 1 below) within the Finnish media. Most established media companies in Finland operate in several industries (i.e. broadcast television, radio, newspapers, magazines, books, film and recording). While the business units of each sector usually operate rather independently, they are still co-dependent in terms of investments and new-product development, for example. Therefore, the sample included experts from various business units (both within the company and in the partner organizations) in order to gain an understanding of the climate for innovation and the working culture in media companies. Snowballing sampling (cf. Auerbach & Silverstein 2003) was used to identify suitable respondents.

Table 1. Sample of Publication 1 (Ellonen & Karhu 2006, 91)

Interviewee	Role	Type of media worked with	Work experience with digital media products	No of digital innovation cases worked with
1	Chief editor, internet	magazines, internet	> 5 years	5-10
2	Chief editor, internet	newspapers, magazines, internet	> 5 years	>10
3	Planning manager	internet, mobile, TV	5 years	5-10
4	Media advertising planner	internet	> 5 years	5-10
5	Editor	newspapers, internet	> 5 years	5-10
6	Director, learning	books, e-learning, e-books, learning CDs	>7 years	>10
7	Director, internet	newspapers, advertising, internet, mobile	>12 years	>15
8	Senior manager, business development	mobile service concepts, internet, gaming	>7 years	>10
9	Strategic development, books	books, e-learning, internet	>5 years	5-10
10	Producer, development and new media	TV, interactive TV, internet, mobile	>7 years	>20
11	Editor in-chief	mobile service concepts, TV, videos	>5years	5-10

The subjects in the semi-structured interviews utilized in Publications 3 and 4 included five current and former members of the case magazine's staff representing different functions of the publisher (see Table 2). Statistical data on web-visitor development, documents on strategic planning, and customer feedback were also used in Publication 3. Other sources included newspaper articles covering the web site and circulation statistics provided by the Finnish Audit Bureau of Circulations. Publication 4 is also based on 11 written narratives from the case (BAP) community members. However, as these narratives describe private and somewhat sensitive experiences, the community members chose not to reveal any personal details, and, therefore, no detailed sample description can be made. Publication 5 builds on prior research and incorporates no empirical data.

Table 2. Sample of the semi-structured interviews, Publications 3 and 4

Interviewee	Title	Experience with the case
1	Marketing director	> 5 years
2	Editor-in-chief in 2004	2-3 years
3	Editor-in-chief in 1998	> 5 years
4	Chief editor of the web site	> 5 years
5	Planning manager, advertising sales	> 5 years

For this introduction, the findings from the five individual publications were elaborated on with expert interviewees representing the Finnish magazine publishing industry. The approach selected for this part of the study was purposeful sampling, with a view to reaching information-rich cases (c.f. Miles & Huberman 1994, Marshall & Rossman 1999, Patton 2002, Berg 2004). Both strategic-level managers and executives responsible for individual magazines were interviewed in order to produce complementary insights. Experts in the three largest magazine publishing companies in Finland were contacted, but only representatives of two of them agreed to be interviewed. The managing director of the Finnish Periodical Publishers' Association was also included in the sample. Table 3 describes the roles and experience of each interviewee. (To protect the privacy of the interviewees, the citations from the interviews are marked *interviewee a-h*. It should be noted, however, that the letters a-h do not correspond with the order in the table below).

Table 3. The roles and experience of the expert interviewees

Interviewee	Title	Organization	Experience within the magazine publishing industry
1	Managing director	Finnish periodical publishers' association	15-20 years
2	Managing director	Large publishing house 1	> 20 years
3	Business unit director	Large publishing house 2	> 20 years
4	Editor-in-chief	Large publishing house 2	15-20 years
5	Planning manager	Large publishing house 2	> 20 years
6	Producer	Large publishing house 2	10-15 years
7	Chief editor, internet services	Large publishing house 1	5-10 years
8	Deputy chief executive	Large publishing house 1	> 20 years

Researcher triangulation

Researcher triangulation was also evident in the co-authored papers, as researchers with different backgrounds interpreted the data. Each of the co-authors has a different focus in their research interests: Piia Karhu on innovation research; Olli Kuivalainen on strategic management, marketing and knowledge-intensive firms; Miia Kosonen on virtual communities, social capital and trust; and Kaisa Henttonen on virtual teams and organizations.

3. THE BROADER THEORETICAL FOUNDATION

As described earlier, the motivation for this research project was to understand the impact of the Internet on the magazine publishing industry. Moreover, it was assumed that the Internet could affect both the competitive environment and the internal sources of competitive advantage of a single company. Thus, this dissertation leans on classic schools of strategy research.

3.1. Strategy and competitive advantage

The essential question in strategy research is to explain why some firms perform better than others (see e.g., Porter 1991, Rumelt *et al.* 1991). Thus, strategy could be viewed as a ‘continuing search for rent’ (Bowman 1974, 47). According to Powell (2001), several assumptions are shared under any leading strategy theory: 1) sustained superior performance exists; 2) it has specifiable causes; and 3) these causes are tied to the concept of competitive advantage (see also Barney 1997).

Competitive advantage could thus be defined as “the ability of a firm to outperform its industry, that is to earn a higher rate of profit than the industry norm” (Besanko *et al.* 2000, 626). This is in line with Schoemaker’s (1990, 1179) notion of systematically creating above-average returns or rents³. As mentioned above, there are two broad approaches to achieving competitive advantage: the first is to pursue a cost advantage (lower costs with the same or lower perceived customer benefit), and the second is to pursue a benefit advantage (higher perceived customer benefit with the same or higher price).

Besanko *et al.* (2000) note that a firm’s profitability depends jointly on the industry conditions and the amount of value it can create compared to its rivals. However, strategy theories differ as to the sources of competitive advantage, and researchers debate the relative impact of industry- and firm-specific factors (see e.g., Rumelt 1991, McGahan & Porter 1997, Hawawini *et al.*

³ Rents refer to the economic concept of above-normal returns

2003). Three streams of strategy literature, namely industrial organization economics, the resource-based view and the Schumpeterian view on innovation, are briefly reviewed in the following. Each of them provides a different outlook regarding the fundamental reason behind a firm's success and the type of rents behind its competitive advantage.

Industrial organization economics

Industrial organization economics is a field of economics that deals with the structure of markets, the behaviors of firms, and the social benefits and costs associated with various forms of market structure and firm behavior (cf. Teece 1984, Hoskinsson *et al.* 1999, Tirole 2003). Market structure is examined in terms of concentration, product differentiation and barriers of entry (Hoskins *et al.* 2004). Within the traditional body of research on industrial organizations, and building on the influential writings of Edvard Mason in Harvard in the 1930's and Joe Bain in Berkeley during the 1950's (c.f. Williamson 1990), scholars have been primarily concerned with explaining and evaluating industry performance (Spanos & Lioukas 2001). An essential paradigm within this view has been that of structure-conduct-performance, which holds that a firm's performance depends upon the conduct of buyers and sellers in the market, and their conduct depends on the structure (e.g., the number and size of the sellers) (cf. Porter 1981). The causality runs from structure to conduct and to performance, but feedback effects are also recognized (Teece 1984; McWilliams & Smart 1993).

Later, this view was translated, redirected and redefined (Teece 1984) in Porter's (1980, 1985, 1991) frameworks focusing on an individual firm and its performance. Porter (1985, 1991) views a firm as a bundle of strategic activities: resources are not valued in and of themselves but are intermediate between activities and advantage. The goal of the strategic activities is to adapt to the industry environment by seeking an attractive position in the market arena. Returns are determined by the structure of the industry within which the firm operates (Barney 1986a), and success will then result from an attractive market position, due either to the selection of a lower cost base or to product differentiation (e.g., Porter 1991). It has also been noted that cost leadership and differentiation are not necessarily inconsistent, and that in fact both are needed for

competitive advantage: it is common in mature industries in particular for many firms to have similar minimum-cost structures (Hill 1988).

Thus, a firm with an attractive market position can exercise market power (Teece 1984) and gain *monopoly or Chamberlinean rents* (Mahoney & Pandian 1992, Teece *et al.* 1997). Monopoly rents result from the deliberate restriction of output (Rumelt 1987, Peteraf 1993) and pricing above marginal costs. According to McGahan & Porter (1997), the *sustainability* of such rents is closely linked with the industry structure, which changes relatively slowly (see also Porter 1991).

The magazine publishing industry exists in monopolistic competition (Ferguson 2006), and is characterized by low barriers to entry and a moderate level of direct competition (e.g., Picard 2002, Van Kranenburg 2005). Moreover, magazine markets are mature with limited growth potential, and have traditionally been characterized by economies of scale (Doyle 2002). Thus, large firms with large product portfolios have been able to pursue efficiency by sharing resources, production processes, and distribution channels (cf. Picard 2005a, Van Kranenburg 2005).

However, current trends promoting business-process digitalization in magazine publishing are also increasingly supporting economies of scope (Doyle 2002, Picard 2002). The new cost structure thus makes it possible to produce new titles with lower print runs and to pursue strategies of segmentation (Doyle 2002). Doyle maintains that segmentation is at the heart of consumer-magazine publishing, and that the magazine brand is an important asset in ensuring that it appeals to a particular segment or niche (see Dimmick 2003 for a discussion on the theory of niches in media industries). Therefore, as is typical of monopolistic markets and creative industries (Hoskins *et al.* 2004), magazines use product-differentiation strategies and search for market niches (c.f. Tirole 2003). The titles are not perfect substitutes, and differentiation is an important product-level strategy in the search for competitive advantage in this industry.

The resource-based view

As opposed to the Porterian view of the firm as a bundle of activities, the central tenet of the resource-based view is that a firm is a bundle of idiosyncratic resources and capabilities (Wernerfelt 1984, Rumelt 1984, Barney 1986b, 1991, Peteraf 1993). As a number of researchers (e.g., Wernerfelt 1984, Peteraf 1993, Hoskinsson *et al.* 1999) have noted, the emphasis on internal resources is not new in strategy research, and was a common element in earlier works, such as Andrews (1971), Ansoff (1965) and Penrose (1959) in particular.

The argumentation for competitive advantage goes as follows. Firms are heterogeneous with regard to the resources and capabilities they possess (Barney 1991, Nelson 1991). The basic Ricardian thesis (cf. Turner 1921) is that some productive factors, i.e. resources, are more efficient than, i.e. superior to, others, and firms endowed with such resources are able to produce more economically and / or better satisfy customer needs and thus earn Ricardian rents (cf. Castanias & Helfat 1991, Peteraf 1993, Teece *et al.* 1997, Spanos & Lioukas 2001). Peteraf (1993) also noted that the condition of resource heterogeneity is equally consistent with models of market power and monopoly rents. This is in accordance with the views of Grant (1991), who considers resources (such as brands and patents) also to have an impact on the industry structure (e.g., entry barriers).

According to Barney (1991, 2001), a firm's competitive advantage is based on its valuable, rare, imperfectly imitable and non-substitutable resources, i.e. so-called VRIN attributes. Peteraf (1993) adds to this argumentation by stating that *ex ante* limits on competition are needed to make sure that rents are not offset by costs. In addition, both *ex post* limits on competition and imperfect mobility of resources are needed for the *sustainability* of rents (Peteraf 1993, see also Barney 1986b, Dierickx & Cool 1989, Mahoney & Pandian 1992). This is in line with Rumelt's (1984, 1987) discussion on isolating mechanisms, and is also linked to the notion of causal ambiguity (Lippman & Rumelt 1982), which refers to uncertainty regarding the causes of performance differences among firms. Oliver (1997) further proposed that the sustainability of rents was linked to the social context of the resource decisions, while Lieberman & Montgomery

(1998) refer to first-mover advantages such as customer-switching costs, network effects, brands, reputation and property rights.

Connected to the discussion on resources is the notion of the core competence of a firm (Prahalad & Hamel 1990). Prahalad & Hamel argue that, in the long run, a firm's competitiveness derives from its ability to build core competencies that spawn unanticipated products and therefore are the basis for new business development. According to their definition, a core competence should provide potential access to a wide variety of markets, it should make a significant contribution to the perceived customer benefit, and it should be difficult to imitate.

Spanos & Liokas (2001) note that there was no explicit distinction between resources and capabilities in the early contributions. In fact, Wernerfelt's (1984) definition of a resource was "anything which could be thought as a strength or weakness of a given firm". Amit & Schoemaker (1993) define resources as stocks of available factors that are owned or controlled by a firm; capabilities, in contrast, refer to a firm's capacity to deploy resources. According to Grant (1991), resources are the source of a firm's capabilities, and capabilities are the main source of its competitive advantage.

