



LUND UNIVERSITY
School of Economics and Management

Managing Swedish Newspapers in the Digital Age

An Investigation of Managerial Responsibility and Innovation

by

Roxana Niculescu

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Abstract

The whole world has been getting somewhat familiar with the crisis that the newspaper industry has been experiencing. The past decade has seen print mainly absorbing finances with little to no profits, and the ever-growing digital not offering enough advertising revenue. Hence, the challenges managers face becomes clear: how can we innovate effectively when the current system is a loophole? Additionally, how willing are we to take risks in a completely traditional environment? The attempt to answer these questions entails the overview of the industry, as well as two representative examples of local newspapers in Sweden: Sydsvenskan and Skånska Dagbladet.

By discussing these issues with contacts highly relevant to the industry, this report aims at better understanding the extents to which newspapers' management are responsible for the lack of innovations in a digital world. Another aim is to grasp the reality of more than one challenge they face. Herein, digitalization plays an essential role in the research due to how it has been challenging the traditional business model of newspaper organizations. Subsequently, the study encompasses the following challenges for the industry: the traditional business model, the management roles in newspaper companies, and the implications of digitalization for the present and future of the industry.

Together with the theoretical framework, the study's results come from a combination of interviews, necessary data, and other empirical studies that altogether form the empirical material of this report. Furthermore, in identifying and discussing the challenges of the traditional business, the separate cases of local players contrasted with national/international players, as well as the role of management in innovating, the report's primary finding and possible solution is for managers to consider stirring their organizations towards an ambidextrous structure: integrating what is useful about the past, yet focusing on creating current actions for a more hopeful future.

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1. Introduction

It is no newsflash that the newspaper industry has been at risk throughout the past decade. There have been attempts to justify the lack of innovation that many newspaper companies exhibit. The reasons range from how the trickiness to profit from the digital platform whilst print is suffering, to the increasingly technologically-savvy population who is simply not interested in paper form anymore. However true these may be, this project's focus is to investigate the role of top management in these organizations' inability to innovate, and what different types of actions they can take. What does the managerial structure look like and how willing have they been able to adapt to the fast-moving industry? Given the traditional business model most newspapers still operate on today, how have the management roles controlled innovation to the point of no return, e.g. Stampede Media Group's most recent near bankruptcy? (Jones, 2016). The issue of profitability is indeed significant and will be dealt with in this study. However, the primary challenge to be investigated concerns the management's actions or lack thereof to make changes from within, promoting the evolution of the organization which can then embrace digitalization strategically. The project thus deals with the following research questions: (1) What is the role of the top management of newspaper organizations in the decline of the industry? and (2) What would be a better business model for increasing newspapers' profitability (through digital format) and for uplifting the industry?

Having undertaken a Bachelor in English, I simultaneously developed a relentless fascination with communication and journalism. It would thus come as no surprise that newspapers hold not only charm, but undeniable importance when contributing to informing the masses. Lately, what has mattered even more is their infamous decline in the face of digitalization. These two dimensions have given me plenty inspiration and determination to study the apparent weak and conditioned management of newspapers. More specifically, this study will investigate the possible impact of organizational structure on the slow development of print newspapers, naturally within the context of digitalization. Generally, the issue of the digitalized form comes across as "the enemy" of print, the principal cause of the current decline. Notwithstanding its massive effect on the entire industry, what this study intends to do is to also bring into perspective the role of advertisements as the financial backbone of newspapers and how, if managed correctly, they can actually work together with digitalization for the sake of progress.

In the newspaper world and not only, every waking morning brings a new issue to be addressed because digital forms are competing on such a scale, dealing with constant challenges; hence, these organizations need to be agile. This is highly problematic in a management context, especially in the newspaper business. Given the old nature of this business, the limits of the organizational structure and conflicting positions of power must play the most important role when choosing ways to improve and solve problems that arise daily, ultimately leading to struggles to adapt to new movements.

When discussing this issue with Sterner de la Mau, the owner of a company providing an innovative advertising system for newspapers, my primary justification for this study was precisely this mystery: understanding the reason for the success of certain big and local

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players vs. the failure of others. The dilemma underlined the idea that flawed organizational structures, together with poor management, may be the reason why most newspapers cannot keep up with, and in fact benefit from digitalization.

1.1. Exploring innovation and control

As this study will show both through the literature review and the empirical approach, the impact of control on innovation can stagnate the process altogether. Implicitly, this is of crucial consideration to the objects of this study and the overall research purpose because a) to some extent, it reflects the investigated managerial challenges, and b) it is an inherent element of an old, traditional organization. Despite certain positive aspects of control in the management of innovation, such as the information role of control helping managers to deal with the risks of innovation, or its crucial structural and formal aspects in high-technology settings (Fagerlin, 2016), the negative force of control for the innovation of newspapers has been highly acknowledged from multiple perspectives as this project will show.

Subsequently, O'Reilly and Tushman (2004), as well as Jorgensen and Messner (2009), all highlight the ideal result: organizations should place equal importance on maintaining efficiency and promoting innovation. However, the importance of control for improved efficiency proves in fact to be secondary for organizations that truly want, and in the case of newspapers, truly need to innovate (Fagerlin, 2016).

The core tension that arises here is that between autonomy and control: this can be traced directly to managers who are dual in their actions, “wishing to assert control and wanting to allow employees to work independently” (Fagerlin, 2016). When bringing this into the context of newspaper organizations, both temporal and social variables play a crucial part in establishing the dominating intention of managers: to control, and rarely to enable, constructive autonomy for the rest of the employees. The next section will give a brief overview of the temporal dimension of newspaper businesses, and what this implies for their challenging traditional nature.

1.1.1. Newspaper organizations as traditional businesses

What is a newspaper per se?

The legal definition of a newspaper is a printed paper or publication sold for a definite price, or subscribed by readers at a fixed price per copy/year, circulated and distributed from an established place of business. There is one element that has changed significantly and is relevant to this study: the shift from printed to digital form. This project takes into consideration the print form of a newspaper, yet focuses on the digital.

How does it fit into a business frame?

Subsequently, relevant to this study is the definition for the place of business that a newspaper belongs in. What is a newspaper organization and how does it fit into a business frame i.e. service-oriented vs. profit-oriented? Inherently, newspapers have a public-service component that is often at odds with the pursuit of maximum profits; the sole focus on profit has in fact been considered unfair to newspaper organizations who may end up exploited for more profit despite being profitable (Mitchell, 2012). While all this is true, is it really enough for newspapers only to cut costs in order to maintain profitability? (Mitchell, 2012).

Notwithstanding this as an important element in the strategy, newspaper organizations have

yet to understand the fundamental action they should take resulting from the digital transformations of the media: to stop being caught up in the newspaper business, and instead be in the news information space, learning to deliver content regardless of form (O'Reilly III & Tushman, 2004).

Newspapers have a longer history than most organizations, which in turn makes them inherently traditional. The origin of this business can be traced as far back as Ancient Rome, with the first published newspaper in 59 B.C. The year of 1690 saw the first published newspaper in America, yet the world's oldest newspaper is Swedish with its first number in 1645 and still published today (Bellis, 2016). The year of 1864 marks the beginning of selling advertising space in newspapers; this temporal stretch is significant for explaining the challenging stagnation in which newspaper business find themselves today. One can infer the logical link between this well-established, old structure, and the frozen approach of much of the newspapers' top management.

Another relevant aspect of the traditional nature of newspapers is that they have always made their biggest investments in quality research and reporting (Babu, 2007). Notwithstanding the importance of these departments for delivering a consistently trusted product, the current decline of newspapers as profitable businesses is forcing them to rethink the unequal distribution of their financial resources (Babu, 2007).

1.2. The Digital Era

When examining today's core challenge for newspapers, all roads point to the one most relevant industry found in one crucial context for this report: the technology industry, which has been transforming the world into a digitalized space. The technological industry is ever-growing on multiple fronts, yet this study's specific awareness needs to lie with competitive giants such as Google, Facebook and Apple who have proven that real growth, fairly valued information, and advertisement revenues are fostered through the tech sector. Indeed, technology might be the industry taking over the news (Frank, 2012), yet it is the newspapers themselves who have been unable to make strategic use of such a profitable industry. Hence, we face a paradox: who would not be willing to innovate digitally when the benefits of innovation can be seen all-around? Simultaneously, one cannot contest the massive challenge for those newspapers who do want to innovate – indeed, expanding beyond traditional print business to maintain strong growth and profits requires dramatic innovations (O'Reilly III & Tushman, 2004).

