Media Business and Innovation

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Media Corporate Entrepreneurship

Theories and Cases

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Media Business and Innovation
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Abstract

This book presents a study on corporate entrepreneurship, with a particular focus on the media industries. In a dynamic environment characterized by constant technological advancement, new business opportunities appear in a variety of forms in the media industries. Adaptation to the changing environment and proactive transformation are crucial to the success of media business. Media firms need to develop strategic tools that enable new business creation and facilitate capturing opportunities arising from the emerging fields. These new business creation activities are different from the incremental business developments that are usually conducted inside the existing product–market frameworks; they are radical changes gearing towards developing new product–market frameworks. The overall activities of building new business in an established organization are called *corporate entrepreneurship* in the field of entrepreneurship studies.

Though entrepreneurship has received increasing attention in recent years and most studies are focusing on the new entrepreneurial start-ups, much less research has been made inside organizations. Nevertheless, in the media industries, while venturing for the emerging opportunities, many firms are confronted with managerial challenges. Typical organizational challenges include, for example, the following: Should the new media business be integrated into the firm's existing operation or should it be independently operated, standing on its own legs, in order to become a viable business?

In seeking answers to such questions, both the *industrial organizational theories* (IO) and *resource-based view* (RBV) can provide tools for analysis. The IO—the traditional industrial economics theories—seek to provide an explanation from an economics perspective. They tend to explain new business venturing as economic activities that aim to minimize costs. The RBV—a more recent internal resource/competence-based theory—seeks to provide an explanation to new business venturing from the resource perspective, by focusing on the resource/competence development of the new business.

Both the IO and RBV provide valuable implications to organizational venturing decisions. However, in some circumstances, explanations derived from these two theories may conflict with each other rather than harmonize. How to apply managerial and economic theories to the study of corporate entrepreneurship, how to understand the different interpretations given by the two theories, and, moreover, what is the relationship between the traditional economics theories and the more recent resource-based theories in the specific context of media corporate entrepreneurship are the central issues to discuss in this book.

For such issues, the book suggests that both the IO and RBV can be used to understand corporate organizational venturing decisions as each provides insights into different perspectives; thus, an integration of the IO and RBV is needed in an effort to understand the complex phenomena of corporate entrepreneurship. However, depending on whether the venturing incentives are primarily cost-/profit-driven or resource/competence development-oriented, the IO and RBV may have different predicting powers. Therefore, a reconciliation of the two theories is required where conflicts occur.

Propositions were developed from these contentions, and eight new media venturing cases were studied within six transnational media companies, including News Corp, New York Times, Reuters, Verizon, Reuters, and China Telecom. Findings from the empirical study indicated that certain 'economics and resource conditions' associated with the venturing initiatives influenced the choice of the new media venturing organizational mode, and the dynamics of the organizational mode were also affected by changes in venturing incentives. In addition, the book explains that several macro-environmental, media industrial, and market- and firm-specific factors also had particular impacts on new media creation, which constitute industry-specific characteristics of media corporate entrepreneurship.

Based on the empirical evidences, the book provides implications for media practitioners and scholars. The nature of media management is multidisciplinary, so a multiplicity of theories may serve better the needs of future research and industry practices. In order to develop integrated and reconciled frameworks incorporating theories from different fields, in-depth reviews of theories and understanding of the appropriate circumstances that may apply these theories are required. All of these provide insights into the study of media management and economics.

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Part I
Introduction

Chapter 1
Media Corporate Entrepreneurship: Issues and Challenges

This is a study on media corporate entrepreneurship. Whilst business venturing activities have received increasing attention in recent years, there are a number of organizational issues insufficiently addressed, the organizational decision for venturing is among the central concerns. Therefore, this book studies venturing organizational decisions with cases from media industries. Integrating and reconciling both the Industrial Organizational Theories (IO) and Resource-based View (RBV), the book seeks to understand the organizational venturing decisions in media firms, as well as the relationship between the IO and the RBV in the specific context of media corporate entrepreneurship.

1.1 Entrepreneurship in the Corporate Context

It is change—continuing change and inevitable change—that is the dominant factor in the business society today.

Technological advancements, together with regulatory and social movements have created a highly competitive environment—therein, firms are faced with constant, often dramatic changing markets and the emergence of a variety of new business opportunities. In such an environment, adaptation to the newness and proactive transformation are crucial to achieve and sustain business success. Firms need to develop strategic tools that enable new business creation and facilitate capturing opportunities arising from the emerging fields. These new business creation activities are different from incremental business developments that are mostly conducted inside the existing product-market frameworks; they are radical changes gearing towards developing new product-market frameworks. These overall activities of building new businesses in an established organization are referred to as corporate entrepreneurship and corporate venturing (CV) is usually discussed in the domain of corporate entrepreneurship.

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Corporate entrepreneurship and venturing have received increasing attentions from both academicians and practitioners in recent years (Elfring, 2005). The growing interest in corporate entrepreneurship and venturing are based on the needs of large firms to innovate and to adopt new opportunities. Venturing from the corporate base may provide a significant tool for firm's business development in a highly uncertain environment. Corporate entrepreneurship venturing can be used strategically to encourage the creation of new business in the parent organization as growth driver by investing in ventures with high growth potential (Elfring & Foss, 1997), to diversify the core business of the parent by investing in ventures in diverse industries (Block & MacMillan, 1993), to promote value creation (Narayanan, Yang & Zahra, 2009), and to promote innovation in a global context (Kuratko, Hornsby, & Hayton, 2015). To some companies, corporate venturing has also become a core concept in their strategic planning (Burgleman, 1983a, 1983b, 1984a, 1984b). Due to the presumed ability of corporate entrepreneurship to facilitate continuous growth by embracing high-level innovation and accessing accelerated technological development, many firms have engaged into venturing activities since the early 1990s (Husted & Vintergaard, 2004). There have been also large attentions paid from the strategic management society on corporate venturing activities over the last 35 years (Dushnitsky & Birkinshaw, 2014).