While Porter's view and the resource-based view differ on many aspects, they are not mutually exclusive. The RBV reflects a strong IO heritage (see Conner 1991), and many researchers (e.g., Wernerfelt 1984, Mahoney & Pandian 1992) consider them complementary. Long ago, Penrose (1959, 79) noted that environmental changes had an impact on the significance of the resources of the firm. On the other hand, Porter (1991) considered resources an important supporting – not substituting - aspect of strategy research. This is all in line with the views of Barney (1991), who claimed that these approaches covered different domains of application within the context of traditional SWOT analysis: the RBV focusing on the internal "strengths-weaknesses" analysis, and industry analysis providing the "opportunities-threats" part. Cockburn *et al.* (2000) also argue that these views share the implicit assumption that the origins of competitive advantage lie in the unusual foresight or ability of the firm's managers.

Picard (2005b) has suggested that the core competence of the magazine publisher is the selection, processing and packaging of content, and thus catching the look and feel of the concept - a notion that is linked to the concept-focused nature of the magazine product (ibid.) This is in line with Hafstrand (2001), who argued that the strategic capabilities of a magazine publisher could be located in human resource management, market knowledge and product development. She maintains that capabilities, knowledge and routines within these functions are accumulated over a long time and embedded in the organization, and thus cannot easily be replicated. It seems that the core competence and strategic resources of a magazine publisher are not linked to content creation per se, and that it is rather the processes and structures that make it possible, as well as finding and keeping the right people.

The Schumpeterian view

The third stream of literature dealing with the question of competitive advantage is based on a different outlook on competition. According to the Schumpeterian view (see Schumpeter 1934, 1943), competition is not stable or predictable (Barney 1986a), and competitive advantage is all about seizing new opportunities, entrepreneurship, discovery and innovation. Schumpeter (1934, 1943) stressed that fact that competitive advantage based on inimitable resources, capabilities or early-mover advantages could eventually become obsolete as new technologies arose and consumer preferences or legislation changed, for example (Besanko *et al.* 2000).

The basic Schumpeterian argument is that innovations, such as new combinations of existing resources and equipment (Schumpeter 1934, 65), are the dynamic element that appears at rare and irregular intervals in every industry. They then command a decisive cost or quality advantage and thus strike not at the profits and outputs of existing firms, but at their foundations (Baaij *et al.* 2004). Thus, firms that succeed in introducing new and more efficient technology will have their competitive position improved (Fagerberg 2003).

Thus, a Schumpeterian innovation may have two possible outcomes with regard to competitive advantage. First, an innovation by a leading firm enables it to renew its competitive advantage and to extend the period of persistent superior performance: continuous innovation is therefore a

source for the *sustainability* of the competitive advantage. This process is called *creative accumulation* (Breschi *et al.* 2000, Baaij *et al.* 2004). Secondly, an innovation coming from outside the leading firms destroys their core competences and competitive advantage. This is what Schumpeter (1950) called *creative destruction*.

The concept of Schumpeterian rents (see Rumelt 1987 for a discussion on entrepreneurial rents) thus refers to the above-normal returns an innovator gains from the innovation. When presenting a new product, for example, a firm encounters no or limited competition, thus creating a local monopoly, and it is able to price above marginal costs. In that sense, Schumpeterian rents are a special case of monopoly rents. On the other hand, they are also related to Ricardian rents, as they derive from new resource combinations (i.e. entrepreneurship) and new resource creation (i.e. innovation) (see Mathews 2002).

Schumpeterian ideas were later elaborated and developed in a stream of literature called evolutionary economics (see e.g., Nelson & Winter 1982, 2002), which focuses on the evolution of firms, technologies, markets, and organizational routines (Mathews 2002). The evolutionary version of the resource-based view, the dynamic capabilities view (DCV) (e.g., Teece *et al.* 1997, Eisenhardt & Martin 2000) bridges the Schumpeterian world and the RBV (Wernerfelt 1995, Makadok 2001). The DCV addresses the issue of future resource creation (Bowman & Ambrosini 2003), and specifically the firm's ability to renew its resources in line with changes in the environment. Dynamic capabilities, defined as the "ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments", are a source of *sustainable competitive advantage* (Teece *et al.* 1997). Eisenhardt & Martin (2000) take the slightly different view that the competitive value of dynamic capabilities lies in the resource configurations they generate, not in the capabilities themselves.

In contrast to the traditional RBV, according to which the *selection* of resources is the source of economic rents, the DCV identifies the *deploying* of those resources together with *capability building* as being behind rent generation (Makadok 2001). Rents in the DCV framework are considered Schumpeterian (Teece *et al.* 1997).

In sum, the concept of (sustainable) competitive advantage is most often operationalized as (sustainable) superior performance. The literature identifies three types of possible economic rents, namely Chamberlian, Ricardian and Schumpeterian, which are required in order to achieve superior performance. Each of these rents is based on a different view of the sources of competitive advantage: Chamberlian or monopoly rents derive from market power and the industry structure is seen as the most important factor with regard to sustaining competitive advantage. Ricardian or efficiency rents are based on valuable and rare resources, and sustainability relies on their imperfect mobility and inimitability. Schumpeterian rents refer to the above-normal returns an innovator gains from an innovation. In the Schumpeterian world, competitive advantage is only sustained through continuous innovation. Table 4 summarizes the discussion.

Table 4. Three views of competitive advantage

	Industrial organization economics	Resource-based view	Schumpeterian
Competitive environment	Stable	Stable	Dynamic
Basis for the competitive advantage	Market position, market power	Valuable and rare resources	Leveraging from creative destruction by innovation
Basis for the sustainability of the competitive advantage	Industry structure	<i>Ex ante</i> and <i>ex post</i> limits to competition, imperfect mobility	Continuous innovation
Type of rents	Chamberlinean	Ricardian	Schumpeterian

The impact of technological change is discussed in the following section. Firstly, different types of technological change are identified. Research on its impact is then reviewed from perspectives that correspond to the views of competitive advantage described above: its effect is discussed in relation to the market structure and the roles of incumbents vs. new firms, and to the company's internal resources. Technological change's impact on market structure reflects the industrial

organization economics view, but also the Schumpeterian view, as creative destruction may lead to new market positions. Respectively, while company's internal resources are central in the resource-based view, they may also be a source for innovation and creative destruction in the Schumpeterian view. The last section of the chapter briefly presents prior research on the Internet as a source of technological change.

3.2. The impact of technological change

Technological change has been a powerful force for industrial development (Abernathy & Clark 1985). Technology evolves through periods of incremental change punctuated by technological breakthroughs (Dosi 1982, Tushman & Anderson 1986, Anderson & Tushman 1990, Tripsas 1997). How, then, does technological change affect a firm's ability to gain or maintain competitive advantage?

Three perspectives on competitive advantage were described in the previous section. The impact of technological change on competitive advantage has also been studied from these perspectives. Classic IO tools such as Porter's five forces analysis (e.g., Porter 2001; Siaw & Yu 2004) and the diamond model (e.g., Lee & Chan-Olmsted 2004) have been used as analytical tools for understanding the competitive impact of a technology on an industry and on the national level. Likewise, the basic tenets of the resource-based schools of strategy research have been applied in studies on the effect of technological change on a firm's competitive advantage (e.g., Afuah 2002, Zhuang & Lederer 2006). A technological change could also be a creative destroyer in Schumpeterian terms: Afuah & Tucci (2003), for example, proposed a model for evaluating the extent to which the Internet is a source of creative destruction in different industries.

New technologies may create opportunities as well as pose threats. Abernathy & Clark (1985) analyzed the role of innovation⁴ in competition, and proposed that its significance depended on

⁴ It should be noted that, the expressions 'technological change' and 'innovation' are used as synonyms in some of the literature on technology management.

transilience, i.e. its capacity to influence the firm's existing resources, knowledge and skills. Correspondingly, Clark (1987) suggested that transilience was a key concept in analyzing the significance of a technology for competitive advantage. The transilience map is presented in the following, and different types of technological change are discussed.

Types of technological change

The transilience map (Abernathy & Clark 1985, Clark 1987) combines the market-transilience scale (vertical dimension) with the technology-transilience scale (horizontal dimension). In both domains the effect of innovation on competition depends on what it does to the value and applicability of established capabilities (Clark, 1987). A technological change, or discontinuity, could be either competence-enhancing or competence-destroying (Abernathy & Clark 1985, Tushman & Anderson 1986). The axes divide the map into four quadrants representing different kinds of innovation that tend to be associated with different competitive environments and require different kinds of organizational and managerial skills. The four types of technological change or innovation are briefly reviewed below.

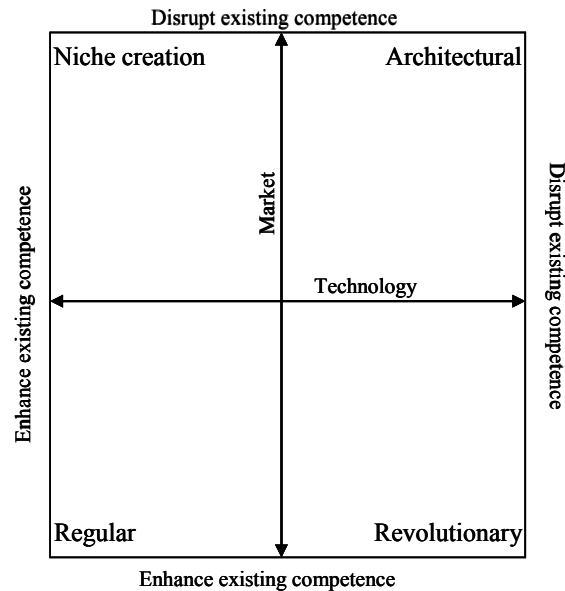


Figure 8. The transience map (Abernathy & Clark 1985, 8)

According to Abernathy & Clark (1985), “an architectural innovation” defines a basic configuration of product and process and opens up new linkages to markets and users. It thus refers to a situation in which radical technology is applied to new markets (Clark 1987). Henderson & Clark (1990) also discuss architectural innovations, which in their work refers to innovations that change the way in which product components are linked together. They suggest that architectural innovations both enhance and destroy competence.

According to Abernathy & Clark 1985 and Clark 1987, “niche creation” is also aimed at opening up new market opportunities, but through the use of existing technology, while “a regular innovation” involves change that builds on established technical and production competence and is applied to existing markets and customers. Thus, the effect of these changes is to entrench existing skills and resources. “A revolutionary innovation”, on the other hand, is applied to existing markets, yet disrupts and renders established technical and production competence obsolete.

Abernathy & Clark's (1985) transilience map is closely related to the notions of architectural innovations (Henderson & Clark 1990), discontinuous innovations (Anderson & Tushman 1990), emerging technologies (Day & Schoemaker 2000) and the growing body of research on disruptive technologies (e.g., Christensen 1997, Christensen & Overdorf 2000, Christensen 2006).

Govindarajan & Kopalle (2006) base their summary of the main characteristics of disruptive technologies on prior research: 1) the innovation underperforms on the attributes of mainstream customer value; 2) the new features offered by the innovation are not valued by the mainstream customers; 3) the innovation is often more simple and cheaper than existing products; 4) at the time of its introduction, the innovation appeals to a low-end, price-sensitive customer segment, thus limiting the profit potential for the incumbents; and 5) over time, the developments improve the performance of the innovation in the attributes valued by mainstream customers to a level at which it begins to attract more of them. Tellis (2006), however, points out that the term disruptive technology applies only in terms of the first of the aforementioned premises, while at its broadest it could encompass all five. It is therefore worth noting that, while the concept of disruptive technologies has been widely used, it has also been criticized for vagueness of definition (e.g., Danneels 2004, Markides 2006, Tellis 2006). Moreover, Christensen's (1997) original work focused on how new technologies came to surpass seemingly superior technologies and displace dominant incumbents in a market, but he later widened the application of the concept to include business models and products (Markides 2006).

For the purposes of this study, the transilience map and its classification of technological change are useful since there is a clear distinction between competence-destroying and competence-enhancing change on both the technological and the market dimensions.

Effects on industry structure

Several researchers have studied how technological change affects industry structure in a discussion that originates from Schumpeter's (1934) early writings in which he suggested that small entrepreneurial firms were likely to be the source of innovation. Subsequently (1950), he

claimed that large and established firms possessing market power were likely to be the driving force behind technological progress (cf. Tripsas, 1997). Thereafter, several researchers (e.g., Tushman & Anderson 1986, Teece 1986, Henderson & Clark 1990, Cooper & Smith 1992, Christensen 1993, Henderson 1993, Tripsas 1997) have studied the effect of technological change on incumbents versus new firms.

During incremental periods, when technological innovation builds upon the capabilities of existing firms, such firms have an advantage over new entrants (Tripsas 1997). Tushman & Anderson (1986) argue that competence-destroying discontinuities are typically initiated by new firms, and competence-enhancing discontinuities by existing firms. This is consistent with Henderson's (1993) findings that incumbents invested more in incremental innovations and were significantly less productive in introducing radical innovations. Tripsas & Gavetti (2000) summarize previous empirical findings: established firms are likely to fail when new technology 1) is competence-destroying, 2) destroys architectural knowledge, i.e. knowledge about interfaces of product components, and 3) destroys the value of existing complementary assets.