There is, however, a counter-argument that highlights the real focus of this report in terms of digitalization. Despite of the reality of the declining pattern seen in most of the small to medium-sized newspapers world-wide, there have been various major players who have successfully innovated as digital businesses. Nevertheless, there are claims that the digital space does not offer enough profit margins for the newspapers to compensate for the losses of their traditional print business (Stähler, 2009; Barthel, 2015). Be that as it may, the empirical approach of this study shows that there is another root to the problem, namely the incremental innovation of newspapers, and even lack thereof; hence, the focus shifts onto what exactly causes the failure to innovate, and the discussion of creating and applying various solutions.

1.3. Research Purpose and Research Questions

My overall aim with this study is to gain an understanding of the responsibility of newspapers' top management in the struggle to innovate and increase profitability. Specifically, the thesis centres around the following major research questions:

- (i) What is the role of the top management of newspaper organizations in the decline of the industry?
- (ii) What would be a better business model for increasing newspapers' profitability (through digital format) and for lifting the industry up?

Furthermore, the study touches upon the subsequent research question, which essentially derives from the first and main question (i):

- (iii) How does top management steer the organization in order to cope with the tireless, fast pace of the business?

1.4. Research Limitations

- Small scope for conducting more elaborate empirical research i.e. spend time with the newspaper organizations and observe their innovation processes;
- The ideal situation would have been to interview specific members of the top management of the newspapers chosen for this study; however, the empirical observations obtained from the three available individuals have proven to be sufficient for the size of this report;
- Limited research on empirical data concerning the management roles and innovation processes of the two chosen organizations;
- The qualitative empirical material dominates this study. Quantitative data has a more limited use in answering the research questions because it generally leads to prove the same concept: that the newspaper industry has been struggling to survive. Certainly, there are some necessary data collected to specifically refer to the situation of Sydsvenskan and Skånska Dagbladet throughout the past decade, as well as the general state of the industry.

2. Theoretical Framework

2.1. What is innovation?

In spite of the multi-layered, indecisive body of definitions of innovation across time, a solid basis comes from Fagerberg et al. (2005) who explores the core distinction between innovation and invention, with the latter being “the first occurrence of an idea for a new product or process, while innovation is the first attempt to carry it out in practice”.

2.1.1. Types of innovation

An initial categorization of innovation types comes from Tushman and Nadler (1996) who inform about the existence of innovation in various forms: a new product, service or process. A second categorization distinguishes between continuous and incremental innovation, or discontinuous and radical innovation. In the latter case, companies are ahead of the established majority, and prepared for sharp changes to existing organizational activities (O'Dwyer, 2009). This study relates to the continuous and incremental innovation of two main newspapers in Skåne, Sweden.

Furthermore, Fagerlin (2016) rounds up OECD's four general types of innovation in terms of outcomes: (1) product innovation, which involves new or significantly improved characteristics offered to customers (2) process innovation, which is the implementation of a new production or delivery method; (3) market innovation, which adopts a new marketing concept involving significant changes in the design of an existing product; (4) organization innovation, which is the first use of new organizational methods in the firm's business practices, workplace organization, or external relations. The innovation types relevant to this thesis are product innovation and organization innovation.

It is worth noting that Fagerlin's (2016) doctoral dissertation at Lund University, *Participant, Catalyst or Spectator* is an essential study for this paper as it has been of great inspiration for the current knowledge frame, altogether despite its much greater scope and distinctive research design.

2.2. The Relationship between innovation and control

The theoretical pluralism on the negative effects of control in innovation makes it a theoretically indecisive issue, yet what is certain is that the tension between autonomy and control is a classic managerial challenge (Fagerlin, 2016). The two objects of this study, Sydsvenskan and Skånska Dagbladet, are both run in the fashion of this managerial challenge.

It seems that compared to young, small companies who are able and willing to experiment with the future, large, old companies are safely stuck with the past and present. Hamel and Prahalad's argument for this idea, directly supported by Kumar (2000), states that "it is difficult to unlearn received wisdom that has become irrelevant as the fundamentals of the industry shift (p.135); this arguably sets the core difference between the two categories of companies. An enriching perspective comes from Charitou (2003), in that radical innovation is the base for the success of market driving firms (p.59), hereby represented by the young, small firms. On the other hand, traditional firms, or market driven firms, find the surprise of market driving ideas problematic for their management, since they have "well-established new business development processes in place" (Charitou, 2003, p.59).

On a different note that follows Chesbrough (2003), the lengthy establishment of a large company can be positive for innovation because "open innovation is based on a landscape of abundant knowledge" (p.37). Implicitly, these companies have a greater availability to knowledge than a young, small firm would have. Sadly, old companies often fail to further externalize their rich knowledge through strategies such as profiting from others' use of technology (Chesbrough, 2003, p.37). Nonaka and Takeuchi also suggest allowing groups of people within an organization the "freedom to experiment with new solutions", and "establishing patterns of interaction within the firm" to foster the flow of knowledge (Fagerberg, 2005, p.11).

Consequently, control in innovation is viewed negatively (Fagerlin, 2016) for several reasons. On a primary level, this is true due to a basic tension that has always been problematic in any organization: for the greater purpose of achieving the larger goals of an organization, individuals need to sacrifice some of their autonomy in organizational participation (Barker, 1993). One way around this issue is engaging in ongoing formal and informal negotiation

processes which develop strategies that ultimately produce particular outcomes for the organization (Barker, 1993).

Furthermore, the tension between autonomy for innovation vs. organisational control continues in terms of the negative effects of control such as traditional bureaucratic control that stifles creativity and fosters job dissatisfaction, as well as rules and behaviour constraints that reduce the level of creativity required for development (Fagerlin, 2016). Of these two categories, it is the latter that applies to this study.

2.2.1. Organizational decline and inertia

In order to tackle this study's aim from various perspectives, it is valuable to consider the relevance of organizational inertia. The contribution of this aspect to the overall research purpose will be done purely theoretically, since the scope of this report has not permitted a complex empirical approach. The fact that "organizational decline is a serious matter not only for immediate stakeholders but also for societies as a whole" (van Witteloostuijn, 1998) creates an essential link to the consideration of this issue for the critical situation of newspapers. The definition of decline relevant to this study is the process of decreasing performance over a prolonged period of time (van Witteloostuijn, 1998).

Alongside the previously given definition of decline as an organization's prolonged decreased performance, it is necessary to mention that performance here is measured in regards to profitability (van Witteloostuijn, 1998).

2.2.2. The Ambidextrous Organization

What would be the best alternative for an organization like a newspaper to move away from inertia? The initial premise of the ambidextrous organization is that general managers and corporate executives should have double vision: they need to look behind to attend to past products and processes, whilst gazing forward to prepare for future defining innovations; this can be the toughest managerial challenge (O'Reilly III and Tushman, 2004). The findings of their study primarily show that organizational design and the employment of management practices have a direct and significant impact on the performance of both the breakthrough initiative and the traditional business. Furthermore, compared to the other types of organizational designs, 90% of ambidextrous organizations achieved their goals (O'Reilly III and Tushman, 2004).

This outcome applies to the national paper *USA Today*, who in efforts to keep the business from falling, launched an online news service. This move was apparently successful, yet the site experienced little growth and small profits, with little impact on the business as a whole. Consequently, the newspaper's president saw the weakness of the new unit being completely separate from the old one, hence his strategy for greater integration. By using a network strategy that shared news content across three different platforms, the newspaper, the website, and the corporation's television stations, he evolved his vision from a newspaper business to a news information space. The most effective way to implement this was by creating an ambidextrous organization: the digital side of the business remained separate from the newspaper, with distinctive processes, structures and cultures, yet the senior leadership of all three businesses remained integrated. This led to an ideal commonplace of interests and commitment from each unit to support each other, yet also preserved organizational integration (O'Reilly III and Tushman, 2004).

2.3. Innovation challenges within well-established companies

2.3.1. Challenges for newspapers

The tense relationship between autonomy and control often translates to old, traditional businesses whose managers either operate through a fixed mind-set and structure, or struggle to implement innovations together with employees who have an old work ethic, or even both. What happens financially when clashing with innovation as such? "It's fun being the publisher when things are going well", quotes Mutter (2016), former editor at the Chicago Daily News - a notorious case of downfall in the newspaper industry. On a financial level, every year finds print advertising revenues short of more than a billion dollar with companies forced to compensate for it in other revenue growth (Edmonds, 2015). On a managerial level, the leadership of these companies have to 1) be willing to be open for innovation in the face of digitization, and 2) find a profitable plan once they turn newsrooms into multi-media companies (Ihlström et al., 2002).