Despite the interest in conducting corporate entrepreneurship, changing environmental and dynamic organizational conditions have raised the complexity for venturing in action. Departing from firm's current core business and competencies makes the venturing activities even harder to manage. Many challenges arise. Decision issues associated with organizing corporate entrepreneurial activities are among the central concerns. Given the emerging business opportunities, firms need to decide strategically upon issues such as whether or not to conduct venturing and how to organize the venturing activities. Questions that have been raised include, for example, *should the new business be integrated into the existing operation* or *should it be independently operated, standing on its own financial legs, in order to become a viable new business?*

Such issues are related to the organizational decisions for corporate entrepreneurship, and these organizational issues are significant to study. Although corporate entrepreneurship is not a new scholarly phenomenon, there are rarely studies on such issues (Elfring, 2005). Even in a general field of entrepreneurship research, though corporate entrepreneurship has been researched by a significant number of scholars since the 1970s, (cf. Burgelman, 1980; Fast, 1977; von Hippel, 1973) and some efforts towards a theory being made (Burgelman, 1983a, 1983b, 1985), there is still no systemic study on the organizational structural issues for venturing (Venkataraman & MacMillan, 1997; Lerner, 2013).

A number of scholars (e.g. Venkataraman, 1997; Birkenshaw, 1997; Wielemaker et al., 2003; Burgelman, 2012; Kuratko & Audretsch, 2013) have noted that, while creating new business, a critical decision entrepreneurs face is how to 'organize' the development and execution of the new business. In other words, when several alternative institutional arrangements can be used to pursue a profitable opportunity, why do entrepreneurs (or a corporate) choose a particularly mode? What factors they consider while making such choices and what are the consequences of these choices?

To answer such questions, one needs to identify the alternative organizational modes that exist for corporate entrepreneurship. A common assumption for the venturing structure is that the new business creation occurs within a *hierarchical* framework—namely, the new entities start and develop within an existing corporate body: either by establishing the new business inside or by acquiring other business to merge with the firm's own operation. The other assumption is that venturing can be conducted through *market* modes, by setting up new business entities outside the company's boundary or making strategic alliances in a cooperative base. Usually, the *hierarchical* modes and the *market* modes represent two ends of the spectrum of viable organizational structural choices for venturing (Venkataraman, 1997). The challenge facing entrepreneurs (or a corporate) is to which direction they should approach? (Volberda, 1998; Lerner, 2013).

Considering this, at a general level, a theoretical understanding of why a certain venturing organizational mode should be chosen is necessary. There are several alternative theories dealing with the choice of organizational mode, of which two sets are among the central discussions: the Industrial Organizational Theories (IO) and the Resource-based View (RBV) (Foss & Foss, 2000, 2004; Madhok, 2000; Venkataraman, 1997; Combs & Ketchen, 1999; Kay, 2000; Burgelman, 2012; Titus, House, & Covin, 2014, Kellermanns, Walter, Crook, Kemmerer, & Narayanan, 2014). The Industrial Organizational Theories—the traditional industrial economics theories—seek to give explanation to the organizing of new businesses from an economics perspective. They tend to explain new business venturing as economic activities that aim to minimize costs. The Resource-based View—a more recent internal resource/competence-based theory—seeks to give explanation to new business venturing from the resource perspective, by focusing on the resource/competence development of the new business.

Both the IO and RBV provide valuable implications to the choice of organizational mode for corporate entrepreneurship. However, in some circumstances, explanations derived from the two theories may conflict rather than complement. For example, in some circumstances, the RBV will point managers towards the market mode for venturing because of the resource constraints; whereas cooperation is not an efficient choice according to the IO, due to the potential increase of transaction costs and agency costs. Thus, how to understand the different interpretations given by the two theories, which direction managers should follow, and what is the relationship between the traditional economics theories and more recent resource-based theories are the central issues of the study.

1.2 Media Organizational Decisions

In view of the above, the purpose of study in the current book is to examine corporate entrepreneurship venturing activities in the media industries, and to analyze the organization decisions for venturing. Through integrating and reconciling both the

Industrial Organizational Theories (IO) and Resource-based View (RBV), the book seeks to explain the organizational choice of corporate entrepreneurship, as well as the relationship between the IO and the RBV in the specific context of venturing.

The study is explanatory in nature. With multiple cases, the book discussed why and how certain organizational decision is made for media corporate entrepreneurship Therefore, included in the purpose of study is also an endeavor to provide managerial implications for media firms' venturing practices.

1.3 Central Discussions

For such purposes, the book focuses on the following discussions:

> *Given the emerging business opportunities, (1)* ***how*** *do firms adopt these new media business opportunities and (2)* ***why*** *do they make certain organizational decisions for venturing?*

In a dynamic environment, various business opportunities are recognized, discovered, and/or created by established firms. Given these emerging business opportunities, how do firms organize their new business activities in a structure dimension is the first question the book seeks to answer in this book. As previously mentioned, in a structural dimension, the organizing of new business activities can differ from the *hierarchical* modes to the *market* modes; thus, the first set of discussion can also be illustrated as what organizational decisions firms choose while they conduct new business venturing. In addition, the book also seeks to answer why firms make such a choice. Therefore, with the second set of discussion, the book investigates factors media firms consider while they make certain corporate entrepreneurship decisions.

These central issues and the propositions related to them will be examined through case studies conducted in established media firms. Based on findings from the empirical study, theoretical conclusions are made, and meanwhile, industry specific implications are discussed.

1.4 The Media Industries as Context for Study

The media industries have undergone tremendous changes in the recent years. Technological advances and deregulation and privatization in information and communication sectors have brought huge opportunities to foster new business. In the electronic media industry, the increasing use of social media, mobile Internet, broadband Internet connections and the advances in streaming technology have created possibilities to deliver media content to web users. This emerging media business has attracted attention from many traditional broadcasting companies. In the print industry, the advances of digital technology have opened new windows for newspaper companies to distribute media content online so as to enhance their service and readership. More recently, media companies have moved even further towards mobile devices to achieve a new way of delivery, making media content available at any time, any place and any how.