According to Tripsas (1997), the commercial performance of incumbents vs. new firms is driven by the interaction of three factors: investment in the technology, technological capabilities and appropriability through specialized complementary assets. While long-standing competitive strengths do not necessarily provide an advantage in the new field (Cooper & Smith 1992), Tripsas suggests that specialized complementary assets, such as access to distribution channels or complementary technologies (see Teece 1986), buffer incumbents from the effect of competence destruction. In fact, according to Teece's argumentation, large firms with capital and market power are in a strong position to exploit innovation. Similarly, Bresnahan & Trajtenber (1997) found in an empirical study in the PC industry that a strong brand name helped the companies to exercise temporary market power and hence generate rents from innovations. Chandler (1990) also noted that it was not the smaller firms that took advantage of technological changes in capital-intensive industries, and that the successful challengers were rather long-established companies from other countries or other industries.

One relevant question in the context of incumbents' incentive for innovation is that of how the innovation will affect the old product. There is a risk of cannibalization, i.e. that the new product will steal revenues from the old, which would make the investment decision more difficult. According to Rumelt (1987), the incumbent should not hesitate if its and its rival's products are perfect substitutes: if the incumbent does not make and sell the product, the rival will. However, this seldom is the case, and more often there are crucial asymmetries in customer response as they already have established relationships with the vendor and will prefer its products. This leads to the cannibalization dilemma. As Rumelt (1987) states, in many cases the rent-earning incumbent will not be the innovator.

Effects on internal resources and capabilities

According to Weerawardena *et al.* (2006), the industry structure also affects the learning capabilities and thus the innovation performance of a firm: the greater the industry dynamism is, the higher is the capacity of the firms operating in the industry to use market information for organizational change and for learning from external partners. Levinthal & Myatt (1994) argue that, in fact, the capabilities of firms co-develop alongside the development of the industry structure; for example, market share amplifies existing capability heterogeneity as firms with a strong market position tend to be able to sustain on-going relationships and are more likely to initiate new ones. Thus, these factors will cause the firm to focus on a particular capability trajectory.

However, innovations only succeed if the internal innovation-to-organization problems are solved (Dougherty & Hardy 1996). These problems may be linked to a particular issue or to the organizational context. Researchers have identified several internal factors such as understanding the market situation (e.g., Brentani 1991), management commitment (e.g., Johnes & Storey 1998, Tidd *et al.* 2001), organizational culture (e.g., Brentani 1989), organizational structure (e.g., Ahmed 1998, Corso 2002), funding (e.g., Amabile *et al.* 1996), rewards (e.g., Tang 1998, Ahmed 1998), and support systems (McDermott & O'Connor 2002) that may either promote or prevent the progress of the innovation.

When facing a technological change, an organization is also faced with a trade-off between the exploration of new possibilities and the exploitation of old certainties (see March, 1991). While exploitation may be effective in the short run, March believes it to be self-destructive in the long run (see also Levinthal & March 1993 for a discussion on organizational myopia). It is also worth noting that resources and capabilities also have a downside. For example, Leonard-Barton (1992) and Oliver (1997) pointed out that when environmental factors change, the firm's most deeply rooted competencies may pose the most serious challenge to sustainable advantage, and in that sense they may become its most limiting liabilities (Oliver 1997) or core rigidities (Leonard-Barton 1992).

A technological change may demand not only learning about product components, but also learning about product architecture, i.e. the interfaces between the components (Henderson & Clark 1990). Henderson & Clark argue that, given the way knowledge tends to be organized within firms, learning most often means learning about product components. However, learning about the changes in the product architecture is unlikely to occur naturally. It may, in fact, require a different kind of organization, and people with different skills.

To conclude, technological change may affect both the external (industry structure) and internal (resources and capabilities) factors of a firm, and thus may also have an impact on the sources of competitive advantage (see Figure 9 below). As described earlier, a technological change's impact on market structure reflects the industrial organization economics view, but also the Schumpeterian view, as creative destruction may lead to new market positions. Respectively, while company's internal resources are central in the resource-based view, they may also be a source for innovation and creative destruction in the Schumpeterian view. The extent of the impact of a given technological change varies across industries and firms.

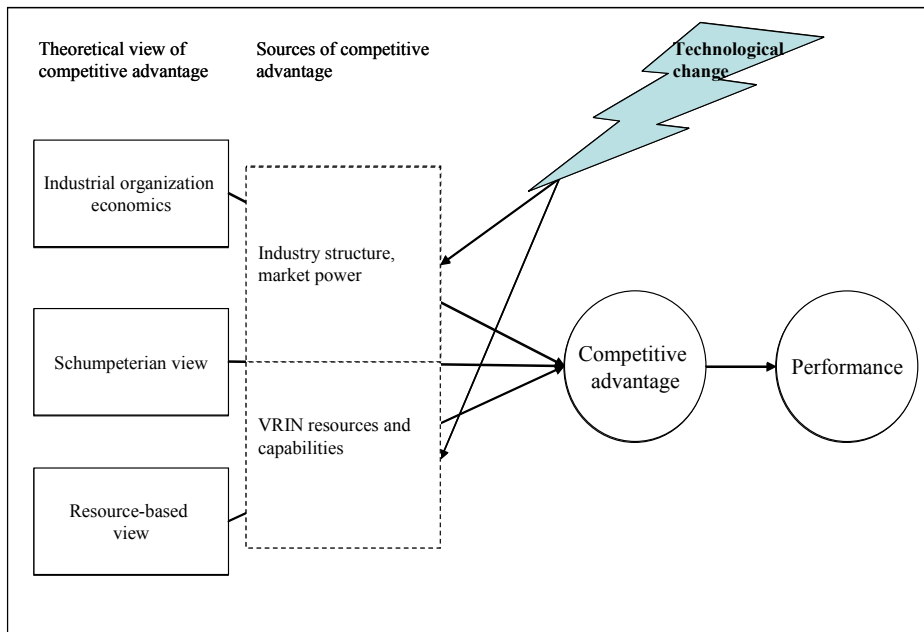


Figure 9. The impact of technological change on competitive advantage

In the following, the focus will shift to Internet as a technological change.

The Internet as a form of technological change

Prior research focusing on the competitive impact of the Internet is briefly reviewed in the following before the discussion moves on to assess the impact of technological change in the magazine publishing industry. It should be noted, however, that the concept of competitive advantage is often less rigorously defined in some of the e-business research than in the strategy literature. While it most often implicitly seems to refer to ‘doing something better than the rivals’, it also sometimes seems simply to suggest ‘doing something better than before’, and this causes some confusion.

Merrilees (2001) points out that the ‘initial wave’ of Internet research has focused on piecemeal components, but has not addressed holistic strategic aspects. Vadararajan & Yadav (2002) were

among the first to propose a framework for analyzing the strategic impact of the Internet: they suggest that its potential could be seen as an enabler of marketing strategy, a strategic tool that could gainfully be leveraged to enhance the effectiveness of a business's competitive strategy. They also see it as a driver of a competitive strategy.

According to Michael E. Porter (2001), the Internet per se rarely gives competitive advantage; instead, it could be seen as a toolbox to be utilized to implement a strategy. Furthermore, he emphasizes the fact that Internet technology becomes strategically significant only when its practical application creates new value. Lumpkin & Dess (2004) identified four value-adding activities that have been enhanced by Internet capabilities: search, valuation, problem solving and transaction. On the other hand, Amit & Zott (2001) suggest that efficiency, novelty, lock-in attributes and complementarities are sources of value in e-business.

The impact of the Internet on a firm's competitive advantage seems to vary across industries. Prior research has focused on banking (Siaw & Yu 2004), and on the biotechnology and pharmaceutical industries (Salazar *et al.* 2003). In both cases, the Internet has significantly changed the competitive landscape and has created new competitive advantages. In the banking industry, for example, it has facilitated the emergence of new small banks and increased the bargaining power of buyers, while companies in the biotechnology and pharmaceutical industries are entering into wider alliances through electronic means.

Afuah & Tucci (2003) proposed a model for evaluating the extent to which the Internet is a source of creative destruction in different industries. Their analysis is based on Thompson's (1967) typology of organizational technologies, according to which industries could be grouped into three categories: long-linked, mediating and intensive. Long-linked technologies involve serial interdependence of actions in the production process: manufacturing firms are predominantly long-linked. Mediating technologies link clients or customers who are interdependent or would like to be, an investment bank that links issuers of equity to investors being one example. Intensive technology is used to achieve change in an object, such as in a general hospital. Afuah & Tucci's (2003) analysis suggests that creative destruction is likely to happen only in industries that rest on mediating technologies.

As far as the media is concerned, Chan-Olmsted (2006a) sees the strategic importance of the Internet especially in television, where it carries major financial implications. It has also been referred to as a potentially disruptive technology in publishing (Picard 2003, Mierzjeswska & Hollifield 2006).

The discussion in the next chapter focuses on the impact of the Internet on the magazine publishing industry.

4. DISCUSSION AND CONCLUSIONS: WHAT IS THE STRATEGIC IMPACT OF THE INTERNET ON MAGAZINE PUBLISHING?

Thus far, the broader theoretical foundations of classic schools of strategic technological management have been reviewed. In the following, the findings reported in the individual publications are reflected upon in the light of prior research. The discussion covers the three research sub-questions regarding the effect of the Internet on the product, firm and industry levels, and then proceeds to analyze the nature of the technological change and its strategic impact, ie. its impact on the competitive advantage of a magazine publisher. Expert interviews (see Chapter 2.2 for details of the data-gathering, and Appendix 13 for the list of codes used in the analysis) were used to build on the conclusions.

4.1. What is the role and impact of the Internet at the product level?

As noted in *Publication 1*, prior research on the Internet in the magazine publishing industry is limited. The focus has been on *very diversified issues at the product level*, such as online strategies (Barsh *et al.* 2001), website strategic profiles (Grönlund & Toivonen 2003), the cannibalization question (Kaiser 2003, 2005; Kaiser & Kongsted 2005, Simon 2005), selling online content (Stahl *et al.* 2004), the potential displacement of magazines and their websites (Randle 2003), online business models (Gallaughner *et al.* 2001), business-process digitization (BarNir *et al.* 2003), magazine advertising online (Kanso & Nelson 2004) and consumer behavior on websites (Gerpott & Wanke 2004).

In particular, the emphasis has been on how individual magazines have utilized the Internet, or could do so in the future (e.g., Barsh *et al.* 2001, Gallaughner *et al.* 2001; Grönlund & Toivonen 2003). Typical key words in these studies include online strategies and business models. *Publication 1* also builds on this heritage with its suggestions on how to incorporate an online strategy into the strategic planning of the magazine.

The case studies in this dissertation offer a new, wider perspective for product-level investigation. **Publication 3** in particular highlights how important a role the website may have as part of the whole concept: The online activities could be evaluated with regard to the whole concept and the three-legged stool of a magazine publisher. According to Daly *et al.* (1997), the commercial success of a magazine rests on the “three-legged stool” of editorial, advertising and circulation: the shortcomings of any “leg” affect the others and the stability of the entire venture. It is argued in **Publication 3** that the case website may support all of the three main functions of the publisher.

In sum, the publications of this study illustrate several ways that online services create value. Amit & Zott (2001) have proposed a framework that comprises of four sources of value in e-business. Those are efficiency, novelty, complementarities and lock-in attributes. Next, the role of Internet in relation to the print magazine will be discussed through this framework.

1. Efficiency

By efficiency Amit & Zott (2001) refer to efficiency enhancements relative to offline businesses. **Publication 3** illustrates possible ways of leveraging the Internet’s special characteristics. The experts in the industry were in agreement: they emphasized the importance of not mimicking the print product, and rather focusing on the special attributes of the Internet (FIPP 2005). Interactive applications and online communities were discussed in **Publications 1, 3 and 4, and Publication 3** in particular suggests that virtual communities offer market-research opportunities and input for the development of the print magazine as well. This is not limited to magazine publishing, and Jeppesen & Molin (2003), for example, studied the use of consumers as co-developers of the products in other contexts. Also, subscriptions that are sold online make the sales process more efficient and cheaper, as described in **Publication 3**.

2. Novelty

Amit & Zott (2001) note that there is an important relationship between novelty and efficiency; Certain efficiency features of e-business may be due to novel assets that can be created in the

context of virtual markets. The online community of the case magazine in **Publication 3** and customer involvement in the product development could be seen as a novel asset of the company.

3. Complementarities

In **Publication 3**, it is suggested that the website could broaden the brand offerings by adding a new, more life-like dimension. This is the core of Amit & Zott's (2001, 504) argumentation of complementarities, i.e. when a bundle of goods together provides more value than the total value of having each good separately.