The following section highlights three main innovation challenges for newspapers:

- (a) Traditional business model
- (b) The management roles in newspaper companies
- (c) The implications of digitalization for the traditional business
 - a. Competition of digital businesses

(a) Traditional Business Model

The unavoidable reality is that the print form of newspapers is going under increasingly more with every year. Consequently, the real challenge for newspapers has not been how to maintain the traditional side of the business alive; it has not even been about "simply" changing their utterly traditional business model; ultimately, the biggest challenge comes down to innovating from the tradition into a successful digital business – and how the managers need to function in order to facilitate more desirable results than seen in Figure 1 (Edmonds, 2015). Namely, while it is true that digital audiences are growing and the major newspaper websites are popular (Mitchell & Rosenstiel, 2012), other players such as the objects of this very study experience most of the steady readership in print. Implicitly, the traditional business model helps maintaining this loophole of no real growth.



US Newspaper Advertising Revenue
(Newspaper Association of America published data)

Figure 1. Advertising Revenue Online vs. Print 1950-2011 (Edmonds, 2015)

Given the strong traditional nature of this business model, there is also a challenging temporal element that comes into place for the digital transformation process in terms of years, not months; moreover, one must recognize the positive commitment of some of the major newsrooms in embarking on this process (Edmonds, 2015). Even so, this level of commitment has proven to lack for players of other sizes, as this study will unfold. More specifically, even more differences come into play when analysing the situation of Sydsvenskan on one hand, who is a bigger regional newspaper, and that of Skånska Dagbladet on the other hand, who is a small and more local newspaper.

Overall, the business model of a newspaper looks as follows:

Revenues

The totality of revenues made by a newspaper are summed up by “subscriptions, newsstands, advertisements, classified and other sources that may include syndication, and access to archived content”. Naturally, it is the circulation of a newspaper that influences its subscription and the premium advertisers who are willing to pay. (Babu, 2007)

Costs

The costs of operations are divided into the following: editorial, printing and distribution, marketing and sales, with a special focus on research and reporting. Table 1 sums up the classic business model of a newspaper.

Table 1. Traditional Business Model for Newspapers (Babu, 2007)

➤ Circulation leads to revenue
➤ Content and niche (with Editorial Independence, Integrity) improves readership
➤ Improved readership leads to higher circulation

(b) Management roles in a newspaper company

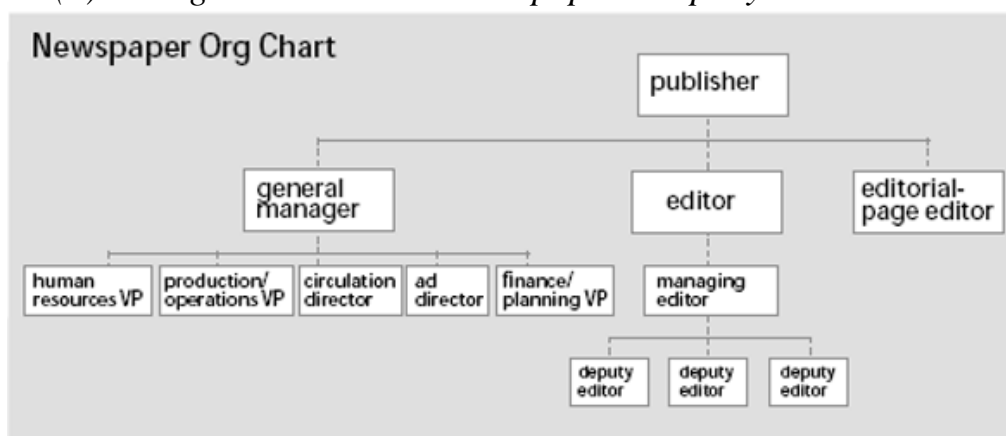


Figure 2. Newspaper Organizational Chart (Mintzberg & Van der Heyden, 1999)

Furthermore, a more detailed account of a newsroom comes from The Guardian (n.d.):

Newspaper roles

Editorial

Editor	responsible for overall content of the paper, makes sure everything runs to plan and has the final say on what appears in the paper.
News editor	a senior journalist, in charge of a team of journalists and a section of the paper, who decides what stories should be covered. News editors look at the stories coming in and decide which ones to follow up.
Reporter	obtains information and writes stories. May cover all types of stories or may be a specialist who is concerned with a specific area of the news, such as sport or crime.
Photographer	takes pictures needed for each edition. Usually managed by a chief photographer and report to the picture editor.
Layout sub editor	designs pages (deciding how best to present stories, photographs, etc), sends the stories and headlines to the copy subs, then outputs the completed pages to the print sites.
Copy sub editor	edits stories for style and sense, cuts them to fit the page, and writes the headlines and captions.
Revise sub editor	checks and improves the work of the copy subs.
Picture editor	commissions freelance and staff photographers and selects the best pictures for stories.
Features editor	responsible for articles that take a more in-depth look at issues.
Designer	designs layouts that are attractive and accessible to the reader while maintaining the look and identity of the newspaper.
Graphic artist	produces informative graphics, charts, maps and diagrams to help explain a story visually.
Imaging operative	scans or digitises prints and slides in preparation for the printing process.

Commercial

Advertising manager	has overall responsibility for all advertising within the newspaper. There are two main types of adverts: display adverts - for products, with photographs and graphics, placed by business and classified adverts – smaller adverts in columns, covering jobs, courses, holidays and announcements.
Marketing manager	responsible for the marketing and advertising of the paper to the general public to increase sales.

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Print manager	controls the production of copies of the paper at the print site.
Distribution manager	makes sure that the papers go out to news vendors and customers.

(c) The implications of digitalization for newspaper companies

“It may be time for the industry to take the bull by the horns and embrace, rather than fight, the onslaught of technology.” (Babu, 2007)

Whilst it is true that many international and big national newspapers have indeed been capitalizing on the advancement of technology, for e.g. Aftonbladet or Expressen in Sweden, local players continue to struggle. Both in the real-life context of this issue, as well as in this thesis, digitalization and technology are in symbiosis. Technology innovation and adoption are shaking up the traditional business model of newspaper publishing despite the fact that historically, newspapers have learned how to embrace technology innovation (Babu, 2007). Yet it is in this particular technological age when they are facing their biggest challenges yet, given the following aspects:

- The increased complexity of media platforms
- The advertising money that underwrite the cost of producing and delivering papers shifting to alternate media like the Internet
- There are not sufficient revenues to pay for content and other costs on the digital space because print still pays the majority (Babu, 2007)

There are indeed certain positive implications as well, for instance that new digital news products are being launched regularly, as are digital lines of business like marketing services for local advertising customers (Edmonds, 2015). However, this does not imply the success of most companies to seize these opportunities and further innovate. This is especially true since the demand for in-depth report has not changed, yet the change lies with the fact that innovation is key in order for newspapers to stay relevant (Saperstein, 2014).

Digitalization and competition

An intrinsic part of this difficulty to succeed with innovation lies with the magnitude of the competition. Due to their resources and traffic, international newspapers can better handle giants such as Google, Facebook, or Craigslist; these online business are eating into newspapers’ traditional revenue sources (Babu, 2007), which is most definitely true for local players. The fundamental meaning of digitalization for the service newspapers offer is the online migration of audiences: increasingly so, people prefer to post and read classifieds online where they can search, save, compare and retrieve advertisements from multiple sources (Babu, 2007).

Furthermore, these new consumer habits threaten the unique aspect and original mission of the newspaper: to serve the community with *Editorial Independence* and *Integrity* (Babu, 2007). Technology has only added different forms of consumption and, implicitly, information i.e. Internet publishing, blogs and news-mashups gain popularity as alternative sources of news shaping the public’s opinion just as well, if not better (Babu, 2007).

When studying digitalization's influence on the newspaper industry, Zarimi and Walter (2015) refer to it as "digital disruption" of the traditional business model. Consequently, they believe that in order to successfully respond to the disruptive technologies, newspaper companies need to balance their traditional controlling model, and substantial autonomy to growth groups and noncore operations. What then happens in the absence of these growth groups? The existing business model is pushed onto every new opportunity, "which rarely works because disruptive technologies normally target a new market that differs in almost all aspects from the market that the existing business model is optimized for." Moreover, managers should ask themselves if mostly make reactive decisions instead of creating new offerings and discovering new business models (Zarimi and Walter, p. 14, 2015).