New business opportunities appear in a variety of forms in the media industries. A dynamic environment characterized by accelerated technological progress and regulatory changes has made the needs for corporate venturing much greater for media companies. To cope with the high uncertainty within a fast changing media landscape, and to sustain the competitive advantages, media firms have moved with vigorous paces for venturing. Moreover, the emergence of new media opportunities and the transformation towards a digital era since the 1990s have made it even more significant for media companies to conduct venturing. Considering these, the book sets the media industries as context for discussion. Studies were conducted within media companies, and it is expected that specific industry characteristics of media business venturing can be captured in addition to an understanding of the general phenomena of entrepreneurship.

1.5 Theoretical and Practical Implications

The book seeks to generate implications from at least three aspects:

– *Theoretical Aspect*

Firstly, though issues of new business creation have been studied intensively in the domain of entrepreneurship, much less attention has been paid to start-up activities in a corporate context. In particular, little systematic work has been done to examine the organizational mode for corporate internal start-ups. So, it is expected that this book may contribute valuable theoretical insights to fill in this gap of knowledge.

Secondly, this book will employ both the IO and RBV. There are different views on the relationship between them. Some argue that the IO and RBV have different assumptions of the organization, thus they need to be used independently. Others state that they are complementing as each offers unique insights that generally direct mangers to similar directions. In addition, a third view holds that they are conflicting as they sometimes put managers into a dilemma when resource constraints direct managers towards market option, while cooperation is not an efficient response in an economics perspective.

This book will contribute to answer such a quandary by explaining that the IO and RBV explanations for corporate entrepreneurship organizational choice require contingent reasoning. Depending on whether the incentives of venturing are primarily cost/profit driven or resource/competence development, the IO and RBV have different predicting powers. A more comprehensive and coherent understanding on the venturing start-up organizational mode needs to be built by integrating and reconciling both the economics and resource perspectives.

– *Empirical Aspect*

Previous studies devote scant attention to new business venturing in specific industries. Through exclusively focusing on media companies, this study may contribute to understanding the links between new business creation and certain particular industries, so as to further explore the industry specific characteristics of corporate entrepreneurship.

– *Managerial Aspect*

New business creation is a phenomenon discernible in many media companies; but research to guide media managers in organizing the start-up activities and making venturing decisions is still lacking. Therefore, it is expected that this book may also provide valuable insights for media practitioners to adopt the emerging media business opportunities and to conduct corporate entrepreneurship venturing practices.

Part II
Media Industries as the Context

Chapter 2
Media Industry Development and New Media Business Opportunities

This chapter presents dynamics in the changing media industries. It clarifies the concepts of media and media industries, and reviews external and internal changes that are reshaping the media industries. Changes have brought huge opportunities for new business; whilst opportunities always emerge concurrently with challenges. Challenges facing the media organizations include how to organize their new business start-up activities and what organizational structures to develop in order to accommodate the new businesses.

2.1 Media and the Media Industries

The media industries are the context of the current study. Before presenting the contextual situation of the industry, clarifying the conceptual definitions of media and media industries may help to understand the issue of study.

The word *media* has been defined in many ways to accommodate different criteria or settings. For instance, media is defined as 'a contraction of the term *media of communication*, referring to those organized means of dissemination of fact, opinion, and entertainment such as newspapers, magazines, cinema films, radio, television, and the World Wide Web' (Britannica). Or, it is also defined as 'a generic term for systems of production, dissemination of information and entertainment and of exertion of various kinds of social controls. Unlike a channel which is limited to a contiguous physical medium between the sender and a receiver of communications, media include the institutions which determine the nature, programming and form of distribution' (Krippendorff, 1986). Most often, *media* are lumped together as a single entity, while *the media* actually referring to many forms of communication, including newspapers, magazines, billboards, radio, television, videocassettes, video games, and computer games (Hang & van Weezel, 2007).

The essential element of media is that it can be used to store or deliver information for the mass usage, so the most common use in this sense is mass media.

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According to Krippendorff (1986), mass media is the generic term for newspapers, book publishing, radio and television. Other media include the recording industry, movie industry and theatre. All media are associated with more or less elaborate forms of audience participation.

While the term of *media* is generally understood based on the above descriptions, the *media industries* are defined more broadly as the industries that mainly produce and sell information and entertainment products and services. Under this framework, the coverage of media industries spans from the publishing industries (newspaper, magazine and book), music industry, audiovisual industries (film, television and radio), telecommunication industry, to the emerging media industries, for instance, IT sectors and other forms of digital media.

The media industries basically compete within three different markets: the content market, the consumer market, and the advertising market. On the content market, products are converted from different sources; on the consumer market, products compete for the adoption of various consumers, including both business to individual consumers and business to business consumers. And on the advertising market, the industries sell capacities to place advertising for other companies. The growth of the media industries moves hand in hand with new forms of communicative-based technology. With accelerated technological advances and many other external and internal driving factors, the media industries are rapidly changing and transforming.

2.2 Changes in the Media Industries

There are a lot of factors driving these changes. Picard (2004) has summarized a group of external and internal factors that include general environmental influences, media specific policy influences, market-specific influences and firm-specific influences. Therein, changes of general environment are characterized by factors such as development of global capital and financial institutions, improvement to communication infrastructures and human conditions. Media specific policies refer to, for example, reduced barriers to entry for media competitors, promotion of trade in media products, promotion of small enterprises and regulation of consolidation and concentration. Market-specific influences include increasing competition, development of the attention economy and changes in advertising choices. In addition, some firm-specific influences are also reshaping the industry in the way media products are created, produced and distributed.