When they were talking of Finnish magazine websites, several of the interviewed experts mentioned the case magazine as a successful example of one that broadened the whole concept. It thus seems that there is a trend to move from traditional print magazines towards multi-channel brand concepts. Several interviewees mentioned this:

“BAP is a media brand with several different dimensions” (Interviewee f)

“It is written in our product strategy that multiple channels are part of our concept.”
(Interviewee b)

“We used to be here to make a magazine but now we're here to make a content concept.”
(Interviewee c)

It was concluded in **Publication 2** that digital services, such as websites, are typically in the underdog position compared to traditional products. The above quotation, however, indicates that the focus is shifting from the *channel* of publishing towards *brand* concepts, and that Internet services are becoming a natural part of this. One of the respondents wanted to illustrate how equally they saw both online and offline content:

“I don't call online news online news any more, from now on I call it news.” (Interviewee c)

Furthermore, the increased use of the Internet and its discussion forums has started to change the whole journalistic approach in print magazines: they have become more of a discussion medium and the role of journalists is moving toward that of a mediator. Several interviewees emphasized this change:

“It was the spirit in the 80’s and 90’s that we [journalists] are now telling you [readers] what the world is like. We, like, filter the world for you women...The language that is allowed in the magazines now is so different, so much more chatty and outspoken, so much more Internet-like.”
(Interviewee a)

“The Internet way of presenting things has affected the layout of print magazines. The stories are shorter and the packaging content has changed” (Interviewee g)

“The Internet changes the relationship between customers and brands, because it is such a democratic medium and people can instantly judge, communicate, comment and give feedback...” (Interviewee d)

To conclude, the interactions between on-line and off-line offerings provide complementarities to magazines.

4. Lock-in

According to Amit & Zott (2001) lock-in prevents the migration of customers to competitors, thus creating value. The sources for lock-in may be e.g. switching costs and positive network externalities. It is concluded in **Publication 3** that customer involvement in discussion forums and communities has been found to affect loyalty and word-of-mouth promotion of the product / service (c.f. Srinivasavan *et al.* 2002; Wang *et al.* 2006), and even the perceived value of the firm’s offerings (Gruen *et al.* 2006). Thus, online services provide opportunities for strengthening customer loyalty and reader relationships, which one of the interviewees saw as a key aspect of the magazines’ success:

“The magazines that have found a way of using it [the Internet] in the right way, have been able to create a better reader relationship, a loyal community” (Interviewee d)

As noted in **Publication 5**, Chan-Olmsted (2006b) has proposed that the Internet and magazines are very similar types of media in that customer involvement and associated time & cost are taken into consideration. Thus it seems that it has a natural linkage to magazines. Moreover, the existence of virtual communities was considered very natural in this industry. Several interviewees mentioned how magazines as a medium were very communal, and linked people with the same interests thus forming a community of a kind:

“Women’s magazines in particular have been characterized and marketed ... as a woman’s best friend.” (Interviewee a)

One of the experts interviewed for this study did not like the expression ‘creating a virtual community’: he rather called it *‘digitalizing the existing community’* (Interviewee d), thus underlining the communal aspect of magazines as something that has been there before and were not only created via the Internet.

The impact of the Internet in this case seemed to be in providing a new means of fostering this communal aspect:

“The Internet is a means of making the community even tighter.”(Interviewee d)

This is closely linked to the findings and discussion reported in **Publication 4**, that there were three antecedents in the process of binding oneself to a virtual community, namely *needs*, *perceived similarity* with the other members and *impersonal trust*. According to a study conducted by the Finnish Periodical Publishers’ Association (Aikakauslehtien liitto 2005), consumers have various motives for reading magazines - as they have for using the Internet. Both of these media offer facts and entertainment simultaneously, and consequently meet *needs for information and entertainment*. However, as noted in **Publication 4**, the Internet and virtual communities may also meet other needs, such as for support.

Perceived similarity refers to the perception of others sharing one's interests (**Publication 4**), which has a close equivalent offline with the increased segmentation witnessed in the print magazine market (cf. Doyle 2002). The Finnish Periodical Publishers' Association (Aikakauslehtien liitto 2005) has observed that new magazine titles are typically targeted at a segmented audience. This aspect also came up in the interviews:

"Successful magazines are now more tightly segmented. They more and more define their readers and their values, and what they have in common." (Interviewee g)

With regard to *impersonal trust*, i.e. certain trust in the community organizer, the medium and the social collective of members (**Publication 4**), it seems that the magazine brand may play a key connecting role. Tungate (2004) states that trust in a media brand is crucial: a pre-established connection with a reader helps in building up a continuing relationship. This aspect was described by many interviewees:

"I think my job is to create order out of chaos. That's what it takes online... A brand is like a light in the dark night, like a lighthouse, something that is safe... at least you know approximately what to expect because of the familiar brand." (Interviewee a)

"Brands are important. They are the bond between the magazine and the reader." (Interviewee g)

"Brand is all there is. If our brand did not exist, nether would our readers. The group would fall apart if it were not for the brand." (Interviewee c)

Figure 10. below summarizes the Internet's impact on the magazine product. It seems that the factors that are important for readers online are very similar to those that have long been important for print magazines: fulfilling customer needs, uniting a group of people with shared interests and providing them with something they can trust. However, the Internet has clearly affected how magazines are made: there is a shift from the pure print version to multi-channel

concepts, and the journalistic approach has also changed. Magazines now have a two-way relationship with their readers.

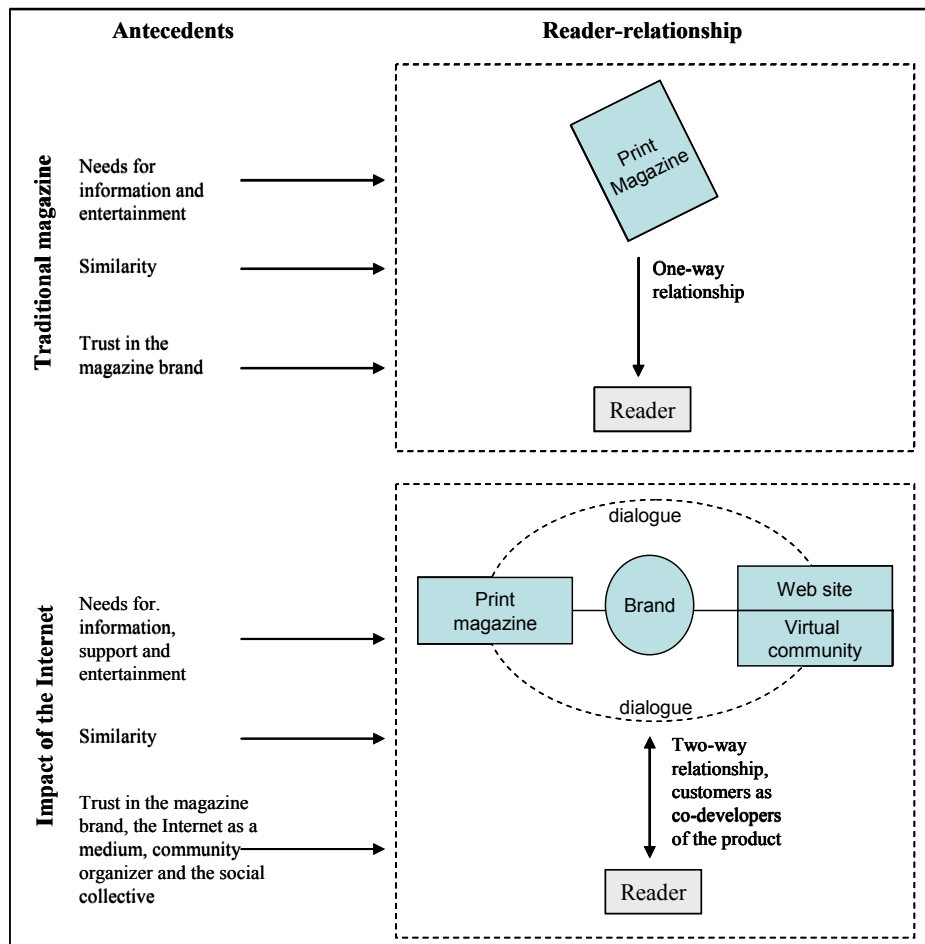


Figure 10. The impact of the Internet on the magazine product

The magazine brand has a major role in tying the different dimensions of the brand together (print, web + possible others). It was concluded in *Publication 2* that digital product innovations in the Finnish media sector had been brought in to enhance and extend current media brands. It is specifically suggested here that magazine websites and prospective virtual communities are new

dimensions of the magazine brand, rather than merely new channels. This underlines their new role in complementing the print magazine, adding something new rather than simply providing a new way of distributing journalistic content.

From the value creation point of view virtual communities may *lock-in* customers. Online services may provide more *efficient* ways for e.g. subscription sales, while virtual communities have provided readers with a way of communicating with each other, and also a means for publishers to exploit *complementarities*, and *novel* market-research and product-development opportunities.

It has also been noted that if a virtual community around a magazine attracts people and generates discussion, it provides a new window through publishers can observe their customers, learn about their preferences, communicate with their readers and thus enhance the reader relationship. It is in this sense that they seem to create new value and support the publishers. However, this is not to say that magazine publishers could simply manage or commercialize virtual communities, or even direct their actions, even though scholars see the value of certain management practices (e.g., Rheingold 2000, Preece 2000). It is also noted in **Publication 1** that virtual communities carry risks precisely because of their uncontrollable nature (cf. McWilliam 2000).

The discussion in this section has shown that, on the product level, the Internet has caused a shift from the print magazine to multidimensional brand concepts. The discussion that follows focuses on its role and impact on the company level.

4.2. What is the role and impact of the Internet at the company level?

According to the resource-based view of the firm (e.g., Penrose 1959, Wernerfelt 1984, Rumelt 1984, Barney 1986b, 1991, Peteraf 1993), a firm's idiosyncratic resources and capabilities represent the source of its competitive advantage. The resources and capabilities of a magazine publisher are discussed in this section, with a particular emphasis on the impact of the Internet.

The question, therefore, is whether the product-level developments (see the preceding section) also have company-level implications from the resource perspective.

Chan-Olmsted (2006b) has suggested categorizing resources as property-based and knowledge-based in research on media companies. Property-based resources are inimitable because of the protection afforded by property rights, while knowledge-based resources refer to a firm's intangible knowledge and skills (ibid). The main property- and knowledge-based resources of a magazine publisher, according to the expert interviews, are presented in the second column of Table 5.

According to the interviewees, the main property-based resources of a magazine publisher are customer databases, brands, and copyrights. Customer databases apparently make it easier to target potential customers for new products, while brands make products non-substitutable. It has also been suggested that brand names help innovators to gain rents from the innovation (Bresnahan *et al.* 1997), which highlights their importance when magazines are moving in a multidimensional direction (see also the discussion in Chapter 5.1). Copyrights are needed for the publisher to utilize the content in different channels.

Table 5. The impact of the Internet on the key resources of a magazine publisher

Type of resources	Key resources of a magazine publisher	The impact of the Internet
Property-based resources	Brands	Focal asset on the Internet: trust & differentiation
	Copyrights	Focal asset needed for content management and multichannel publishing
	Customer database	The Internet is a new means for updating and extending customer database
Knowledge-based resources	Target-group skills	No major changes
	Editorial skills	Multichannel editorial skills, content-management skills needed
	Customer-relationship-management skills	No major changes
	Marketing skills	Marketing of multichannel concepts, creating new needs for customers
	Circulation-sales skills	No major changes
	Advertising-sales skills	No major changes
	Business skills	Understanding of business logic needed
	Leadership and management skills	Fostering attitudinal change
	Support-function skills (accounting, finance, pre press, printing)	No changes
		New technical skills needed
		Organizational learning needed
	Capabilities for change needed	

When the interviewees talked of the knowledge-based resources of a magazine publisher, they always mentioned target-group skills. Many mentioned *“being one step ahead”* or *“sensing upcoming trends”*. This is closely related to understanding and reacting to market signals, which Hafstrand (2001) proposed as one of the strategic capabilities of a magazine publisher. Editorial knowledge and skills are naturally needed for communicating with the target audience and producing the product.

Several knowledge-based resources mentioned by the interviewees are closely linked to the business side of magazine publishing. Business skills in general were mentioned, and also marketing skills. Another major resource was customer-relationship management, the ability to identify potential customers and to sell the products to as many as possible. Sales knowledge and skills, in terms of both advertising and circulation, were often emphasized as focal resources for the sustainability of the publication:

“What you need is the selling machine that sells the product to customers.” (Interviewee b)

“It isn’t such a big problem to produce a magazine...you can do that. But then you need to sell it, and most importantly you need to get subscribers. That is a bigger problem, I would say.”
(Interviewee c)

Most experts also mentioned the important roles of finance, accounting and other support functions, each requiring a particular type of knowledge. The particular managerial challenges of the media industry, summarized in **Publication 2**, were also singled out:

“Leadership or management skills are accentuated in a place like this, where most people are experts. Experts, you know... You can’t put up a sign that it’s a kindergarten, but close...”
(Interviewee e)

Following this brief discussion of the key resources of a magazine publisher the focus now turns to the Internet’s impact on them. First the question of core competence is addressed and then the impact on the publisher’s main property- and knowledge-based resources is assessed.