2.4. Other relevant empirical studies

In their study *Local Swedish Newspapers Approaching e-Business?* (2002), Ihlström and Lundberg conduct their empirical study on the capitalization of e-newspaper, starting from the premise that several Swedish newspapers have indeed launched news sites in order to experience with technology and expand the business to the market segment who does not use the printed edition. A contributing premise to this thesis is that none of the newspapers who have gone digital are profiting from their news sites because most of their finances come from their media organizations. (Ihlström & Lundberg, 2002). Most importantly, newspapers are still more concerned with consumers' disinterest in long-predicted services as a problem in implementation, instead of seeing this as evidence that people may be more interested in doing new things with the new media (Carveth, Owers & Alexander (1998). Ihlström and Lundberg counter-argue this idea by bringing up the value of audience trust as a potential asset when launching new services. Whilst this may hold true for their research, this report deviates from this belief towards the idea that managers should not be afraid to test new ideas in order to potentially gain new target groups and increasing the volume of readers.

3. Methodology

3.1. Research Design

The research revolves around the whole newspaper industry, yet focusing on one representative case divided into two similar examples: Sydsvenskan, the major newspaper of the Skåne region of Sweden, and Skånska Dagbladet, a smaller yet nevertheless important player of Skåne's news. The reasoning for choosing both, despite their similarity, is in line with the quality criteria of this study: given the specific representative nature of this case study, using two examples increases the reliability of the intended representation. Furthermore, the difference in the size of the newspapers adds an element of diversity to the research design, as well as relevance to the research purpose.

The main reason for choosing specifically these two newspapers is the type of contacts I had for the empirical basis of the study. The two respective contacts are: Sterner de la Mau, the chairman and co-founder of MobileLoyalty, with his recent development of an innovative advertising platform for newspapers; and David Borg, a former employee at both Sydsvenskan and Skånska Dagbladet, currently an Agency Development Manager at Google. Furthermore, I also obtained another contact by the name of Jonas Ohlsson, a researcher at the Media&Communications department at Gothenburg University who had recently spoken about the downfall of the media group Stampen (Jones, 2016). His input concerns both the

two specific examples the study deals with, as well as the more general situation of the industry.

In seeking to build a multi-layered foundation for the discussion of this report, I collected the data keeping in mind the macro- and micro-levels of my investigation, the universal and the specific. Firstly, the founding empirical material of my investigation consists of the interviews and discussions that I held with the three named contacts. Secondly, the sources for remaining data are international and national reports and trends regarding the industry such as Nielsen Media Research, TU and AllaBilag.se. They range from statistics about the digital migration of audiences, an innovative way to look at the organizational structure of a newspaper. The data then moves into specifics by looking at the financial history of Sydsvenskan and Skånska Dagbladet, and various trends in the Swedish newspaper business since between years 2000 and 2015. The reasoning behind this spread of data is to show the links between the universal situation and the particular examples I have chosen, albeit the differences that will be taken into consideration in the analysis.

3.2. The Objects of Study

As explained above, there are macro- and micro-levels to the research design of this study. In general terms, the issue at hand is representative of the international newspaper business. Moreover, people's need for newspapers not only to survive, but to progress, is an encompassing demographic issue.

3.2.1. Sydsvenskan

Being the pioneer of Southern Swedish news, Sydsvenskan is the biggest player in the Skåne region. It registers as a limited company of medium size, despite its local focus. It is owned by Bonnier, the largest media conglomerate in Sweden which is family-owned. Consequently, much of the administration at Bonnier, ad sales and management are centralized to Stockholm. Sydsvenskan has 278,000 readers of the print edition, 398,000 unique website visitors per week, and 3,200,000 page views per week (Iis.helaskane.se, 2016).

3.2.2. Skånska Dagbladet

In slight contrast with Sydsvenskan, Skånska Dagbladet is still a local newspaper of the South, yet smaller in size. Furthermore, another crucial difference for the challenges it faces is the ownership, as Skånska Dagbladet belongs to a political party from Skåne. Implicitly, the financial difficulties that the management of Skånska Dagbladet need to deal with are more complicated when compared to the resources at Bonnier. The newspaper has 84,000 readers of the print edition; the data for the digital edition was not available (Iis.helaskane.se, 2016).

3.3. Empirical Material Collection

3.3.1. Interviews/Analytical Discussions

The interviews represent the core empirical material of this study. I chose the structure of the questions around my research design and purpose, as well as around the specific expertise of the interviewees. My intention was for each interview was to allow it to naturally turn into an analytical discussion, hence the choice for open-ended questions. As mentioned in the very beginning, much of the inspiration for the topic came from Sterner de la Mau, chairman and founder of MobileLoyalty, a new advertising platform for Swedish and international

newspapers. He was therefore the first one with whom I discussed all the challenges. Thanks to his extended network in the newspaper world, he introduced me to my second contact, David Borg, who is a former employee at both Skånska Dagbladet and Sydsvenskan, and currently works as an Agency Development Manager at Google. Consequently, his insight into the two companies was more direct and specific.

In order to demonstrate the complementary relationship between the study's research design and the empirical material collection, it is appropriate to present the questions I formulated for Sterner and David as such:

In general terms:

1. What is, in your opinion, the ideal strategy for newspapers such as Sydsvenskan and Skånska Dagbladet in order for them to be a truly innovative organization?
2. How can top management best maximize their profit when operating digitally?

More specifically about the innovation processes at Sydsvenskan & Skånska Dagbladet:

3. If there were any innovation process at all (even if it was only at one of them), how did it look like? What were the steps within the organization to achieve the desired results?
4. What were the exact roles of top management in day-to-day activities, and in relation to the other departments? Did they intend to impact the future of the organization in a progressive way?

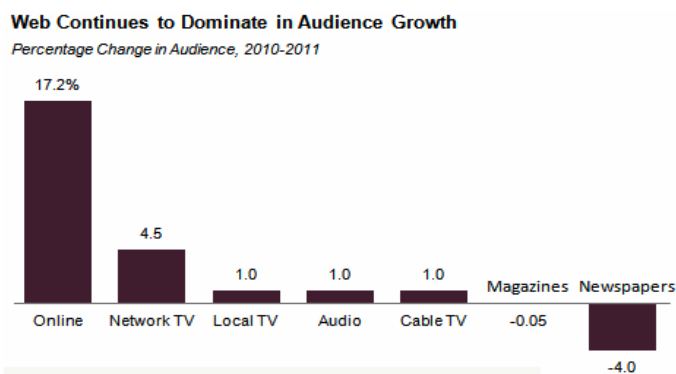
The third contact I obtained was Jonas Ohlsson, a researcher at the Media & Communications department at Gothenburg University. Jonas has a background in Economics with a PhD in Media Studies, hence the more generalized, conceptual questions I formulated for him:

1. Looking at the current state of the industry, to what extent would you say innovation is controlled in newspaper organizations?
2. What do you believe are the roles of the management of newspapers in failing to embrace innovation? Furthermore, how could these roles be re-directed for a more prosperous business?
3. What are the biggest challenges managers face when innovating digitally?
4. What is, in your opinion, the ideal strategy for newspapers such as Sydsvenskan and Skånska Dagbladet (and not only) in order for them to be a truly innovative organization?
5. Do you believe in an ideal new business model that can beat the traditional one, at the same time helping management face innovation challenges most effectively? If so, what would it look like?
6. How can top management best maximize profitability when operating digitally?

3.3.2. Data and other empirical observations

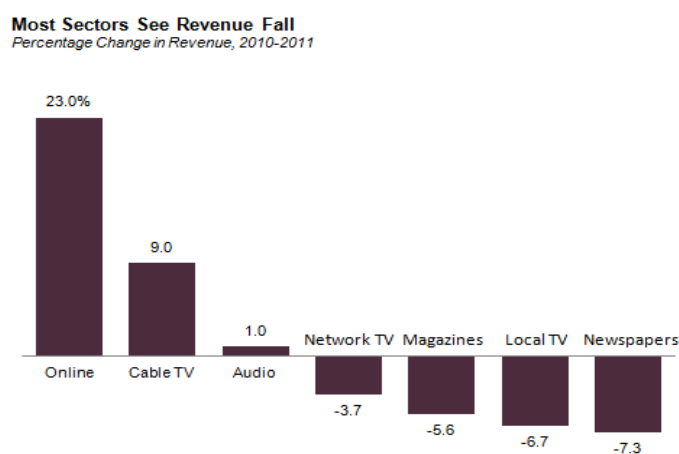
The following data concerning international press shows both changes in audience and in revenue across various media throughout one year. Given the rapid advancement of technology, one can safely assume that the online sector has sky-rocketed whilst the offline sector has been declining.