Shaver and Shaver (2006) pointed out that, in looking ahead, three factors appear to dominate the evolution of media industries, and they will define the challenges facing media managers—digital technologies, consumer adoption patterns, and the global regulatory environment. Thus, to understand the new management challenges brought by the evolving nature of media will require considering the interrelated developments from technological, economic and audience perspectives. In addition, close attention needs to be paid to the organizational issues generated by new media strategies.

Driven by different external and internal forces, changes have become the theme of the contemporary media industries. In the print industry, the emergence and growth of online newspaper and digital production have undergone since the 1990s. In the broadcast industries, the transfer to the digital platform provided tremendous opportunities to increase the media content plurality and abundance. In the telecommunication industry, the convergence of computers and telecommunication has brought forth a "new media system that embraces all forms of human communication in a digital format" (Pavlik, 2001, p. xii). Industrial deregulation has also brought plenty of opportunities for telecommunications innovators to supply new tools and ideas, online platform and cloud technology are building next generation media (Noam, Pupillo, & Kranz, 2013). The rapid development of social media is another striking phenomenon in recent years. Changes in the market have created new business models and channels for value creation (Friedrichsen & Mühl-Benninghaus, 2013).

Changes are evident on the media consumer market. Consumer demands are becoming more fragmented with the increasing number of alternative media options. Consumer taste is fragmenting with sophistication, and there is an obvious trend of polarization appearing on the market, as media customers have turned to be more and more particular about what they do and do not like. No longer captive mass media audiences, today media consumers are becoming unique, demanding and engaged in a converged media world.

On the content market, there is a shift from the 'inspiration-driven' to 'marketing-driven' content. Niche offering is prioritized, and media content is increasingly incorporating interactions and communications. Media companies plan more on how they can incorporate customer feedback into their program and production design. Meanwhile, user-generated content appeared in the market, forming a new trend of content generation.

On the advertising market, attention has been shifted largely to new marketing instruments which have direct and measurable impacts on consumers. For example, interactive marketing and sales promotions, rather than mass-market advertising are preferred by more advertisers. And advertisers are increasingly coming to accept new digital medium as a powerful marketing tool, especially with the advent of sophisticated classified search engines such as Google (Aris & Bughin, 2005). Starting from the early 2010s, mobile communication and mobile applied technology have been widely spread over, thus mobile media and social network immediately became new platform to attract advertising revenues (Moukas, Kaskavelis, Kontarinis et al. 2012).

To sustain their continuous development in such a changing environment, media firms have to respond strategically, and to move out of their traditional bases of operation and get into new activities.

2.3 Rationales for New Media Business Creation

The rationale for new media business creation first comes from an intention to adapt to the changing media environment. Market shifts and environment dynamics call for innovative new business to meet different consumers' needs, content needs and advertising requirements.

In addition, rationales for new business creation for media firms also include the desires to gain new revenue streams, to spread risks, to strengthen content creation and audience advertising relationships, to achieve the first mover advantages and to increase learning and innovation.

Media companies are looking for new ways to use their existing resources to gain new revenue streams and to increase company assets. New revenue streams can be generated by innovatively relocating and recombining company resources. New media business activities are organized, aiming at fully utilizing resources and stretching competitive advantages.

The new business creation can also help spread risks faced by the media companies. Through diversifying into new fields, risks led by current business could be reduced, and a portfolio design that includes business in different developing stages may help companies to balance their production lines and to explore sustainable developing opportunities.

By adding a new business, media companies also expect to enhance their abilities in content creation and strength relationships between audience and advertising. Media companies compete in a triple market including content, audience and advertising. Established media are trying to gain their footholds in new areas in all of these three markets.

Meanwhile, market and environmental changes create an opportunity for first mover advantages to be obtained. The first mover advantage refers to a sometimes insurmountable advantage gained by the first significant company to move into a new market (Lieberman & Montgomery, 1998). So, one of the major rationales for new business exploration in media companies is to pursue the first mover advantages or the best mover advantages. As early movers in establishing media marketplace, they will have a significant advantage over late entrants because of the network effect, whereby the value of the marketplace increases as the number of participant increases (Hill, Jones, & Schilling, 2014).

Increasing learning and innovation through exploring new areas is another rationale for media company's new business creation. The abilities to learn and to innovate are critical in building company's competitiveness, and knowledge developed from new business venturing may turn out to be the company's future competitive advantages.

In view of such rationales, a large variety of new media business venturing activities have been conducted in the media firms, catching continuously emerging new media business opportunities.

2.4 New Media Business Opportunities

Changes in the media industries have created various windows of opportunities. Opportunities appear in different sectors of the media industries. Some recent new media opportunities include the Internet media business opportunities, mobile media business opportunities, webcasting business opportunities, online gaming business opportunities, broadband digital TV business opportunities, and venture capital business opportunities.

2.4.1 Internet Media Business Opportunities

The growth of the Internet occurred in three stages. The first stage was initiated in the 1950s by the pioneers—mostly scientists and engineers who were concerned with the need for national security. Therein, the Internet opportunity was created and a new market started to emerge.

The second stage began with the arrival of the settlers—academics and scientists who were using the machines sharing resources and communicating with one another. This was a stage of opportunity discovery—settlers were exploring more potentials of the emerging Internet.

The third stage came with the arrival of the people of capital. This era had an aborted beginning in the early 1980s, but returned in the 1990s. The people of capital tried to take advantage of a new world of information, available by turning on a computer hooked up to what was called 'video-text'—text transmitted online to be displayed on a video screen (Boczkowski, 2004). The early 1990s saw a slow but steady increase of the 'video-text' activities. The growth in penetration of personal computers into workplaces and home also contributed to this trend.

Newspaper companies were among those industry pioneers who first recognized the Internet business opportunity: on the supply side newspaper companies embraced the capabilities to produce content online, and on the demand side, consumers also expected the traditional media companies to have a new web presence.