The concept of core competence refers to competence that provides potential access to a wide variety of markets; it makes a significant contribution to the perceived customer benefit and is difficult to imitate (Prahalad & Hamel 1990). It was suggested in **Publication 5** that the core competence of a magazine publisher lies in sensing customer needs and packaging segmented content. The expert interviews provided support for this argument:

“The competitive advantage is based on knowing people, I mean the readers.” (Interviewee e)

“Serving the target group in the most insightful way” (Interviewee g)

It was also suggested that the Internet would not change the core competence of a magazine publisher, and this statement, too, was supported by several interviewees. They stressed the fact that core competence was not linked to the paper format:

“We are no more in the Internet business than we are in book publishing. We are in the content creation and packaging business.” (Interviewee c)

“Magazine publishing is not the last phase of wood processing. This is not linked to paper” (Interviewee d)

The interviewees were asked to ponder on whether the Internet had changed their need for resources or capabilities in any way. The findings are summarized in the last column of Table 5.

It seems from the findings of this study that the importance of brands and copyrights has increased because of the Internet. This is not unexpected considering the product-level development described in Chapter 4.1. Copyrights are needed so that the publisher can engage in content management and multichannel publishing, and brands differentiate products and build up trust (see also Chapter 4.1 for a discussion on brands and trust). The Internet has not drastically changed the significance of customer databases, but it has provided a new means for updating and extending them, as also described in *Publication 3*.

It is evident from the interviews that the Internet has not significantly changed the knowledge-based resources required by a magazine publisher. In most cases the interviewees felt that the change had been marginal, and that it was simply a question of including the online offerings in the daily operations - which is the case in advertising sales, for example. The Internet was considered mainly to affect the need for editorial and marketing knowledge and skills: traditional print journalists needed more knowledge of how to produce multichannel material. From the marketing perspective, the publishers had to be able to create new needs for their customers to promote their websites. On a more general level, there was a wish for a more profound understanding of business logic in terms of what to do online and what not. The interviewees only mentioned one new knowledge-based resource that did not come up in the discussion of traditional magazine publishing, namely technical skills.

Rather than changing the need for particular knowledge or property-based resources, the interviewees stressed the ability to change. As *stated in Publication 5*, most media companies

have cultures that are built on consistency and limiting change (Picard 2003, Küng 2000). Internal resistance was also a factor mentioned in *Publications 2 and 3*, and it was also suggested in *Publication 2* that there was no culture for innovation in media companies. Thus, the challenge of change may not be that simple for magazine publishers, and there is thus a need for management and leadership skills and knowledge to promote attitudinal change. The interviewees described the challenge of bringing about attitudinal change:

“It is not only a question of learning to use the Internet, but accepting to use it.” (Interviewee c)

“What we need is an attitude change, but attitudes change so slowly.” (Interviewee e)

“The attitude we have towards consumers has had to change. It is a capability, to know how to change, don’t you think. To actually change and not only to talk about changing and reacting.” (Interviewee a)

The above quotations are linked to the notion of dynamic capabilities (e.g., Teece *et al.* 1997; Eisenhardt & Martin 2002), which concerns the firm’s ability to renew its resources along with changes in the environment. It is concluded in *Publication 5* that organizational-learning and other dynamic capabilities, such as those involving processes of product development and strategic decision-making (cf. Eisenhardt & Martin 2000), are critical for a magazine publisher’s success.

The capabilities of a firm develop with the development of the industry (Levinthal & Myatt 1994). Moreover, they accumulate over time with the introduction of new technologies. *Publication 3* illustrates the evolution of the capabilities and beliefs of BAP with its website. According to Clark (1987), the value of innovation depends on both present and future opportunities. Following this logic, the development of BAP capabilities has also provided it with the ability to implement future technological advances and innovation (see also Barsh *et al.* 2001).

Tripsas & Gavetti (2000) state that a crucial challenge for organizations is the ability to distinguish changes that require only the development of new technological capabilities from those that also require the adoption of different strategic beliefs. It seems from the above discussion that magazine publishers are beginning to realize that in order to move from producing print magazine toward producing multidimensional brand concepts a different strategic belief is needed; it is not a question of learning about product components, but one of learning about the new interfaces between them (Henderson & Clark 1990). In this case, it involves not only learning to produce a magazine website, but also learning the new roles and interfaces of the different dimensions of the brand concepts. It is therefore a challenge to adapt to the change, and dynamic capabilities are needed. However, the Internet has not changed the core competence of the publishers, namely sensing customer needs and packaging segmented content.

Next, the discussion proceeds to cover the role and impact of Internet on the industry level.

4.3. What is the role and impact of the Internet on the industry level?

This section concerns the impact of the Internet on the industry level. Do the changes noted in the product and company levels reflect on the industry level, too? A classic approach to analyzing the competitive environment of the firm is ‘five forces’ analysis (Porter 1985). *Publication 5* reported a work-in-progress five forces analysis of the impact of the Internet in the magazine publishing industry, based on the literature. This analysis was elaborated on in the expert interviews.

As noted in *Publication 5*, five forces analysis specifies the various aspects of the industry structure, provides a tool with which to assess its attractiveness, and facilitates competitive analysis. The five forces are the threat of potential entrants, the threat of substitutes, the bargaining power of the suppliers, the bargaining power of the buyers, and the rivalry among existing firms in the industry. Each of the forces is discussed in turn in the following, in the context of the Finnish magazine publishing industry and with a particular emphasis on the impact of the Internet.

1. Barriers to entry

Porter (2001) claimed that the Internet would lower entry barriers, as most Internet applications were difficult to keep proprietary from new entrants. This seems to be true in magazine publishing, since several interviewees mentioned that it was customary to benchmark what others did and to copy their ideas:

“Of course, we try to steal the best ideas if we did not produce them ourselves.” (Interviewee c)

While some interviewees acknowledged that, in principle, it would be easier to make an entry by starting a web-only magazine, most felt it was very unlikely to happen or to be successful. They considered the main barriers to web-only or print magazine entrants were the need for financing, and for support functions such as sales, marketing and customer service.

“There are not many entry barriers, but you will lose a lot of money very fast.” (Interviewee e)

“Only a large publisher, with resources and the willingness to take a risk, could make an entry.”
(Interviewee b)

As also noted in **Publication 2**, Finland as a small-language zone does not tempt companies from different markets, and even with web-only publications there is still a need for localizing and translating the content.

Porter (1985, 7-17) specified six major sources of barriers to entry: economies of scale, product differentiation, capital requirements, switching costs, access to distribution channels, and cost disadvantages regardless of the scale. The interviewees described barriers to entry in magazine publishing that corresponded to economies of scale (the marketing power and content-management scope of the large publisher), product differentiation (brand identification and customer loyalty), capital requirements (the need for large investments) and access to distribution channels (e.g., single-copy sales). However, they saw no major impact of the Internet in this context. While it could be reasoned that it has provided a new distribution channel that is not

controlled by any one company, for example, its role as a distribution channel is still marginal and entrants also need the traditional channels.

2. The bargaining power of buyers

As noted in **Publication 5**, the main customer groups in the magazine publishing industry are readers (consumers) and advertisers. According to Porter (1985), buyers compete by forcing down prices, bargaining for higher quality and playing competitors against one another. Buyer groups thus have power in the industry if, for example, they are concentrated or face low switching costs, or if the products are standard or undifferentiated.

In terms of readers, the buyer group is dispersed and the products are differentiated by brands (see Chapter 4.1). Moreover, the cost of a magazine does not represent a significant fraction of the buyer's costs. In general, the Internet has not had an impact on these factors, but it does provide readers with the means to communicate with the magazine, and it has in a sense given them more power in bargaining for higher quality and fostering competition between magazine brands. One of the interviewees also mentioned that it had created a new group of customers, namely web-site visitors. While they currently do not pay for the services, they are an important group as potential subscribers and as an audience for web advertisements.

“It will be very difficult to separate the web-site community and the magazine subscribers as customer groups” (Interviewee f)

Advertisers, on the other hand, are a more focused group (especially since most of the negotiating is done via media agencies), and the costs of magazine advertising are relatively higher. However, magazine brands also differentiate products in relation to advertisers. Porter (2001) proposed that the Internet would increase the power of buyers by shifting the bargaining power to consumers and reducing switching costs. The interviewees felt that this had not happened in magazine publishing. They felt that the magazine brands were so differentiated that even if buyers could now more easily benchmark competing magazines online, this had not forced prices

down. In time, however, direct online sales could eliminate other channels and the impact of the Internet would then be more visible.

3. The bargaining power of suppliers

Publication 5 summarizes the main groups of suppliers in magazine publishing: freelance journalists and photographers, printing houses, paper suppliers, distributors and telemarketing companies.

According to Porter (1985), suppliers exert bargaining power in an industry by threatening to raise prices or to reduce the quality of their products or services. The Internet would be likely to increase the power of suppliers by providing a channel for them to reach the end users or giving all companies equal access to them (Porter 2001). According to the interviewees, this has not been the case in the Finnish magazine publishing industry. In general, they considered the main impact of the Internet to be connected to the supplier groups in that it offered a new channel of communication and thus made several processes more effective. Many of them expressed their views very explicitly:

“The Internet really does not have a big role in this relation.” (Interviewee g)

Two of the interviewees mentioned that printing houses are now sometimes also used for the preparation of the digital paper editions, which entail a significantly lighter workload than for print magazines. However, as the digital edition is an alternative to rather than a substitute for the print version, the role of the printing houses has changed very little.

“We have agreed with the printing house that their job is to print the magazine and also to prepare the digital edition.” (Interviewee b)

4. The threat of substitute products and services

All firms in an industry are competing with industries producing substitute products (Porter, 1985). It is suggested in **Publication 5** that segmented Internet services are threats to magazines. This was also acknowledged in the interviews, although many respondents stressed that they saw magazines as competing not only with the Internet, but also with every possible way of spending time. The Internet has changed the way in which people use their free time and, as such, is a potential substitute for reading magazines. Not only were they competing for readers' time, some felt they were also competing for customers' - both readers' and advertisers' - money. Money that could be spent on magazines or on advertising space could also be spent elsewhere.

However, existing brands were considered important assets that differentiated products and thus decreased the threat of substitution, both online and offline.

“If you look at A and B, they are substitutable products, but when you look at them more closely...there may be some elements that overlap, but they each have their special characters, special histories and all.” (Interviewee d)

It is proposed in **Publication 3** that communal activities on the Internet increase customer loyalty towards the magazine, thus it is likely that they and related network effects also reduce the threat from substitute products and services.

5. Rivalry among existing companies

The conclusion in **publication 5** is that magazine markets are often described as moderately competitive (cf. Picard 2002), and that the Internet had increased the level of competition. This conclusion often came up in the expert interviews:

“The competition has become more intense.” (Interviewee b)

“The Internet has changed the competition, but more slowly than expected in 2000 or 1999”
(Interviewee d)

As suggested in **Publication 5** and described above (see ‘barriers to entry’), Internet offerings are difficult to keep proprietary in a single firm. Consequently, the level of rivalry is increasing with the continuous benchmarking. So far, there is no established concept of a magazine website. Publications are experimenting on the Internet in an attempt to find the best concept, and are benchmarking each other in that pursuit.

The interviewees felt that the Internet has not expanded the geographic market as forecast in **Publication 5**. They did acknowledge that more international magazine brands are accessible through the Internet, but also thought that the majority of Finnish consumers would prefer a magazine web site that had been localized for their market. Therefore, there seems to be an analogy between the international, yet localized aspect of the print magazine (Doyle, 2002) and the magazine web site.

“Most of the Finns are fundamentally Finnish by nature. The language is important to Finns, as a majority of Finns only read Finnish fluently. Therefore, I do not see it as a threat... Basically, the foreign publishers would still need to have an editorial office to localize and translate the Finnish editions.” (Interviewee e)

However, it came up in the interviews that the Internet has expanded the market for magazine publishers in another way. One of the main publishers had recently acquired a publisher of classified advertisements for various products. They felt it was a natural linkage to those of their magazines that were targeted on people who shared an interest in these products.

“It [the Internet] has expanded the repertoire we have for competition and given us possibilities we didn’t have before. For example, the classified ads, they have always been the business of newspapers... magazines never got it right. Now all of a sudden, we have a chance to get our piece of the cake and as it is profitable business, it is a safe and nice starting point.” (Interviewee e)

The discussion on the five forces is summarized in Figure 11 below. The plusses and minuses in the figure refer to the proposed effect the Internet has on each force.