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Source: Nielsen Media Research, the Audit Bureau of Circulation and Arbitron¹

Figure 3. Audience Growth in Media, 2010-2011 (The Pew Research Center's Project for Excellence in Journalism, 2012)



Source: SNL Kagan, eMarketer, Veronis Suhler Stevenson, Radio Advertising Bureau, Publishers Information Bureau, National Newspaper Association, BIA/Kelsey

PEW RESEARCH CENTER'S PROJECT FOR EXCELLENCE IN JOURNALISM
 2012 STATE OF THE NEWS MEDIA

Figure 4. Revenue Fall in Media, 2010-2011 (The Pew Research Center's Project for Excellence in Journalism, 2012)

The primary effect of the audience's migration online as observed from the data is higher revenues from the online sector than from any other. Already in 2010/2011, newspapers are the media that experience the most negative revenues out of all.

Table 2. Paid newspapers, weekdays, 2000-2014. (Svenska Mediehus 2015/16: Fakta om Marknad och Medier, 2015).

År	Morgontidningar	Fådagartidningar	Kvällstidningar	Dagspress
	(utgivn 4-7 dagar)	(utgivn 1-3 dagar)		
2000	2 932	389	768	4 089
2001	2 950	388	735	4 073
2002	2 914	392	758	4 064
2003	2 892	386	777	4 055
2004	2 866	380	786	4 032
2005	2 835	395	768	3 998
2006	2 784	401	743	3 928
2007	2 738	403	692	3 833
2008	2 675	389	657	3 721
2009	2 581	385	625	3 591
2010	2 499	377	582	3 458
2011	2 418	393	489*	3 300
2012	2 335**	396	424*	3 155
2013	2 237**	397	392*	3 026
2014	2 127**	375	331*	2 833

Källa: TS, *fr.o.m 2011 Aftonbladets egen siffra, **fr.o.m 2012 är DN:s egen siffra.

The following data comes from the online Swedish report on all public companies. It shows the financial report of *Sydsvenskan* as a limited company throughout the past decade. The green blocks represent the annual turnovers, whilst the pink blocks represent the revenues obtained after calculating out all deductions and use of financial resources.

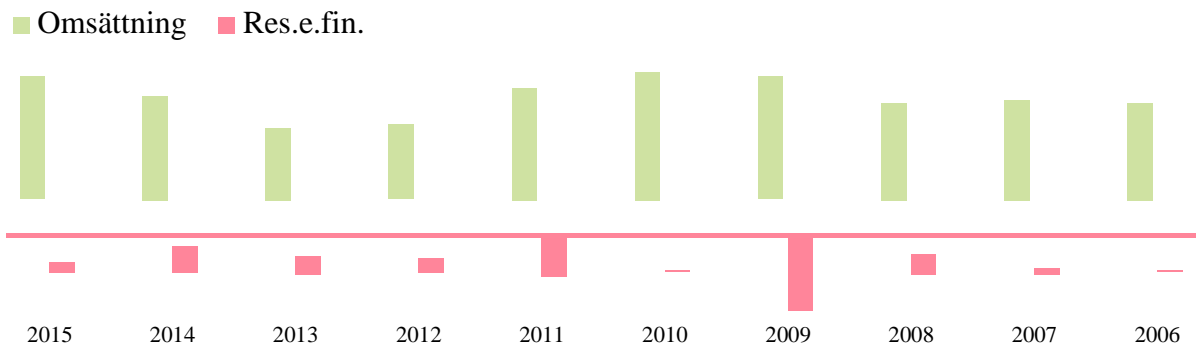


Figure 5. *Sydsvenskan* Turnovers and Revenues (Allabolag.se, 2016)

Table 3. Sydsvenskan Income Statement (Allabolag.se, 2016)

RESULTATRÄKNING ? Omsättning och resultat från bolagets	2014-12	2013-12	2012-12
resultaträkning. Klicka för beskrivningar av bokslutstalen.			
Nettoomsättning (TKR)	725 453	502 900	521 014
Övrig omsättning (TKR)	308	1 949	2 487
Rörelseresultat, EBIT (TKR)	-186 820	-128 796	-101 193
Resultat efter finansnetto (TKR)	-189 294	-125 286	-101 723
Årets resultat (TKR)	-17 267	21 605	-73 518

Table 4. Sydsvenskan Balance Sheet (Allabolag.se, 2016)

BALANSRÄKNING ? Sammanfattning av bolagets balansräkning. Klicka	2014-12	2013-12	2012-12
för beskrivning av bokslutstalen.			
TILLGÅNGAR			
Tecknat ej inbetalt kapital (TKR)	0	0	0
Anläggningstillgångar (TKR)	113 573	54 422	81 650
Omsättningstillgångar (TKR)	884 584	697 783	676 261
Tillgångar (TKR)	998 157	752 205	757 911
SKULDER, EGET KAPITAL OCH AVSÄTTNINGAR			
Eget kapital (TKR)	285 449	302 716	295 216
Obeskattade reserver (TKR)	2 843	4 687	4 105
Avsättningar (TKR)	240 258	218 339	213 300
Långfristiga skulder (TKR)	7 723	1 832	2 067
Kortfristiga skulder (TKR)	461 884	224 631	243 223
Skulder och eget kapital (TKR)	998 157	752 205	757 911

Table 5. Sydsvenskan Wages and Dividends (Allabolag.se, 2016)

LÖNER OCH UTDELNING ? Sammanfattning av bolagets balansräkning.	2014-12	2013-12	2012-12
Klicka för beskrivning av bokslutstalen.			
Löner till styrelse & VD	2 858	3 406	2 430
Varav tantiem till styrelse & VD	153		
Löner till övriga anställda	110 455	96 841	96 837
Varav resultatlön til	0		
I övriga anställda			
Sociala kostnader	60 493	48 980	52 712
Utdelning till aktieägare	0	0	0

Table 6. Sydsvenskan Key Performance Indicators (Allabolag.se, 2016)

NYCKELTAL ? Nyckeltal beräknade på boksluten. Klicka för att läsa	2014-12	2013-12	2012-12
nyckeltalsbeskrivningar.			
Antal anställda	235	184	180
Nettoomsättning per anställd (TKR)	3 087	2 733	2 895
Personalkostnader per anställd (TKR)	1 192	956	874
Nettoomsättningförändring	44,25 %	-3,48 %	-33,28 %
Vinstmarginal	-24,53 %	-22,86 %	-18,02 %
Bruttovinstmarginal	81,87 %	100,00 %	100,00 %
Soliditet	28,82 %	40,73 %	39,35 %
Kassalikviditet	191,52 %	310,64 %	278,04 %

Furthermore, the financial history of the past decade for *Skånska Dagbladet* looks as follows:

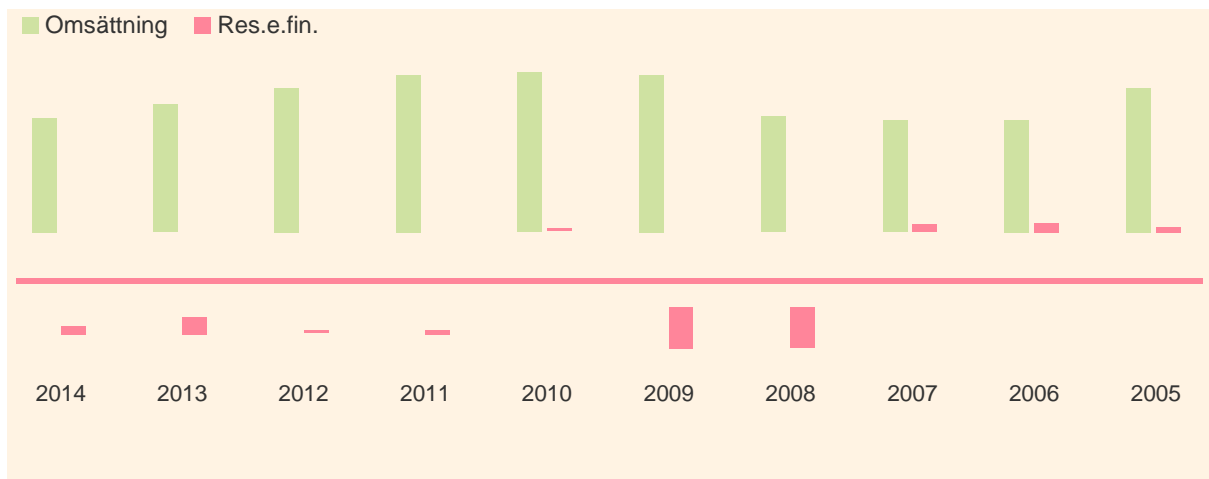


Figure 6. *Skånska Dagbladet* Turnovers and Revenues (Allabolag.se, 2016)