At the beginning, the Internet strategy of newspapers was basically to offer their own products through the Internet but with the same "look". Then, since the mid 1990s, newspapers added some new elements that fit the new medium, while keeping the original format basically intact. Later, newspapers started to gradually seek new ways to present content, e.g. they started to offer portal with myriad links to other pages and other sites (Alexander et al., 2004).

Like newspaper companies, many other traditional media companies also recognized the Internet business opportunities, and started to engage in various online services since the 1990s. Content was delivered through the web, and free or subscription models were adopted for the new Internet media services.

For most media companies, Internet services were added to serve as an efficient marketing tool for the company's offline media at the beginning. With the development of this new business, more expectation for profits came along with a fast expanding Internet boom appearing at the end of the 1990s. After the Internet bubble burst in 2000, companies turned to reconfigure their new business, and Internet business in media companies has turned to serve and complement other businesses, creating an integrated platform for media consumers. In recent years, with a trend of media convergence, different media formats are increasingly converging on the Internet, and the web is serving more as a platform integrating different types of media formats.

After 2010s, Internet has become the main platform for media companies to distribute their content (Buckingham & Willett, 2013). Many leading media companies started new ventures to test pay-wall or other innovative business models, finding new ways to generate revenues from online. Successful examples of such include cases from Financial Times, Wall Street Journal and New York Times Company (Cook & Attari, 2012).

2.4.2 Webcasting Business Opportunities

With the development of Internet services, demands emerged among media consumers to view media programs not only through home TV and radio, but also from the web in other places. Meanwhile, the advances of Internet technology also demonstrate network capabilities that can meet such new consumer demands. Media and entertainment companies recognized this emerging opportunity, and the webcasting business has been exploited since the late 1990s.

The delivery of prepared video and audio content to Web users is called webcasting. Webcast providers range from established television and radio stations to Internet service providers that participate in the online media content delivery business. Traditionally, the consumption of audio or video content usually occurred at the users' home. With the new webcasting business, consumption of television shows can occur on transit, when people have wireless Internet connection either through their laptops or cellular phones.

The emerging webcasting business is a complementary streaming media service to existing media companies, as well as a new competitor for revenue and audience's time. The active players for the emerging webcasting business include the 'clicks-and-bricks'—the terrestrial broadcasters with the offline TV or radio station/network and additional online services; the 'pure-players'—the media organizations that provide audio and/or video services online with no other counterpart offline, and the ISPs—the Internet service providers that offer their own audio and video content services.

The webcasting business grew rapidly worldwide in the past several years, and the consumer webcasting has become an industry of considerable size in many countries, including the US, Canada, the UK, Netherlands, etc. Until now, the common revenue scheme for webcasters includes advertising/sponsorship model, e-commerce model, content syndication, corporate or government funding, subscription model and pay-per use/view/download model (Ha & Ganahl, 2007). As the demand for streaming media and webcasting solution grows, the webcasting business is turning into a cash earner for the media companies.

The webcasting practices have been increasingly active after 2012, with a wave of M&A among online video companies, especially within Asian countries. Striking example of such include M&A between Youku and Tudou in China and acquisitions of Alibaba in the East Asia market. There have been also a large variety of new business model emerged for webcasting (Berger & Hess, 2015).

2.4.3 Broadband TV Business Opportunities

With the proliferation of the Internet services, there have been increased bandwidth demands to deliver high quality media content and programs among media consumers, thus the opportunity for broadband services such as Broadband TV was discovered by media companies, especially by many telecommunication and cable companies.

While webcasting refers to accessing TV via a PC, Broadband TV involves accessing multimedia content via a broadband connection and to view it on a normal TV. Broadband TV is where a digital television service is delivered using the Internet Protocol over a broadband network infrastructure. Before the emergence of broadband, the IPTV had been restricted by low bandwidth limits. However, broadband is now available to more than two billion households worldwide. Many of the world's major telecommunication providers are exploring Broadband TV as a new revenue opportunity from their existing markets and as a defensive measure against encroachment from more conventional cable television services.

Telecommunication companies have been facing significant competition in their core consumer voice business in recent years. Creating communication-centered service bundles is an important way that carriers can attract and retain customers. To compete more effectively, telecom companies need to add video to their production line, thus competing with their own 'triple-play' bundle strategy. 'Triple-play' is an expression used by service operators, describing a bundle of telephony, data and video via a single connection. Traditionally, TV has come down one wire cable TV or a terrestrial antenna, the telephone has used another, and the Internet has been available on either. More recently, telecom operators have started to offer all three on one wire, to achieve cost efficiency.

Traditional cable operations are also confronted with challenges led by intense competition. There has been a shift from traditional broadcast networks (for video) to Internet Protocol-based packet network among cable operators. These shifts have helped cable carriers to use proprietary content to enhance differentiation and competitive positioning against other content providers.

Upon discovery of the Broadband business opportunities, telecommunication and cable operators began investing significantly on their network infrastructure. While exploring for new broadband services, the broadband TV business has shown tremendous advantages: the broadband allows huge opportunities to make the TV viewing experience more interactive and personalized. Meanwhile, the broadband services are converged services, providing opportunity for integration and media convergence. In addition, the emerging broadband business also implies interaction of existing services in a seamless manner to create new value added services, and one such new value added service is the online gaming business service.

2.4.4 Online Gaming Business Opportunities

Online gaming refers to video games that are played over some forms of computer network, most commonly the Internet. The expansion of online gaming has reflected the overall expansion of computer networks from small local networks to the Internet and the growth of Internet access itself. Online gaming can range from simple text based games to games incorporating complex graphics and virtual worlds populated by many players simultaneously.

As a viable business, online gaming emerged as early as the 1980s. However, it is during the recent years that online games moved from a wide variety of LAN protocols to the Internet. The rising popularity of Flash and Java led to an Internet revolution for online games where websites could utilize streaming video, audio and a whole new set of user interactivity. The Internet technology paved the way for sites to offer games to web surfers. Yet, many online gaming services had been restricted by limited network speed before the emergence of broadband network. The development of broadband has significantly improved the network capabilities of media firms to provide online games. This opportunity to provide a high speed and interactive new gaming experience for consumers was immediately recognized, and more telecom and entertainment media companies started to engage in the game business.