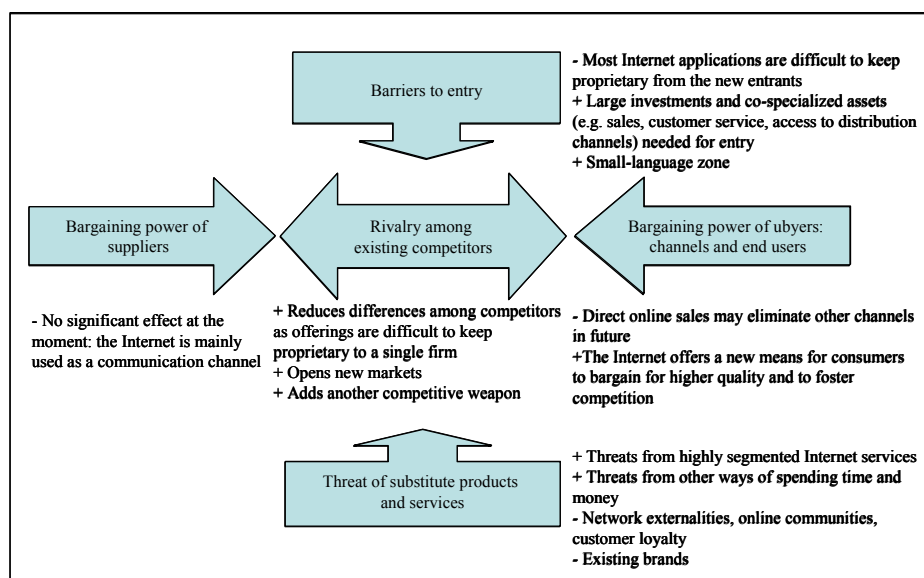


Figure 11. The impact of the Internet on the five forces of the magazine publishing industry

Despite the changes noted on the product and company levels, it seems that, as no major changes in structure are observable, the Internet's impact on the industry level is relatively marginal and culminates in increased rivalry among existing competitors. This finding may be linked to the special attributes of the Finnish market: it was noted in *Publication 2* that the history of the major media companies in Finland was long and that the market positions had not been challenged, which also reflects the small-language zone. The positions of the main publishers in the Finnish market for consumer magazines have remained relatively stable for the last decade: according to the expert interviewees, there have been no major entries since the beginning of the 1990s, nor have the market positions of the main players changed (for statistics, see Appendix 14). Thus, in contrast with findings of prior research on the impact of technological change on the industry level (e.g., Christensen 1997), the incumbents have not been beaten by new entrants exploiting the technological change. One of the interviewees noted the paradox:

“Although the industry is very dynamic, the old positions remain.” (Interviewee a)

Co-specialized assets (see Teece 1986) such as marketing and customer service were often mentioned in the interviews as important assets necessary for market entry in this industry, even with web-only publications. This is in line with Tripas (1997), who suggested that co-specialized assets buffer incumbents against the effects of technological change.

The impact of the Internet on magazine publishing on the product, company and industry levels is summarized below:

	Situation before		The impact of the Internet
Industry level	Mature industry, Stable industry structure	➡	No major changes in the industry structure Co-specialized assets “buffer” the change
Company level	Core competence: sensing customer needs and packaging segmented content. A set of resources and capabilities for <i>print magazine publishing</i>	➡	Core competence not changed. Attitudinal change and learning needed. A set of resources and capabilities for <i>producing multidimensional brand concepts</i> needed.
Product level	Print magazine	➡	A trend towards multidimensional brand concepts

Figure 12. The impact of the Internet on the product, company and industry levels

On the product level, there is an ongoing switch from the print magazine product towards a *multidimensional* brand concept. This shift requires an attitudinal change and organizational learning on the company level: while the core competence of magazine publishing has not

changed, a new set of skills and resources is needed for producing multidimensional brand concepts. However, product and company level changes have produced relatively marginal changes on the industry level as co-specialized assets have buffered the incumbents from the changes.

The discussion now turns to the type of technological change the Internet is bringing about in magazine publishing before conclusions are drawn on whether or not the impact has been strategic.

4.4. What is the type of technological change?

The nature of the technological change in magazine publishing brought by the Internet is analyzed in the following according to the framework of the transilience map (Abernathy & Clark 1985, Clark 1987). As explained in Chapter 3.2., the transilience map comprises the market dimension and the technology dimension.

The evaluation of market transilience requires analysis of how the technological change affects, enhances or destroys existing capabilities. Magazine websites are mostly targeted on existing markets and the same customer groups, and thus market transilience is *competence-enhancing*.

Technological transilience is less simple to evaluate, however. The Internet uses different technology from that employed in the traditional print format, and when publishers developed their first online services in the 1990's it was a radical technological change: they adopted new ideas from outside of the industry. Thus, the nature of the technological transilience at that point was competence-destroying.

However, during the last decade the Internet has become a part of people's lives, and also a part of the magazine publishing business:

“The Internet is a natural feature of magazines, there is nothing special about that” (Interviewee c)

“The digital world is here today.” (Interviewee e)

Even magazines that did not go online during the first phase have had the opportunity to observe how their competitors have developed their Internet services and built on their experiences. This type of cumulative incremental innovation has been typical in book publishing, for example, in the development of production processes (Toivonen *et al.* 2005). It is therefore suggested that , although at the time of its introduction the Internet was a revolutionary innovation in magazine publishing, it currently represents a *regular innovation* (cf. Abernathy & Clark 1985, Clark 1987) with low technical and market uncertainty and an evolutionary path that is relatively well defined (see Figure 13 below).

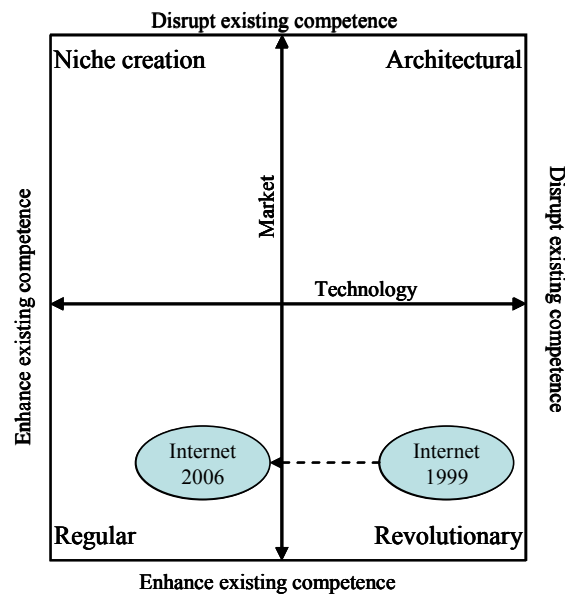


Figure 13. The Internet in the magazine publishing industry

Next, the discussion will focus on the strategic impact Internet has in the magazine publishing industry.

4.5. Does the Internet have a strategic impact on the magazine publisher's competitive advantage?

So far, the discussion has focused on the role and impact of the Internet on three levels, those of the product, the company and the industry, and on the type of technological change it represents in magazine publishing. The question still remains whether some of the effects are, in fact, strategic and concern the competitive advantage of the publisher. Three perspectives on competitive advantage were identified from previous studies on organizational strategy, namely the industrial-organization view, the resource-based view and the Schumpeterian view. The effect of the Internet on each of these perspectives is discussed below.

The industrial-organization perspective emphasizes the industry structure and market power as the basis of competitive advantage. As stated earlier, the Internet's impact on the structure of magazine publishing has been relatively marginal: it has not significantly changed the five forces that shape the nature and state of the competition, the competitive positions have not been challenged, and no publisher has gained a position from which to exercise market power. Thus, it could be concluded that the Internet has not had a major impact on the competitive advantage of publishers in this sense.

Furthermore, one could interpret the developments taking place on the product level from the perspective of industrial organization economics: magazines follow different strategies online resulting in differences in the value/cost positions of the products. Thus, websites are a means of differentiation and of creating new value for customers, and in this way the Internet seems to affect the competitive advantage of magazine publishers on the product level.

The resource-based view links competitive advantage to the rare and value-creating resources and capabilities of a company. It has been concluded that new sets of resources and capabilities are

needed in order to produce multidimensional brand concepts, but if they are to be of strategic importance, these new resources and capabilities should be valuable, rare, of imperfect mobility, and non-substitutable. Moreover, it is assumed that the new technical skills may be quite easily acquired, and thus the ability to bring about organizational change and learning is likely to be more company-specific and of more strategic importance. As far as magazine publishing is concerned, the relative importance of brands and copyrights is more pronounced on the Internet - a notion that is linked to the differentiation strategy of reaching competitive advantage, which is considered very important. Differentiation is usually pursued on the product level, yet company-specific resources and capabilities may also build a company-level profile that helps to attract and keep the right people and thus to build up a favorable resource-base through which to gain competitive advantage. In sum, it seems that the Internet does not change the strategic core competences of a magazine publisher, but it does demand more dynamic capabilities in terms of dealing with constant development. Both property-based and knowledge-based resources are considered a major means of differentiation on the Internet. It is therefore suggested that it has put even more pressure on resources and capabilities in the struggle for competitiveness.

The Schumpeterian view refers to the advantage an innovator gains from the innovation. When it presents a new product the firm encounters limited competition and is able to set the price above the marginal costs. "Fast following" is the general approach to innovation in magazine publishing (Toivonen *et al.* 2005) - and it was acknowledged earlier that it is especially difficult for a single firm to hold onto its proprietary rights on the Internet. It is evident from the industry analysis that no radical changes in industry structure have occurred because of innovative Internet applications. Under Thompson's (1967) classification, magazine publishing is closest to the long-linked industry type, i.e. the technology is mostly used for producing the product (cf. Chapter 3.2). Therefore, the low destructive impact of the Internet on this industry is not unexpected (cf. Afuah & Tucci 2003), and it has not challenged the competitive advantage of the magazine publisher in Schumpeterian terms.

The impact of the Internet on the competitive advantage of the magazine publisher is summarized in Figure 14.

	Situation before	Impact of the Internet	Effect on competitive advantage
Industry level	Mature industry, Stable industry structure	No major changes in the industry structure Co-specialized assets “buffer” the change	No major changes in the competitive positions
Company level	Core competence: sensing customer needs and packaging segmented content. A set of resources and capabilities for <i>print magazine publishing</i>	Core competence not changed. Attitudinal change and learning needed. A set of resources and capabilities for <i>producing multidimensional brand concepts</i> needed.	Company-specific resources and capabilities key for competitive advantage.
Product level	Print magazine	A trend towards multidimensional brand concepts	Differences in value/cost positions of the products

Figure 14. The impact of the Internet on the magazine publisher’s competitive advantage

The three levels of analysis provide complementary perspectives on the impact of the Internet in this industry. On the product level, a trend towards multidimensional brand concepts is visible. Given that magazines follow different strategies with their websites, there will be differences in the value/cost positions of the products, and these differentiation strategies may naturally affect competitive advantage. Developments on the product level also help in understanding those on the company level: firm-specific resources and capabilities will play an important role in how well companies can react, and also proact, to the strategic changes on the product level. VRIN capabilities that differ between companies are considered of particular strategic importance. From the results of this study it seems that brands, copyrights and customer databases are vital strategic resources on the Internet, and the capability for organizational change is also required. On the industry level, the impact is, at this point, less visible, as the players in the industry and the value chains have not changed.

The value of this approach lies in the complementary views provided on different analytical levels. If the focus was only on the industry level, for example, the picture would look different and the impact less significant. Likewise, considered only on the company level, it would be more difficult to understand the change these companies are experiencing, as it is closely linked to the product.

It is also worth noting that these levels do not exist in isolation, but dynamically influence each other (see also Pettigrew & Whipp 1991; Klein *et al.* 1999): further developments on the product level may require yet new capabilities, and in time also affect the industry structure. Likewise, if a new player were to enter the industry, existing companies would probably have to react with their product offerings and new capabilities might be needed. I should point out that this discussion is, at this point, speculative. However, Merriam (1998) has stated that speculation is an important tool in theory building in qualitative studies because it helps researchers to reach beyond the data and to make further generalizations. The double-headed arrows in Figure 14 thus note *the dynamic relationship between the three levels of analysis*, each of which influences the other, and together they affect the competitive advantage of the magazine publisher.

I will now reflect on these findings in the context of the broader discussion on the impact of technological change.

As suggested in the previous section, at the time of its introduction, and in Abernathy & Clark's (1985) terminology, the Internet represented a revolutionary innovation, and it is currently a regular means of innovation in magazine publishing. It is argued here that, as such, it does carry important competitive implications:

Firstly, Tushman & Anderson (1986) suggested that technological change, whether competence enhancing or destroying, appeared to afford a rare opportunity for competitive advantage to firms willing to risk early adoption. According to the findings of this study, it could be said that the early adoption of the Internet has given the publishers concerned a lead in terms of both capability development and online customer loyalty. Both of these aspects may buffer early

adopters from the mainstream “fast following” approach to innovation that is typical in the publishing industry (cf. Toivonen *et al.* 2005).