Table 7. *Skånska Dagbladet* Income Statement (Allabolag.se, 2016)

RESULTATRÄKNING ? Omsättning och resultat från bolagets		2014-12	2013-12	2012-12
resultaträkning. Klicka för beskrivningar av bokslutstalen.				
Nettoomsättning (TKR)		213 799	238 770	269 148
Övrig omsättning (TKR)		2 132	472	939
Rörelseresultat, EBIT (TKR)		-20 694	-48 946	-13 168
Resultat efter finansnetto (TKR)		-16 924	-34 103	-2 077
Årets resultat (TKR)		-3 946	-28 585	-230

Table 8. *Skånska Dagbladet* Balance Sheet (Allabolag.se, 2016)

BALANSRÄKNING ? Sammanfattning av bolagets balansräkning. Klicka		2014-12	2013-12	2012-12
för beskrivning av bokslutstalen.				
TILLGÅNGAR				
Tecknat ej inbetalt kapital (TKR)		0	0	0
Anläggningstillgångar (TKR)		9 847	10 462	30 893
Omsättningstillgångar (TKR)		120 184	131 302	183 846

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Tillgångar (TKR)	130 031	141 764	214 739
SKULDER, EGET KAPITAL OCH AVSÄTTNINGAR			
Eget kapital (TKR)	46 857	50 802	59 821
Obeskattade reserver (TKR)	0	0	0
Avsättningar (TKR)	64	69	85
Långfristiga skulder (TKR)	0	0	15 470
Kortfristiga skulder (TKR)	83 110	90 892	139 363
Skulder och eget kapital (TKR)	130 031	141 764	214 739

Table 9. Skånska Dagbladet Wages and Dividends (Allabolag.se, 2016)

LÖNER OCH UTDELNING [?] Sammanfattning av bolagets	2014-12	2013-12	2012-12
balansräkning. Klicka för beskrivning av bokslutstalen.			
Löner till styrelse & VD	1 502	2 195	1 270
Varav tantiem till styrelse & VD	0		0
Löner till övriga anställda	54 079	60 632	61 701
Varav resultatlön till övriga anställda			
Sociala kostnader	24 219	28 294	29 469
Utdelning till aktieägare	0	0	0

Table 10. Skånska Dagbladet KPI (Allabolag.se, 2016)

NYCKELTAL [?] Nyckeltal beräknade på boksluten. Klicka för att läsa	2014-12	2013-12	2012-12
nyckeltalsbeskrivningar.			
Antal anställda	135	157	172
Nettoomsättning per anställd (TKR)	1 584	1 521	1 565
Personalkostnader per anställd (TKR)	597	595	545
Nettoomsättningförändring	-10,46 %	-11,29 %	-7,11 %
Vinstmarginal	-7,71 %	-13,62 %	0,09 %

Bruttovinstmarginal	89,21 %	85,80 %	86,79 %
Soliditet	36,04 %	35,84 %	27,86 %
Kassalikviditet	144,29 %	143,68 %	131,62 %

Merely in 2014, the average loss for Skånska Dagbladet titles was -7,9%, calculated for weekdays and weekends (TS, 2014). This data is not available for Sydsvenskan as they apparently do not use TS to calculate their annual readership statistics. The overall loss for newspapers in 2014 was -5,3% (TS, 2014).

4. Analysis and Discussion

Before proceeding, there is one essential aspect that Jonas Ohlsson brought forward at the beginning of our discussion: like most realistic researchers, myself included, he considers it very important to emphasize that there is no single answer to a research question. This is inherent to the fact that there is no single issue. Regarding the Swedish newspaper industry and media systems, they contain national variations; furthermore, there are other international variations. This study attempts to cover the general issue with the specific focus of the two representative newspapers, as well as consider as many variations as the scope allows, yet this does not lead to a universal solution.

Furthermore, Jonas believes that the two chosen cases are interesting because they are both local newspapers operating in the same region, yet are very different in structure. They act in the same geographical context, yet their internal resources, backgrounds and structural premise are different. Nevertheless, they face the same competition and challenges pertaining to the industry as a whole. The question then is: how do these different companies face the same challenges? The answer is that digitalization is in constant movement regardless of the said factors, hence cannot progress freely without a will to risk and innovate. As the industry looks today, it is barely a risk to invest digitally.

Upon interpreting the entire empirical material presented above, with an emphasis on the interviews, there are three major discussion points that need to be covered. First is the traditional business model of newspapers, and its role in the clash with digitalization. Second is the size and ownership of the newspapers, the locals against the national/international, and its implications for the development of the companies. Lack of an innovative context comes third, and the management roles in implementing it. All of these challenges, however, fall in the hands of the management themselves. After discussing all of the above, the fourth section of the analysis will discuss any possible solutions or directions that newspapers can take for a progressive future.

Traditional, Unilateral Business Model

This challenge presents itself as fairly obvious, yet perhaps not addressed enough within the newspaper companies themselves. The management most likely feel powerless when it comes to changing deeply-rooted habits and mind sets which altogether contribute to the traditional structure of the business. In fact, the organizations that have been losing ground are non-business oriented; moreover, there are no personal goals matching with business goals. Keeping to tradition has only proven to be risky when it comes to digital advancement.

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The overall negative effects in Sweden can be seen in Table 2; between 2000 and 2014, paid readership trends were cut almost in half. This is a reflection of the trap the management have find themselves in as they keep operating by the same model. Despite the fact that both Sydsvenskan and Skånska Dagbladet have digital versions of their paper, they are losing ground because they try to solve problems within the same structure. This idea adds to Zarimi and Walter's (2015) theory that simply pushing the existing business model onto new opportunities is bound to fail sooner or later due to the fact that disruptive technologies target a whole new market unfit for the existing business model. What would then be the best functions of growth groups and noncore operations? Ultimately, what would managers need to consider when supervising these groups and their actions? According to Zarimi and Walter (2015), they need to serve new customers, rethink content models, accept different margin structures, identify and develop noncore business concepts, and grant growth groups secure budgets and decision-making autonomy to create new revenue streams (Zarimi and Walter, 2015, p. 14).

Consequently, the classic business model provided by Babu, seen in Table 1, should primarily reconsider the revenue sources; notwithstanding that circulation remains the main source of revenue, the newsstands and advertisements in print are losing relevance (see Figure 7). In print, advertisements do sustain newspapers financially, yet this is quickly becoming a paradox because printed newspapers might not survive at all sooner rather than later (Zarimi and Walter, 2015). Digitally, Sydsvenskan and Skånska Dagbladet cannot survive off advertisements because they generate very little revenue. This is precisely what justifies the need for new content models or different margin structures, and ultimately investing in growth groups. The tension between autonomy and control comes into question here; in fact, there is a need to find the balance between these two variables. In order to create a balance between the "portfolio" of low-risk opportunities in the core and new, higher risk growth opportunities for noncore products, growth groups need to maintain the same innovative and risk-taking culture of the mainstream organization. Instead of risking big investments on uncertain strategies, newspaper companies need to "invest a little to learn a lot" about different business models (Zarimi and Walter, p. 14, 2015).