Among the current game sites, some charge a monthly fee, and many others rely on advertising revenues from on-site sponsorship. There are also some online games that have options of paying, and unlocking new skills for members. Being a value-added service, online games have been used by many media companies as a cross promotion tool for driving web visitors to other websites that the company owns. Meanwhile, with the fast growth of the gamer community and improved game content and network capabilities, the online gaming business has shown great potential to be a profitable entertainment business in the years to come.

2.4.5 Mobile Media Business Opportunities

The Internet has brought many emerging business opportunities for media firms. However, media companies also seek to deliver their content despite the restriction of location; hence, there was the creation, discovery and recognition of the mobile media business opportunities.

Mobile media refers to viewing multimedia content on a portable device at any location or when on the move. The medium could be a mobile phone, a PDA or a portable media player.

The mobile phone was developed out of radiotelephony, which primarily served naval, military, police and fire services after its development in the early twentieth century. Later it was applied toward commercial use for ships, taxis, and freight distribution companies (Gascoigne, 1974). Mobile devices became available for media use since the beginning of regular broadcasting. In the late 1950s, the transistor radio brought more mobility to the broadcast reception of mobile (Fischer, 1994; Morita, 1986; Picard, 2005).

The full automatic cellular networks were first introduced in the early to mid 1980s (the 1G generation). With the advance of miniaturization, the later mobile phones became more and more handheld. Since the 1990s, the low establishment costs and rapid deployment made the mobile phone networks spread rapidly throughout the world, outstripping the growth of the fixed telephony. In 2002, the international Telecommunication Union in Geneva, Switzerland, reported that the number of mobile subscribers surpassed the number of fixed line subscribers for the first time, and the speed of mobile subscription growth has been accelerated every year.

Mobile opportunities had been created and discovered through the early technological invention and innovation, and the later improvement and development. In recent years, media firms have come to recognize the huge opportunities brought by the growth of mobile technology. For example, as mobile phone use is especially pronounced among young consumers, newspaper companies have come to recognize that mobile media provides them a good opportunity to take back the young readers whom they have been losing for years. In addition, mobile telephone also represents an incredible array of other opportunities for newspaper companies: for instance, to provide continuous, customized content and utility for customers, to build an intimate relationship which each individual customer on an unprecedented level, to give advertisers ubiquitous access to their targets, to develop a new image that appeals to younger audience, and to develop a cutting-edge and viable new business model that does not depend on costly printing presses.

Since 2001, newspaper companies have caught the wave of mobile growth with the use of SMS. SMS is used to deliver news alerts and content to mobile consumers. In addition to young readers, some non-readers are also the target. Newspaper companies expect the new mobile content services would help these audiences to access their content and drive them back to their core print products. With the mobile media business generating more potential, some newspaper companies have started to develop entirely new brands and products around mobile.

The mobile media opportunities are not only recognized by newspaper companies, but also other organizations in the media sectors. For instance, global news organizations, including CNN, BBC and Al Jazeera, have offered mobile news updates in English and Arabic for a monthly fee in more than 130 countries since 2002. More recently, mobile news content has brought about a next wave of innovation for mobile content, marketing and advertising.

Mobile news services offer greater capabilities including formatted text, passages and the ability to transmit image, video, and audio. Availability of mobile services is still growing, along with the use of camera phones and other devices that can add photographic and video capabilities to a mobile user's repertoire. Mobile news services became available in Asia and parts of Europe after 2010s. Mobile use makes it possible for media companies to transmit richer content to subscribers, and allows customers to have higher quality interactions via their mobile devices, and extend the amount of time they spend consuming mobile data.

With the increasing advancement of mobile technology, especially with the wide use of mobile social network, mobile platform has grown to be the major source for audience to retrieve information (Holden, 2015). And also, nowadays, mobile content has developed in as an important ingredient of the world's media diet and as a part of community interaction, regardless of location, age and economic status. Access to mobile devices has become commonplace. This ubiquitous access to information has created a society in which many consumers easily transit from one media format to another. Companies recognize that the mobile telephony offers more than just a new distribution model of the same content; it provides opportunities for an entirely new business model. Thus, embracing mobile telephony is imperative for media companies.

2.4.6 Venture Capital Opportunities

Most opportunities in the media field can be traced back to their roots in technological invention and/or innovation. To incubate more technological advancements and to create and discover future opportunities, venture capital investments have been made in many media sectors.

Investments were made to the minority and technological new initiatives, supporting the incubation of the emerging businesses, and spreading risks from the company's existing product lines. In the media industries, the early Internet initiative, the online gaming initiatives, etc. had all been supported by venture capital investments.

With the opportunities provided by these venture capital investments, new technological developments have accelerated and the creation of new media business has been largely expanding.

2.5 Challenges from the New Media Business Venturing

New media business opportunities are seen as challenging the economic bases and sustainability of established media. Opportunities always emerge concurrently with challenges. Challenges in this changing media era are, for example, given these different types of new media business opportunities, how do media companies organize the new business activities that seize the opportunities, and how to develop new competences through these opportunities and, ultimately, generate profits?

Previous research on new media has contributed insights into the viable business model for the new media business. For instance, Picard (2002) pointed out that online media content service business models evolve over time, with the best model adopted by most providers at the time. Chan-Olmsted and Ha & Ganahl, (2004) studied the development of Internet competences over time and they defined an evolution of Internet media business model as moving from 'online competency development' to 'enhancement of the value of online products', and then to 'generation of online revenue'. Kolo and Vogt (2004) stated that online media have their own distinct users. They are destination sites relatively independent of their offline media counterparts. Therefore, their business models should be different from the offline media counterparts.