Secondly, the interviewees also speculated on the potential increasing significance of the Internet in terms of competitive advantage:

“It may be that as we have a good website, it may be that our competitive position will, in three years time, be very good.” (Interviewee b)

“It may be that one of the niche brands will actually take over the whole community. People may simply decide that they will join the website discussion, and once the critical mass has been reached others will follow... the brand will grow so powerful... It may be that the Internet will change things more than we can anticipate.” (Interviewee f)

Thirdly, it is argued that, while the Internet has not changed the type of rents in this industry, it has provided a new means of searching for them and for competitive advantage. As already mentioned, it helps publishers to strengthen their brands and reader relationships; it is a means for differentiating the product; it provides new market-research methods and continuous product-development opportunities; and it has even opened up new markets for some publishers. Thus, it could pave the way for lowering costs or offering more value to customers — i.e. for gaining competitive advantage.

This discussion could be summarized in terms of Wiseman’s (1988) strategic-thrusts framework, according to which there are five ways that capture the impact that information systems may have on competitive advantage: differentiation, cost reduction, innovation, growth, and alliance. Teo & Pian (2003), for example, used this classification as a basis in their study of the impact of the Internet. In the context of magazine publishing, the Internet seems to offer all five support mechanisms in the pursuit of competitive advantage, namely *differentiation, cost reduction,*

*innovation, growth and alliance*⁵. In addition, according to the findings of this study, it seems to offer a means of *strengthening the customer relationship* (see Table 6 below). This could be considered of strategic importance given the general fragmentation trends in media industries (Napoli 2004) and the increasing competition in the Internet.

Table 6. Strategic thrusts of the Internet in magazine publishing

Strategic thrust	Example	Source
Differentiation	The website differentiates the product	Publications 1, 3 and 5, expert interviews
	Virtual communities differentiate the product	Publications 1, 3 and 5, expert interviews
Cost reduction	Customer-database updating	Publication 3
	Online subscription sales	Publications 1 and 3
	Lower costs of experimentation/product development on the Internet	Expert interviews
	Lower costs of content distribution	Expert interviews
	Lower costs of customer service	Expert interviews
	Lower costs of customer research	Publication 3, expert interviews
Innovation	Customers as co-developers of the product	Publication 3, expert interviews
	Customer involvement: ideas for product development	Publication 3
Growth	Means of increasing the market share	Publications 1 and 5, expert interviews
	Means of expanding to new markets	Publication 5, expert interviews
Alliance	Acquisition of a new business unit (classified ads)	Expert interviews
Customer relationship	Virtual communities: Strengthening the customer relationship	Publication 3, expert interviews

While the Internet seems to have focal competitive implications, it is also argued here that it has not had a disruptive effect in this industry. It is worth noting that not all radical innovations are disruptive: consider, for instance, the example of cordless phones versus wired phones (Slater & Mohr 2006). The same logic applies to business-model innovations as well: not all of them are disruptive - only those that cannot coexist with the old one in the same organization (Markides 2006). Evans & Wurster (2000) also note that the effect of a potentially disruptive technology depends on how existing firms respond to the changes (see also Picard 2003 for a discussion on the publishing industries).

⁵ By alliance, Wiseman (1988, 333) refers to any combination of two or more groups joined together for the purpose of achieving a common object. This definition also includes mergers and acquisitions.

Incumbents in the magazine publishing industry have utilized the Internet not to displace existing products or business models, but to extend and refine them. They have therefore not chosen between the two technologies, but have rather developed one product concept and one business model comprising both. The results of this study suggest that the new, broader magazine concept adds new value for the customer as well as for the magazine publisher. Recent findings on the cannibalization question have also provided evidence of a positive effect of website visits on magazine circulation (Kaiser & Kongsted 2005), and thus emphasize the fact that the print and online dimensions of a magazine concept do not pose a threat to each other. This complementary relationship may be linked to factors such as the narrowly segmented concepts, the strong position of magazine brands, the relatively low number of issues published annually (compared to newspapers for example), and to the fact that magazine content does not go out of date as soon as news content.

It could thus be concluded that the impact of the Internet on the magazine publishing industry has been significantly weaker than it has been in the banking industry, for example, in which researchers (Siaw & Yu 2004) have noted major changes in industry structure such as the emergence of new small banks and increased bargaining power among buyers. The difference between these two industries may be that the products are more differentiated, and the consumer choice is therefore linked not only to price.

Moreover, as noted earlier, the value chains of magazine publishers have not changed, and the Internet simply provides a new, complementary way of serving both readers and advertisers alike. Indeed, on the one hand, publishers believe that advertisers value the combination of online and offline advertisements, and on the other they have attracted new advertisers for purely online campaigns (FIPP 2005). Henderson (2006) has suggested that deeply embedded customer and market-related competencies play an important role in the context of technological change. While these routines may become an obstacle when it is a question of disruptive changes requiring access to new markets (*ibid.*), it would seem logical that in the same market these competencies are an important advantage for incumbents over possible new entrants.

Because the core competence of magazine publishers is closely tied to understanding customer needs, it is suggested here that it also helps them to leverage new technologies in serving their customers, and protects them from the disruptive effects. In the context of the above discussion, therefore, a final conclusion could be drawn: the Internet is an opportunity for magazine publishers in their search for competitive advantage.

5. LESSONS LEARNED

The contributions of the study are discussed in this final chapter, and the study design and the validity, reliability and generalizability of the results are assessed. Some reflections on the personal learning process of the researcher are offered, and finally the limitations of the study are discussed and avenues for future research suggested.

5.1. Research contributions

As stated earlier, the purpose of this study was to advance the descriptive stage of theory building (Christensen 2006) concerning the impact of the Internet in magazine publishing. Christensen has characterized the process of theory building as consisting of two successive phases, the descriptive stage and the normative stage, both of which are needed before a formal theory can be developed and tested. He maintains that the purpose of the descriptive phase is to observe, classify and define the relationships between the phenomena in question. In the following I will discuss the contributions of this study with regard to these three steps of descriptive theory building, and assess the research contributions.

Observation

According to Christensen (2006), the first step in descriptive theory building is to observe phenomena and carefully describe what is seen. This was the purpose of the publications included in this study: the aim was to document the observations about magazine publishing, and thus to lay a foundation for the next theory-building steps.

Classification

The second step is to place the observed phenomena in categories, since categorization organizes the world in ways that highlight possibly consequential relationships between phenomena and often uses frameworks and typologies as its schemes (Christensen 2006). Chapters 4.1., 4.2, 4.3.

and 4.4. categorize the observations of this study and apply the value-creation framework, the resource typology, the five-forces framework and the transilience map as categorization schemes.

Defining relationships

The purpose in the third step of the descriptive phase of theory building is to explore the association between the category-defining attributes and the outcomes observed. The output here is usually referred to as a model. Figure 14 in the conclusion section could be considered such a model since it describes the relationships between the Internet, the three levels of analysis and competitive advantage. It is to be noted that there is a dynamic and strategic relationship between the three analytic levels, each influencing the other and also the competitive advantage of the magazine publisher. This model is one of the contributions of this study.

I have argued that the Internet has not had a disruptive effect on magazine publishing, and that its strategic implications could rather be considered complementary to the print magazine and the business as a whole. This notion leads to interesting reflections with regard to prior research. The process of theory building implies not only creating new-to-world theories, but also improving existing theories. Indeed, Christensen (2006) sees anomalies as opportunities to improve existing theories. Some of the findings of this study could be considered anomalies with regard to prior research, and therefore offer a contribution to theory development. Two of the most significant anomalies are addressed next.

First, it has been found that established firms often fail with the introduction of new technologies (e.g., Tripsas 1997, Christensen 1997, Tushman & Anderson 1986). According to Tripsas & Gavetti (2000), for example, established firms are likely to fail when new technology destroys existing competence, the value of existing complementary assets, or architectural knowledge, i.e. knowledge about interfaces of product components. It was noted in this study that the Internet is not competence-destroying and does not devalue existing complementary assets in this industry. However, it is also suggested that multidimensional product concepts do require new architectural knowledge regarding the interfaces of product components (Henderson & Clark 1990). Even so, incumbents have not been challenged by new entrants. It is thus proposed that it is the co-specialized assets, together with market-related competencies (cf. Henderson 2006) and

unchanged core competence, that have protected established firms from the disruptive effect of the new technology in magazine publishing.

The second anomaly found in this study concerns the dissimilarities between the different publishing sectors. The Internet is often referred to as a potentially disruptive technology in the publishing industry (e.g., Overdorf & Barragree 2001, Picard 2003, Mierzewska & Hollifield 2006). While this may be the case in the newspaper sector, the findings of this study argue the opposite in magazine publishing: it has not had a disruptive impact in this sector. Therefore, another contribution of the study is to bring to light the notion of investigating these two sectors as separate markets rather than grouping all publishing activities together, since they apparently have different competitive dynamics.

I believe this study also makes an important research contribution in terms of the research design. In particular, it highlights the value of a multi-level approach to studying the competitive effect of technological change. Several researchers (e.g., Tripsas 1997 and Albarran 2006, Dimmick, 2006 in the media context) have suggested incorporating multiple levels of analysis into analyses of the implications of technological change, yet concurrent research still lacks studies that have followed these suggestions. In this case, an explorative research design and a combination of qualitative methods, which are most suited to offering new insights, were used to analyze the impact of the Internet in magazine publishing on the product, firm and industry levels. Each level provided a complementary description of the situation, and together they gave a more holistic understanding. The notion of a dynamic relationship and interplay (see also Pettigrew & Whipp 1991) between levels of analysis is therefore valuable for researchers.

This study also suggests a strategic thrust of the Internet that adds to the framework developed by Wiseman (1988), namely *strengthening the customer relationship*. According to the findings, it seems that the Internet offers a unique possibility to build and nourish customer relationships. This could be considered of strategic importance because of the general fragmentation trends in media industries (Napoli 2004) and the increasing competition in the Internet.

This research also adds to the growing stream of studies on media management and economics. Shaver & Shaver (2006) consider strategic issues to do with the Internet a focal research area in MME studies, and from this perspective the main contribution of the study is that it goes more deeply into this phenomenon in magazine publishing. While prior research has focused on the newspaper (e.g., Chyi & Lasorsa 2002, Saksena & Hollifield 2002, Dimmick *et al.* 2004) and television industries (e.g., Liu & Chan-Olmsted 2003, Chan-Olmsted & Jung 2001, Bucy 2004), the present study is one of the first investigations within the field of magazine publishing to focus specifically on Internet issues. According to the findings, the Internet is a major means of competition in this industry, and has complementary competitive implications. Thus, the study contributes to MME research by moving from product- or industry-level investigations towards a strategic-management perspective in magazine publishing.

Business models (e.g., Gallagher *et al.* 2001, Vasisht & Gutierrez 2004, Stahl *et al.* 2004, Fetcherin & Knolmayer 2004) and the impact of the Internet on the circulation of traditional print products, i.e. the so-called cannibalization question (e.g., Kaiser 2003, 2005, Kaiser & Kongsted 2005, Simon 2005), have dominated the agenda in previous research on the Internet in the media industry. While these are important questions, this study shows that the use of the Internet in the publishing business also has wider and indirect consequences. It has illustrated that the Internet may, in fact, directly and indirectly support all functions concerned with advertising, circulation and editorial policy that form the traditional three-legged-stool organization of a magazine publisher.

Finally, a further research contribution of the study is to bring out the role of virtual communities in the business context. According to the case studies it comprises, virtual communities seem to provide a new window through which media companies can observe their customers, learn about their preferences, communicate with their readers and thus enhance the reader relationship. It is in this sense that they support magazine publishers. The study also advances the conceptual development of a sense of virtual community in suggesting a redefined framework and identifying its antecedents: it is suggested that SOVC may provide the most suitable framework for understanding the dynamics of smaller communities and sub-communities. It thus appears

that the success of a virtual community does not directly follow a strong sense of virtual community (SOVC), as the literature suggests.

5.2. Practical implications

From a managerial perspective, this study and its individual publications carry several implications. Most significantly, it is argued that the Internet is not a threat, and that it is rather an opportunity for magazine publishers. It is suggested that it could be leveraged in different ways, namely in terms of differentiation, cost reduction, innovation, growth, alliance, and the strengthening of the customer relationship, all in pursuit of competitive advantage.

This complementary, rather than disruptive, nature of the Internet apparently lies in the way in which magazine publishers utilize it. The implication is that they should be cautious in their online initiatives about producing products or business models that compete with existing ones, and should rather aim at extending and refining their current offerings to exploit both print and online technologies. The results of this study suggest that the new, broader magazine concept may add new value for the customer as well as for the magazine publisher: at best, the Internet may indirectly support all of its three main functions.