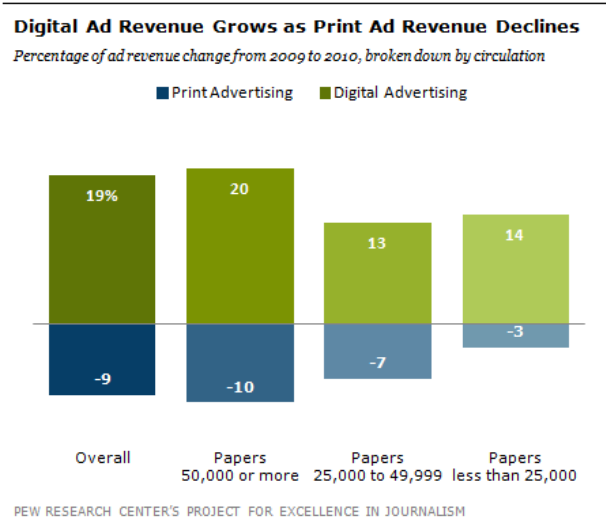


Figure 7. Digital Ad Revenue Grows as Print Ad Revenue Declines (*The Search for a New Business Model An in-depth look at how newspapers are faring trying to build digital revenue FOR, 2016*)

Herein, opinions are divided on whether newspaper organizations should or should not be too business-oriented given that they primarily offer a public service. The essence of a newspaper's service is consistent good journalistic work, or information, with little room for profit. This was true before digitalization, yet there is a whole new dimension to consider. Now that players such as Sydsvenskan and Skånska Dagbladet are in a financial crisis, profit should be brought more into the limelight – at least whilst an optimum strategy is found and implemented. The dated political agenda backing up the traditional business model has not been functioning anymore.

Fagerlin (2016) reminds us that the struggle between autonomy and control is a classic management challenge; for organizations as old as newspapers, keeping to tradition perpetuates this challenge faster than anything else. There are indeed two scenarios when it comes to how managers likely handle autonomy within newspapers. The first one is that managers themselves are unwilling to listen and apply new ideas coming from the employees. The second one is that the dated mentality of old employees prevents managers to move forward, and to give them more autonomy for creating solutions. The analysis will go more in-depth with this aspect in section 4.3.

The Locals vs. The World – Size and Ownership

Considering the aforementioned variations influencing the outcome of this research and research in general, it is imperative to consider that the newspaper industry in particular differs greatly both nationally and locally. The most crucial difference between Sydsvenskan and Skånska Dagbladet lies with the ownership, although size also plays an important part. Whilst Bonnier News is financially strong and increasingly more profit-oriented, Skånska Dagbladet is close to bankruptcy due to the financially weak ownership. Figures 6 and 7 show the decrease in turnovers and stagnation in revenues for both Sydsvenskan and Skånska Dagbladet by 2014 and 2015, respectively. Upon a closer look however, Skånska Dagbladet's detailed financial situation is worse than Sydsvenskan's. Table 6 shows that Sydsvenskan closed 2014 with losses of 17,267SEK, yet they experienced a much bigger loss in 2012. Simultaneously, their dividends and debt increases with each year, as seen in Tables 3 and 4. Meanwhile, table 6 shows that Skånska Dagbladet experienced greater losses in revenue with each year, from -230SEK in 2012 to 3,946SEK in 2014. Naturally, the scale is much smaller than that of Sydsvenskan, yet this does not prevent from observing the changes appropriately. This ultimately represents the critical situation of small local players such as Skånska Dagbladet, whilst larger local players such as Sydsvenskan struggle, yet stand a bigger chance of survival.

Consequently, what exactly does the digital business mean for local newspapers in Sweden, and not only? How tricky is it? Historically, Sweden has been characterized by very strong local press, instead of a strong national press. There is one crucial reason why this is changing now: as audiences migrate online, they tend to be more interested in the national sites with international news as well for e.g. Aftonbladet or Expressen, who attract big audiences. The real challenge is hence contained by the fact that when audiences go online, they tend to forget local content. Therefore, local players cannot try to copy what Aftonbladet is doing, yet find a different business model that suits their size and market. It thus becomes even more challenging for the local newspapers because they do not attract enough audiences and advertisers online, and people are not as inclined to pay as much as they are willing to do

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with national players. Ultimately, the main challenge on this front is not so much that people are not willing to read local news online, as it is that they are not willing to pay for it.

Additionally, the young demographic in particular is more nationally- and globally-oriented, and uninterested in local news; they travel away, they move from the city they grew up in, thus the local connection disappears. Subsequently, the vantage point and unique selling point of local newspapers has been the local connection; people were living and working where they grew up so there existed this strong connection and niche, fostering an interest in local issues and politics. Moving around, however, disrupts this connection and instead fosters more interest in national news.

Innovation and the Role of Management

The roles of management within a newspaper are quite clearly defined; as shown by The Guardian, there is an advertising, marketing, print and distribution manager. Moreover, Figure 2 shows that above all the VP's, there is also a general manager. These are roles pertaining to the old, traditional structure of a newspaper. However, if innovation were to truly succeed for international, national and local players, the clearly defined management roles would need to become more fluid in terms of distributions of autonomy. This is once again in line with the classic challenge of balancing autonomy and control, and adopting growth groups.

Innovative approaches also come from external consultants, or even the marketing department itself as they absorb suggestions from abroad, which is how innovation processes began at Sydsvenskan. The role of managers comes across as less transparent, their only action being brainstorming meetings which never gave any results. The only result was that, also by revealing great ideas without extra incentives, employees stopped sharing ideas and many resigned intending to gain autonomy and apply their own concepts elsewhere. An example of a suggestion brought forward at Sydsvenskan was to offer monthly subscriptions without advertisements, since their digital ad revenue was minimal, and this direction could generate nearly double the revenue given the value of subscriptions when compared to that of digital ads. It was expected that subscribers would respond positively to the no-ads service, which then could lead to increased readership and even new target groups. This type of idea was not even considered because the management lacked entrepreneurship. The conclusion here is that new ideas were rejected and almost never encouraged by top management. Besides the lack of courage to try new methods, if such methods were tried out, it would only be through the "right" kind of people – seldom were they accepted from the rest of the staff. Essentially, newspapers should ask themselves: are their managers leaders?

Furthermore, there are a few tensions that surface. First, the tension between having players such as Aftonbladet or Expressen as "role models" for innovating, and being aware that copying what they do is not possible, not even healthy, for a local player like Skånska Dagbladet. Instead, these newspapers are in urgent need of new competencies, younger people who are more in-tune with the needs of the young audiences. However, due to the Swedish Labour's regulations, they cannot replace staff because the law does not permit managers to simply fire someone. This is when managers who do want to innovate and change the game cannot go through with it on a fundamental level as they are tied to regulations.

There is a second tension that has surfaced. On one hand, management is a key player in innovating, yet they appear to be unwilling to do so. On the other hand, local players experience a lack of resources to be poured into innovation, coupled with the fact that some managers are in fact willing to move forward. Due to the increasingly critical situation they find themselves in, managers are mostly focused on saving costs. It is too risky to create something better for the future; at the same time, they are continuously facing the pressure to innovate because they are losing audiences and advertisers, hence the financial pressure to innovate and make more money online. Meanwhile, they are expected to innovate despite the financial losses as each year goes by. This is particularly true for a newspaper like Skånska Dagbladet, whose great financial losses push them to be aggressive and compete with the likes of Google and Facebook whilst they have to cut down costs, and even lose staff.

Moreover, it is difficult to generalize how willing management are to innovate; there are certain managers who are interested in innovation and try to incorporate it in the organization, yet newspapers are indeed traditional, old entities with a strong culture regarding how to do things as opposed to start-ups and companies with a more entrepreneurial culture. Another important factor to consider is that the workforce of these organizations is often old, and has been with the organization for many years. Hence, these employees tend not to be inclined to change, which may lead to managers wanting to innovate without the staff being on board. Surely, there have been considerations for innovation programmes within the company to educate current staff – yet how do you change an old mentality? This goes back to the lack of implementation of new ideas despite of their existence and apparent encouragement.

A third tension that arises is how to correctly manage the rapidly expanding online side of the business, as well as evaluating the importance of print, especially when it comes to local players. As part of comparatively small companies, the management may be doing their best to innovate given all the challenges they face. The issue is that the development could be more updated if they would focus only on the online site, and put all the resources into the online newspaper. However, the aging market segment who continue to read the print-format remain essential for local players, since they are the ones most willing to pay for the newspapers. This means that even if they wanted to, newspapers cannot focus all the attention on the digital platform i.e. apps and online services, as they need to keep providing for the big market segment that want a printed newspaper every morning. In the light of Google and Facebook whose focus is strictly online, this becomes an uneven battle. Nevertheless, the truth is that the proportions between digital and print are changing fast, with digital gaining dominance. Managers thus should tackle this tensions by creating new priorities and alliances who can contribute to innovation; moreover, they need to think outside the box by being strategic together with other important media chains.