There are also studies on the impacts of new media on the traditional media (Kolo & Vogt, 2004), comparison of new media and their traditional media counterparts (Ha & Ganahl, 2004), the influences of new media on customers' consuming behavior (Cho, Byun, & Sung, 2003), internet and the mass new media (Küng, Picard, & Towse 2008), the impact of new media on customer relation (Hennig-Thurau et al., 2010), development of journalism and new media (Pavlik, 2013), social capital and organizational knowledge management in social media (Bharati, Zhang, & Chaudhury 2015) and etc. However, despite all these achievements, among the studies on the new media, the organizational modes and structural options for new media is still an issue that has been rarely explored. How to accommodate new business, and what organizational architecture to develop in order to do so, are challenges facing the media companies.

These challenges can be related to a common issue of new business start-up, or to put it in a conceptual term: corporate entrepreneurship. Therefore, the central issue in this study is to examine the organizational options in the domain of media corporate entrepreneurship. In other words, in a changing media environment, and given different new media business opportunities, how do media companies organize their new business activities?

To develop a theoretical framework for this study, the next chapter will discuss in details the concepts of entrepreneurship, corporate entrepreneurship and corporate venturing, different attributes associated with them, and also, how to understand the choice of organizational decisions for media venturing with the economics theories and resource-based theories.

Part III
Integrated Framework for Media Corporate Entrepreneurship

Chapter 3
Corporate Entrepreneurship and Organizational Decisions

This chapter provides an integrated framework to understanding corporate entrepreneurship. It defines the concepts of entrepreneurship, corporate entrepreneurship and venturing, and introduces viable organizational modes for venturing. There are two theoretical perspectives guiding venturing organizational decisions—the Industrial Organizational Theories and the Resource-based View. Both perspectives are presented in this chapter, and relations between them are discussed. Following the discussion, a theoretical framework is constructed.

3.1 Corporate Entrepreneurship and Venturing

Corporate entrepreneurship and venturing (CV) are among the hottest topics for both academicians and practitioners in recent years. The interest in corporate entrepreneurship is based on the needs of large firm to renew themselves and to engage more in creating new opportunities. In today's global economy, corporate entrepreneurial activities have shown great importance to corporate validity and wealth generation (Dess et al., 2003). It has been viewed as a driver for new businesses within on-going enterprises as achieved through internal innovation, joint ventures or acquisitions, strategic renewal (Guth & Ginsberg, 1990; Hitt, Nixon, Hoskinsson, & Kochhar 1999); product, process, and administrative innovations (Covin & Miles, 1999); diversification (Burgelman, 1991); processes through which individual's ideas are transformed into collective actions through the management of uncertainties (Chung & Gibbons, 1997), process for internal innovation and business renewal (Burgelman, 2012), and an institutional mechanism that promotes the level of marketization (Biniari, Simmons, Monsen, & Moreno, 2015).

Usually, corporate entrepreneurship is seen as a method for fostering internal business creation in large corporations (Kanter, 1985). For long, entrepreneurship has meant differently to different people (Gartner, 1985; McMullan & Long, 1990), and the development of the concept has been documented by various authors (e.g.,

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Gartner, 1988; Hisrich, 1986; Livesay, 1982; McMullan & Long, 1983). The earliest reference of entrepreneurship can be traced back to Ricard Cantillon in c.a. 1734. To him, entrepreneurship was self-employment with an uncertain return. In recent decades, there emerged at least two distinct clusters of thoughts on entrepreneurship (Gartner, 1988). The first group of scholars focused on the characteristics of entrepreneurship (e.g., innovation, growth, uniqueness, etc.), while the second group focused on the outcomes of entrepreneurship (e.g., creation of value).

Among scholars subscribing to the notion that entrepreneurship should be defined by its characteristic attributes, most seem to rely on variations of one of two definitions of entrepreneurship, the first proposed by Schumpeter (1934) and the second proposed by Gartner (1988). For Schumpeter, an entrepreneur is a person who carries out new combinations, which may take the form of new products, processes, markets, organizational forms, or sources of supply. Entrepreneurship is the process of carrying out new combinations. In contrast, Gartner stated that Entrepreneurship is "the creation of organizations" (1988, p. 26).

There are distinctions blurring the conceptualization of entrepreneurship. Shane and Venkataraman (2000) noted that the largest obstacle in creating a cohesive conceptual framework for entrepreneurship is many scholars overlooking the fact that entrepreneurship involves two phenomena: the presence of lucrative opportunities and the presence of entrepreneurial individuals. Putting these two aspects together, they describe the field of entrepreneurship research as "the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited" (p. 218).

Shane and Venkataraman's (2000) conceptual framework has been widely cited among scholars; therein two key dimensions of entrepreneurship are emphasized: the entrepreneurial opportunity and entrepreneurial individuals. These two dimensions are also evident in corporate entrepreneurship, which involves the pursuit of entrepreneurial opportunities within an organizational context. Corporate entrepreneurship is the entrepreneurial phenomena that deal with the process whereby an individual or group of individuals, in the context of an existing firm, create innovative new businesses. For which, both opportunities and the group of individuals that pursues the opportunities are concerned.

3.1.1 Entrepreneurial Opportunities

From the opportunity-concerned dimension, corporate entrepreneurship deals with identifying, recognizing and discovering entrepreneurial opportunities. Casson (1982) defined entrepreneurial opportunities as those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production. Shane and Venkataraman (2000) concurred with Casson when stating that entrepreneurial opportunities "enhance the efficiency of existing goods, services, raw materials, and organizing methods" (p. 220). Shane (2003) further illustrated the notion of entrepreneurial opportunity by eliminating the profit requisite, and they defined an entrepreneurial opportunity as a situation in which a person can create a new means-ends framework for recombining resources that the entrepreneur believes will yield a profit. There are also many other scholars discussed the opportunity. Hean, Maw, and Boon (2002) defined an opportunity as the future situation that the decision makers deem personally desirable and feasible. Baron (2004) defined the opportunity through three central characteristics: potential economic value, newness and perceived desirability. Renko, Shrader and Simon defined the entrepreneurial opportunities as a perception which demonstrates both objective and subjective qualities (Renko, Shrader, & Simon, 2012).