This study opens up a wider perspective on the Internet: instead of operating websites independently of the magazine, publishers should make their plans on the brand-concept level, and should design the role and interfaces of each medium as a whole. Recent studies (FIPP 2003, 2005) illustrate how most magazine websites fail to be profitable, which leads me to suggest that financial analysis should also be carried out on the product-concept level.

The findings also highlight the need for organizational change in the companies concerned. The biggest challenge may not be in acquiring the new technical resources, but in bringing about a change in strategic beliefs.

The notion of a virtual community also carries practical implications. It is suggested that not only are virtual communities very natural in this industry, they may also be supportive in terms of market research and product development, for example. A virtual community around a magazine can provide a new window through which media companies can observe their customers, learn about their preferences, communicate with their readers and thus enhance the reader relationship. Interestingly, it also seems that the factors that are important to online readers are very similar to those that have long been important in print magazines: fulfilling customer needs, uniting a group of people with shared interests, and providing them with something they can trust. However, it should be noted that this study does not address the question of how to develop virtual communities, nor does it argue that media companies have control over the community or could direct its actions.

5.3. Reflections on the research design and the quality of the results

Reliability and validity are traditional concepts used for evaluating the quality of research, but are most often associated with quantitative studies. The quality of qualitative research is not thereby unambiguously evaluated, however (e.g., Denzin & Lincoln 2000, Kirk & Miller, 1986), and researchers disagree on whether objectivity, reliability and validity are reasonable concepts in this context. Auerbach & Silverstein (2003, 80) refer to striving for reliability and validity as “pursuing the unreachable ideal”.

The main point about reliability in qualitative research is whether the process of the study is consistent, and reasonably stable over time and across methods and researchers (Miles & Huberman 1994). Thus, it refers to accuracy in efforts and methods (Shank 2006). According to Kirk & Miller (1986, 20), reliability in qualitative research is the degree to which the findings are independent of accidental circumstances. Shank also notes that there is no single set of policies that can ensure qualitative accuracy. Patton (2002, 39) suggested 12 principles of qualitative inquiry that “taken together, constitute a comprehensive and coherent strategic framework for qualitative inquiry.” In the following the research design and process of this study is evaluated

against Patton's framework. I believe this evaluation accurately reflects the reliability of the process.

Patton's (2002) principles of qualitative inquiry fall into three categories: design strategy, data-collection and fieldwork strategies, and analysis strategies. The main principles of qualitative design strategies are *naturalistic inquiry*, *emergent design flexibility* and *purposeful sampling* (ibid, 39-40). Naturalistic inquiry refers to studying real-world situations as they unfold naturally, and being open to whatever emerges in the findings. Emergent design flexibility corresponds with openness to adapting inquiry as understanding deepens and pursuing new paths of discovery as they emerge, while purposeful sampling signifies selecting cases because they are information rich and illuminative, and offer useful manifestations of the phenomenon of interest.

The aim in this study was to gain a deeper understanding of the current situation with the Internet in the magazine publishing industry, in other words to study and understand a real-world situation. Moreover, the research designs of the empirical papers were all closely tied to real-world cases. As explained previously, the designs were very flexible, and each publication gradually built up understanding of the research phenomenon and suggested avenues to be studied in the following ones. The cases, meaning both the case websites / communities for the two single case studies and the people selected to be interviewed on each occasion, were purposefully chosen with the expectation that the information, experience and knowledge they offered would take the whole study more deeply into the phenomenon.

In terms of data collection and fieldwork strategies, Patton (2002, 40) suggests four principles. First, using *qualitative data* provides a means of capturing thick descriptions about people's personal perspectives and experiences: they tell a story. Patton also suggests that the researcher's *personal experience and insight* are critical to understanding the phenomenon. However, *emphatic neutrality* and mindfulness are also needed in interviewing, as are *dynamic systems*, attention to the ongoing process, and change.

This study builds on qualitative data in different forms: observations, interviews and narratives. On all occasions the goal was to probe deeply into the researched phenomenon by hearing and

reading people's stories, or by methodological triangulation producing a story, a case description (see Dyer & Wilkins 1991) of the research object. I have some experience in the industry, which provided me as a researcher with both a basis for understanding the phenomenon and access to those who are close to it. Emphatic neutrality and attention to dynamic processes were pursued in the preparation of interview guides that consisted of the themes to be discussed in the interviews, although the order of the questions was not fixed and the structure of the interview followed the lead of the interviewees. Follow-up and specifying questions were asked in order to show awareness and responsiveness.

According to Patton (2000), *unique case orientation* is one of the key principles of analysis strategies; he argues that it is important to assume that each case is special and unique. He also states that immersion in the data begins with details, exploration and confirmation, and ends with creative analysis: thus *inductive analysis and creative synthesis* are focal. He also stresses *a holistic perspective, context sensitivity and voice, perspective and reflexivity*. The latter refers to using a credible voice that conveys authenticity in terms of being self-analytical and reflexive.

Following the purposeful sampling, it was also assumed in this study that the chosen cases were unique, and particular attention was paid to capturing their details. I believe this provided a firm basis for the second-level synthesizing analysis of the case findings presented in Chapter 5. In general, the analytical logic of the whole study was inductive, starting from individual observations and proceeding towards more general patterns. The analysis in Publications 2 and 4 was conducted by means of a prior theoretical framework, although there were some inductive elements here, too. Patton also notes that, in practice, the inductive and deductive approaches are often combined. A holistic perspective was pursued in this study through the choice of a multi-level approach, and the phenomenon was seen as a complex system. There was also a focus on understanding the context and interpreting the findings within it, as well as on reflecting on the chosen perspectives throughout the process.

To sum up the discussion on the reliability of this study, the aim was to provide information that would enable the reader to follow the researcher's reasoning (cf. Eskola & Suoranta 1998, Yin 1989). This was also an objective in all of the five individual publications.

The concept of validity is also a complex question in qualitative research (Kirk & Miller 1986, Shank 2006). The traditional criterion has its roots in the positivist tradition and measures how truthful the results are (Golafshani 2003). According to Kirk & Miller (1986, 20), it refers to the degree to which the findings are interpreted in a correct way in qualitative research.

According to Yin (1989), there are three types of validity criteria for judging research design: construct validity, internal validity and external validity. While Yin's focus is on case studies, he notes that the same tests are also relevant to any other types of social science. Eskola & Suoranta (1998) also note that, in principle, all qualitative research comprises case studies.

Construct validity refers to establishing correct operational measures for the concepts being studied (Yin 1989, 40). According to Yin, there are three maximizing tactics: using multiple sources of evidence, establishing a chain of evidence, and having the key informants review the research report drafts. Four types of triangulation were used in this study, which thus builds on multiple sources of evidence (see also Tellis 1997). The Atlast/ti program was used as a tool in the data analysis to build a chain of evidence and a database that led to the study conclusions. Key informants also reviewed the drafts of two of the empirical publications (Publications 2 and 3).

Internal validity refers to establishing a causal relationship and is not used for evaluating descriptive or exploratory studies (Yin 1989, 40). Therefore, it is not a valid criterion for judging the quality of this study.

External validity refers to establishing the domain within which the study's findings can be generalized (Yin 1989, 41). However, case studies and other qualitative studies rely on analytical rather than statistical generalization. External validity can be increased by using theories to support the findings. Elaborative coding (cf. Auerbach & Silverstein 2003) was applied here, which involved using theoretical constructs from prior research as a basis. Furthermore, the results were discussed in the light of those of prior studies.

Reflection of earlier studies also increases the generalizability of the findings (Eskola & Suoranta 1998). As Eskola & Suoranta (1998) note, the quality of qualitative research is not linked to the amount of data: generalizations are made not from the data, but from the analysis and interpretations based on it. Auerbach & Silverstein (2003) propose using transferability as an alternative to generalizability in qualitative research, meaning the theoretical constructs could be used for guidance in a new sample. The empirical papers comprising this study build on individual cases or on a relatively small sample. However, the triangulation, reflection with prior studies and the expert interviews in the second-level analysis all, I believe, ensure that the discussion and conclusions in the introduction of the thesis describe the general patterns in the Finnish consumer-magazine publishing industry.

5.4. Reflections on my own learning process

From a doctoral student's perspective, alongside the question of 'what are the findings of your study' is the equally valid one of 'what did you learn'. My aim in this section is to reflect on my own learning process during the three years I have been pursuing my doctoral studies.

As I mentioned in the introduction, I began my postgraduate studies with an urge to understand Internet-related issues in the media industry better. My focus in the research project I joined when starting my Ph.D. studies was on virtual communities. After my maternity leave, when I was no longer part of that project team and had a chance to redefine my research setting, I linked the media context to my plans. Gradually, I developed the urge to broaden the scope to include not only virtual communities in the media industry, but also Internet services in general. It was within this setting that true exploration really started for me, and when I also started the search for a broader theoretical discussion to which I could link my findings in this industry. As a result, the research questions were modified in the course of the process, which I understand is not uncommon in qualitative research, and in inductive research in particular.

As the wording of my research question has evolved over time, so has my understanding of the situation. At first I was more interested in normative 'how-to' questions; this is most visible in Publication 1. Towards the end of this project I focused my efforts more on describing and

understanding ‘how’ the Internet affects this industry. Similarly, when I started a common phrasing in the e-business literature was ‘Internet strategies’. My perspective has shifted more towards questioning ‘the impact of the Internet with respect to a magazine publisher’s competitiveness’ rather than ‘what to do on the Internet to be successful’.

One thing I have enjoyed very much during this process has been the chance to familiarize myself with various streams of research, such as e-business, virtual communities, business strategies, and the management of technology. While the individual publications are unquestionably diverse, I believe they also provide a multiform basis for interpreting the findings. In that regard, I agree with Christensen (2006), who considers the value of multiple methods and multiple theoretical lenses in theory building to be in helping to avoid incomplete and misleading results.

While I have been gradually learning the conventions and methods of research, I have also had a chance to peek into the world of publishing, and thus have had to learn the scientific conventions and methods used. While these lessons were most valuable, they also made the process of managing a doctoral thesis somewhat more complicated. All five publications benefited significantly from the careful and rigorous comments the anonymous reviewers and editors made. As a result, they have also become more focused and their interrelations are now less obvious than initially planned.

In conclusion: What have I learned? I have learned that a qualitative research process allows you to reframe your research design and questions; I have learned that there are few questions that have unambiguous answers; I have learned that there are many ways of doing things well, and as many of doing them badly, and that sometimes the difference is not in the methods or theoretical literature you have used *per se*, but in your reasons for using them; I have learned that a good study is not only about technical performance, but also involves convincing readers. Finally, which I found the most surprising, I have learned that writing a doctoral dissertation is no longer my final target: I now see it as a ‘driver’s license’ in the world of science, to facilitate the conducting of future studies.

5.5. Limitations and suggestions for future research

As with any research, there are certain limitations in this study. Together with the findings, the limitations also indicate several avenues for future research. Several potential directions, on a more detailed level, are suggested in the five publications.

The first limitation concerns the research design of the dissertation. The study was performed according to a step-by-step approach, when the research questions are sharpened and new ones arise in the process. The multi-level approach is not without limitations. Thus, several other issues that fall beyond the scope of the study could have been examined and I am aware that this analysis is by no means definitive. A truly holistic understanding of the competitive implications of Internet would also require more focus on the related financial issues, too. Among the potential future directions are the use of company-level Internet services that are not tied to specific magazine brands, and the role of the magazine brand online. Moreover, the data mainly reflects the perspectives of the magazine publishers on the product level, and future studies could focus more on strategic company level phenomena as well as on the views of consumers and advertisers in the search for a truly holistic understanding of the situation.

Secondly, this study also features some shortcomings that are typical of MME research in general. According to Mierzejewska & Hollifield (2006), one of its weaknesses is that it tends to be fragmented, and that studies in the same subject area often apply different conceptual frameworks; as such, the theory development in this field does not advance systematically. In that it is closely linked with the research design, this is also a limitation of this thesis.

Thirdly, the focus of the empirical papers was on a single market, i.e. Finland. It should be noted, however, that there are major differences across magazine markets in different countries. Moreover, the Finnish government actively promotes ICT development, and this might have an impact on publishers' willingness to pursue online projects. Therefore, valuable insights could be gained by applying a cross-national setting. In the future, a wider perspective should be taken in order to test the results.

Fourthly, as it seems that the general attitude toward the Internet and its impact in this industry is continuously evolving, this study only reflects past developments. Thus, another limitation could be the temporal validity of the results (Doyle & Frith 2006). Longitudinal studies or a follow-up study would provide further evidence regarding future trends and development.

Two of the publications are case studies and thus carry their own limitations. Despite the data and theoretical triangulation, the results can only be generalized with care. Thus, researchers in the future could investigate the success factors behind virtual communities, and the significance of a sense of virtual community, by using e.g. quantitative measures and larger samples.

Despite its limitations, I do hope that this study serves as a starting point for further research. It certainly has become a starting point and inspiration for my future research endeavors.

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