Organizational Designs to Develop and Deliver Innovations

It is particularly these alliances that could influence managers in taking a step further, and rethink the organizational design of their newspaper. A more radical approach, yet the one that seems most ideal for embracing innovation and disruptive technologies, is if newspapers such as Sydsvenskan and Skånska Dagbladet become ambidextrous organizations. At the very least, they could implement characteristics belonging to this type of organization. Below are two alternatives for how managers could reshape the structure of their newspapers. Figure

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Examiner: Stein Kleppesto

8 draws on a cross-functional team, meaning that the operations would be kept inside the established organization, but outside the existing management hierarchy. This could push the staff of a newspaper to be more creative in their approach, since they would gain more autonomy and trust from the manager. However, having discussed the probable difficulties when dealing with well-established staff, the less risky option would be for management to work their way towards an ambidextrous organization (Figure 9). This would mean establishing project teams as structurally independent units, each with their own processes, structures and cultures, at the same time integrated into the existing management hierarchy. The results would be more autonomy for the staff, yet also a better balance with the control and overview the management has over this autonomous staff.

Cross-functional teams

operate within the established organization but outside the existing management hierarchy

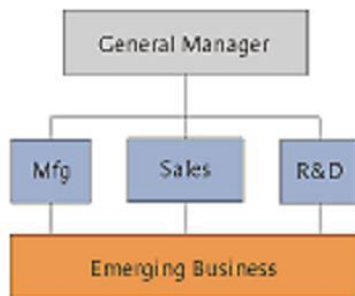


Figure 8. Cross-functional Teams (O'Reilly III and Tushman, 2004)

Ambidextrous organizations

establish project teams that are structurally independent units, each having its own processes, structures, and cultures, but are integrated into the existing management hierarchy.

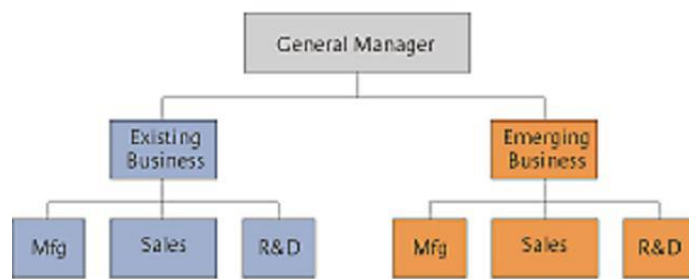


Figure 9. Ambidextrous Organizations

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Alignment of:	Exploitative Business	Exploratory Business
Strategic Intent	cost, profit	innovation, growth
Critical tasks	operations, efficiency, incremental innovation	adaptability, new products, breakthrough innovation
Competencies	operational	entrepreneurial
Structure	formal, mechanistic	adaptive, loose
Controls, rewards	margins, productivity	milestones, growth
Culture	efficiency, low risk, quality, customers	risk taking, speed, flexibility, experimentation
Leadership role	authoritative, top down	visionary, involved


Ambidextrous Leadership
 Different alignments held together through senior-team integration, common vision and values, and common senior-team rewards.

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Figure 10. Ambidextrous Leadership (O'Reilly III and Tushman, 2004)

Finally, Figure 10 illustrates the effects of ambidextrous leadership on both the exploitative business, or the existing newspaper business, and the exploratory business, or the innovative newspaper business. Managers can thus generate development by including the print newspaper business and its market segment, expanding effectively as a digital business, and

ultimately becoming the leaders needed for the business not only to survive, but thrive in the future.

Alternative Suggestions for Future Strategies

If the ambidextrous organization design is something that management is not willing to or cannot implement, there are three other strategies they could adopt. The first one is to focus all their resources on the online business, and give up the print issue. Since this would mean that the revenues would be based entirely on audience, these local players would need to evaluate their advantages and create a new main target group: the higher-class and highly educated, the elite being the only ones willing to pay more and are interested in local content. The only real advantage for local players is that they know the local area better than the giants, they write in Swedish, and they have a strong brand locally. Hence, they have to focus on what they have to offer, providing the unique local content they have access to. This would be a segmentation strategy targeting the financially-strong segment of society. The next step of this strategy would be for them to gain all the possible knowledge about the actions and preferences of their online audiences. Ultimately, digital news is successful because they know how to meet their audience's register, they know their users, and eventually tailor the advertisements for the specific users. Once again, it is about daring to innovate.

The second possible strategy is to provide the printed issue for free and distribute it to everyone, giving up the revenue from audiences. If this were the case, they would need to try to maximize their reach whilst financing through ads. Nevertheless, this option would only be successful with high traffic; hence, this would not be sustainable for local players, yet suitable for bigger players.

A third action plan is for them to do an in-depth investigation of their market, whilst maximizing profit. The best way for them to know which direction is best for their newspaper is to ask the readers how they want it. Furthermore, they would need to research what journalistic work truly means, and how it matters to the readers. What and how would they rather pay for the journalistic work? Together with an iPad? Mobile? Or personalized printed newspaper? In terms of aiming to maximize profits, management should first maximize automatization, then find the breakeven price for selling digital ads, and finally avoid selling digital content to customers below a certain budget. At the same time, top management should always make new deals or partnerships by including the best sales-staff in the innovation processes. Indeed, this is in harmony with elements from the ambidextrous organization design, which could thus become the better future for these newspapers.

5. Conclusions

5.1. Research Aims

The main objective of this study was to gain an understanding of the responsibility of newspapers' top management in the struggle to innovate in the face of digitalization, and increase profitability. Not only was this objective achieved, but it also opened windows to further discussion of the problems that the management of newspapers encounter. The essential findings point to a dichotomy: managers are either unwilling and closed-minded when it comes to using resources effectively for innovation, or they act their best given the

challenging struggle they have, and the little financial resources to innovate. However, the next essential finding is that their most important responsibility for the survival of the businesses is to form alliances with other media entities, or specialist teams who can offer their support in creating a refreshed organization. The ambidextrous organization has proven to be the most effective implementation yet.

The study also concludes that there are significant differences for international/national players, and local players, regarding how to both tackle the current challenge and decide on the ideal strategy. Indeed, it is mainly the local players who have the riskiest future, yet the bigger players also need to think about implementing sustainable strategies if they want to progress. Managers face an uneven struggle as Sydsvenskan or particularly Skånska Dagbladet compete with the likes of Facebook and Google on advertising sales, and staff strictly working on innovation. The locals have to also focus on capitalizing what is interesting about them, what sets them apart: their unique access to local news. In this fashion, they can develop digitally whilst keeping their niche alive; ideally, they would create a new target group depending on which strategy they would adopt. Overall, people's interest in local news will not go away, yet the challenge is the expansion of media as a whole taking over the market.

5.2. Practical Implications

This report resulted in an evaluation of several different challenges that management faces; nevertheless, these all pertain to the overall struggle of the industry. As such, if management is willing to adopt aspects of, or fully implement the structure of an ambidextrous organization to their newspapers, they would be able to address all the challenges at once. This new structure would challenge the old business model, whilst preserving what the print form of newspapers still has to offer; it would also provide a working environment fit for creating, and balancing the autonomy and control of the organizations; finally, it would support local players in their uneven fight with the giant competitors by capitalizing on their own advantages, and embracing digitalization more thoroughly.

5.3. Future Research

Given the empirical limitations of this study, future research could take more than one direction in trying to help create the best solutions for the newspapers in need. One way would be to gain personal contact with problematic newspaper organizations, and study the organizational structure from within, on a daily basis. This should be done in collaboration with managers, which would also permit researchers to evaluate the available flexibility of the managers as they fit into the traditional structure. Moreover, it would lead to a clearer reasoning concerning the implications of organizational structure to the lack of innovation.

An alternative direction would once again ask for direct involvement of newspaper organizations who have been trying to implement certain innovation strategies, yet still struggling to compete. This research would entail a detailed evaluation of past, present and/or future innovation attempts, in order to establish which specific parts of the employed structure did not work. The evaluation process would consistently consider the exact role and activities of management regarding the effective application of given strategies. Ultimately, the faulty structures would need be altered or replaced altogether.

This next possibility for future research might seem evident or complex especially to the struggling management of such organizations, yet it can be simple if approached from a simple starting point. Working together with both management and regular employees, the research would conduct innovation and creativity workshops at several organizations. The word “creativity” is crucial in this case, as the workshops’ primary objective would be to teach the management and staff how to create new opportunities instead of merely reacting to the existing problems. As the battle with advanced technology-based competitors may truly seem infinite particularly for local newspapers, they need to be ready and willing to revolutionize the orientation of their actions. Furthermore, this research would be able to draw direct conclusions on the extents of both managers’ responsibility in the slow implementation of innovation and/or that attributed to the old work ethic of certain staff.

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