



Creativity in strategic lock-ins: The newspaper industry and the digital revolution



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ABSTRACT

During the last decade newspapers all over the world have faced a severe and in many cases even existential crisis. At the same time, the technology for producing and supplying journalistic content has changed dramatically. While digitalization, along with socio-cultural and technological changes, threatened the established newspaper business models and therefore increased the necessity for change, it simultaneously offered various opportunities to establish new business models, not least for quality journalism, which is crucial to a vital democracy. Adopting a strategy process perspective and introducing the concepts of “horizontal” and “vertical” creativity, we analyze how the key players in the quality-newspaper sector in Germany have tried to benefit from digitalization and why they have failed so far. Our analysis of select cases shows that, under specific conditions, organizations tend to use up all their creative potential in order to maintain problematic strategies rather than explore new ones.

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“Oh, I can see myself running
but I am standing still”
The Fixx, *Reach the beach*, “Running”

1. Introduction

In this paper we address the puzzling observation of strategic systems being creative and following a strategic path at the same time. Thereby, our aim is to contribute to the further development of path dependence theory by exploring and understanding better the relations between forms of creativity and strategic lock-ins. While recent research on path dependence mainly focuses on the formation of paths in general, the strategic activities on paths have been hardly investigated so far. From a theoretical point of view, the assumption of a “remaining range of variety” indicates that an established path should not be confounded with total determinism [1]. Likewise, approaches

that center on path-breaking [1–5] or on the so called “innovation paths” [6] also require a more complex understanding of strategic lock-ins, which describe the paradoxical state of both being constrained and having the potential to overcome these constraints [1].

In this paper we will argue that, in order to understand better how organizations cope with (or fail to cope with) this paradox, it is helpful to analyze the strategic process not only in terms of results (“What kind of new strategic options are realized?”) but also in terms of input (“How and what kind of strategic options are created?”). We therefore propose to adopt the lens of creativity with regard to strategic processes in general and path-dependent strategic processes in particular at least for two reasons. First, we assume that strategic options cannot be taken for granted or regarded as simply given but have to be created in an ongoing process. Consequently, the creation of strategic options is especially relevant to strategic lock-in situations because re-creating options is considered to be a precondition for overcoming an unsuccessful strategic pattern [1]. Second, we distinguish between creating strategic options and processes that are basically associated with learning and the deconstruction of the adopted (strategic) pattern. Concepts such as single-loop vs. double-loop learning [7,8],

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exploitative vs. explorative learning [9], or incremental vs. radical change [10] directly related to—and can thus help evaluate—the innovativeness of an organization because they are indicative of the degree to which it reworks its strategic premises. The lens of creativity, however, offers the opportunity to focus on the processes that precede the creation of options in a not already evaluated manner. More specifically, it offers the opportunity to investigate what kind of strategic options are created and how, as well as whether a newly created strategic option allows an organization to overcome an established strategic pattern. As Burgelman [2] argues, it makes a lot of sense to distinguish between the strategic and organizational context on the one hand, and the processes that generate options (that is, autonomous vs. induced strategic action) on the other hand. The lens of creativity is a promising perspective for exploring ways of understanding better different forms of strategic creativity and the impact they have on the strategic development of a path-dependent organization.

In order to address these research questions, we propose to focus on the empirical analysis of the newspaper industry and the process of digitalization. Whereas in many industries digitalization has led to a boost of creativity, giving rise to completely new and innovative products or business models, the newspaper business—a creative industry—has not been able to profit from digitalization on a major scale. This makes the development of the newspaper industry, especially after 2001, a topic worth exploring in depth, given that there are quite a few examples of other creative industries that have incorporated digitalization processes successfully. For instance, the film industry utilized digital technologies to introduce high-quality products, such as 3D or HFR (high frame rate), that justify to some extent higher production budgets [11]. Similarly, book publishers now make a sizeable profit from selling e-books and audio books, which were introduced a few years ago [12]. Nevertheless, the *initial* effects of digital change on the newspaper industry are comparable to those observed in other creative industries, such as the music industry [3].

On the empirical level, this paper focuses on the digitalization of German high-quality daily newspaper publishing houses. The development of these publishing houses after 2001 can be considered exemplary of newspaper industries all over the world, as similar tendencies have been observed in many countries and on all levels of the industry [13–17]. In the course of the paper it will become apparent that the difficulties that newspapers faced when confronted with digitalization are deeply rooted in the traditional newspaper business-models and the resulting organizational setting. Furthermore, the struggle of newspapers reflects major changes that accompanied digitalization: socio-cultural changes forced the newspaper industry to change its business on many levels, but at the same time the technological changes opened up various opportunities for creating new strategic options. In that respect, the failure of the newspaper industry to embrace digitalization is highly interesting, as it can offer insights into the effects of digitalization on creative industries and into the way in which various industries handle disparate environmental changes.

The outline of this article is as follows: first we will present our conceptual framework by examining how path dependence theory and creativity interrelate in the context

of strategic processes and decision-making (Section 2). In Section 3 we will describe the methodology we applied in our case study and will develop the analytical model that will guide our empirical analysis. In Section 4 we will focus on the creative efforts of German newspaper publishers to digitalize high-quality content. Finally (Section 5), we will discuss these efforts in the context of this paper's theoretical background in order to shed light on creativity in strategic lock-ins.

2. Path dependence theory and creativity

Understanding the strategic development of a firm requires a processual perspective [18]. In the last few years, the theory of path dependence has become a popular concept for such purposes [1,19–23]. Path dependence analysis in particular is considered especially suitable for explaining ongoing crises and the decline of firms and organizations in that it helps bare the underlying deep structure that is responsible for strategic torpor. However, even inert systems dispose of a “remaining range of variety” and thus have choices [1]. To investigate the strategic development of firms, it is necessary to understand the strategic patterns, as well as the strategic practices [24], that inform the way in which organizations deal with choices. In this regard newspaper publishers can be considered a highly suitable field of investigation because that industry's inability to make use of technological change in order to overcome its ongoing crisis suggests that this cannot be simply attributed to a tendency to overlook or ignore the potential of digitalization. In this paper we shall argue that path dependence theory can illuminate this phenomenon [25].

2.1. Strategic processes and the theory of path dependence

As a dynamic concept, path dependence refers to a process of self-reinforcement triggered by small events that explains stability in institutions [26], organizations [1] or even strategic decision-making [27]. Path dependence theory originated in an economic context and initially explained why inferior and inefficient technological standards can persist despite available alternatives [28]. The theory was elaborated in relation to institutions [26,29] and later on organizations [1] so its conceptual lens focused increasingly on the “scope of action” of such actors, which narrows during the process of self-reinforcement and becomes extremely limited in the resulting lock-in. Given that strategic decisions require a scope of action, the theory of path dependence, which focuses on choices and alternatives, is extremely relevant to strategic management [28].

The development of a lock-in situation has three distinct stages. During the first stage—the pre-formation phase—an organization's strategic scope of action is narrowed only slightly by historical imprints [1,30]; at this stage, decisions are contingent and reversible. Nevertheless, starting with a small event [31] at a critical juncture, the trajectory of possible strategic choices begins to narrow (see gray area in Fig. 1). During the second phase—the formation phase—the emergence of a specific strategic pattern becomes more probable due to the effects of self-reinforcing mechanisms (e.g. complementarity effects, learning effects, coordination effects and adaptive expectations on the organizational level, as well as

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