Where does the opportunity come from? Schumpeter recognized three sources for opportunities: technological changes, political and regulatory changes, and social and demographic changes (Shane, 2000). Others have expanded the sources for opportunities to a larger scope. Drucker (1985) identified the sources for opportunities at the macro-environmental level and industry/firm level; and Schibbye and Verreynne (2003) added the universal sources to Druker's list of categories.

At the macro-environmental level, sources for opportunities include government actions through political, legal and economic measures, the demographic and geographic changes, changes in perception, and changes on consumers or overall economics (Drucker, 1985; Czinkota & Ronkainen, 1990; Schibbye & Verreynne, 2003). At the industry/firm level, opportunities come from the industry changes, changes in the process pursuing certain tasks, changes in suppliers and consumers, changes in the competitors and changes rising from the internal organizations (Drucker, 1985). In addition, some universal sources include new knowledge, technological changes, the reuse of old ideas, unexpected occurrences under random events and some times; an opportunity can also be discovered from the incongruity, for instance, creating modifications to the current products (Drucker, 1985; Hargdon & Sutton, 2000; Shane, 2000).

How does an opportunity emerge? Based on research conducted by Hayek (1945), Knight (1921), Buchanan and Vanberg (1991), and Sarasvathy et al. (2003) identified three major types of opportunities. The first is the *opportunity recognition*, which deals with the exploration of existing markets (e.g. arbitrage and franchises). The second is *opportunity discovery*, which is related to the exploration of existing and latent markets (e.g. applications for new technologies). The third is called *opportunity creation*, which involves the creation of new markets. Sarasvathy et al. maintained that these three types of opportunities might also integrate with each other.

Usually, opportunity recognition occurs when sources of both supply and demand are rather obvious, and the opportunity for bringing them together has to be *recognized*, with the match-up between supply and demand implemented either through an existing firm or a new firm. This notion of opportunity involves the exploitation of existing markets. Examples of such in the media industries include the exploitation of online market with print media content, the delivery of news and entertainment videos to mobile devices, etc. In such cases, on the one hand, there are capabilities in the media companies to provide new services (both media content and digital technologies are available); on the other hand, there are also demands from the customer side to call for these new media products and services. What companies need to do is to recognize this opportunity, and to recombine their existing resources for the new media production.

Opportunity discovery occurs if only one side exists—i.e., demand exists, but supply does not, and vice versa—then, the non-existent side has to be *discovered* before the match-up can be implemented. This notion of opportunity has to do with the exploration of existing and latent markets. Examples include the emergence of the high definition digital TV via the broadband network, and high speed online gaming business services. In such cases, there are demands from the customer side, either for the high speed gaming entertainment experiences or for the improved bandwidth for digital TV programs; therefore, opportunities are discovered, and media companies start to develop their network capabilities in order to embrace these new businesses.

Opportunity creation occurs while neither supply nor demand exist in an obvious manner, one or both have to be *created*, and several economic inventions in marketing, financing, etc, have to be made for the opportunity to come into existence. This notion of opportunity has to do with the creation of new markets. Examples of such include many next generation high tech IT products, for example, the Netscape. Venture capital investments in the media industries are also targeting such next generation products in order to gear future market success.

As stated by Sarasvathy et al. in the real context, these different types of opportunities are not distinct, but integrated with each other—an opportunity may be created, discovered and recognized. The presentation of the emergence of various opportunities in the media industries in the previous chapter also indicates the integration of creation, discovery and recognition of opportunities.

3.1.2 Entrepreneurial Individuals

From the entrepreneurial individual-concerned dimension, corporate entrepreneurship deals with various entrepreneurs. There are entrepreneurial individuals at all levels of an organization. Individually and collectively, they play critical roles in successful entrepreneurship efforts.

At the senior management level, the role of entrepreneurs is mainly to heed the entrepreneurial imperatives and to provide visions regarding the pursuit of entrepreneurial opportunities. In this vein, it has been argued that top-level managers must be purveyors of the entrepreneurial version (Heller, 1999), and that they must shape the corporate purpose to pursue new businesses (Bartlettt & Ghoshal, 1997). The role of senior managers is fundamental in initiating and putting venturing activities forward. For instance, there are a number of media leaders who am embedded with entrepreneurial spirits: Rupert Murdoch in News Corp, Ted Turner in the Time Warner, etc: these top level entrepreneurial individuals initialed various new business venturing activities in their companies—their influences on the decisions to engage venturing are evident.

At the middle management level, the role of entrepreneurial individuals is to effectively serve as a conduit between those at the top and those at the operational level or front-lines (King, Fowler, & Zeithaml, 2001). These individuals interactively synthesize information, disseminate that information to both top-and operating-level managers as appropriate, and champion projects that are intended to create newness. They are enablers of individual entrepreneurial actions that are taken to create new ventures. In addition, they play a critical role as intermediaries in corporate entrepreneurship, as their central position in the organization allows them to gather and absorb innovative ideas from inside and outside of the firm. Therefore, the entrepreneurial individuals at the middle management level endorse and refine entrepreneurial opportunities and identify, acquire, and deploy resources needed to pursue those opportunities (Morris, Kuratko, & Covin, 2002).

There are also entrepreneurial individuals at the first management level and non-management level. These 'grassroots-level' personnel have experimenting roles, adjusting roles and conforming roles (Folyd & Lane, 2000). They operate as order takers, implementing entrepreneurial initiatives endorsed at higher organizational levels, and pursuing recognized entrepreneurial opportunities that have not been specially induced from above. Also importantly, these personnel are often in unique position to recognize entrepreneurial opportunity because they frequently work at a position within organization where much of the core transformational activity of the firm is performed (Morris et al., 2002). Furthermore, through their daily work routines, they have significant potential to recognize and pursue entrepreneurial opportunities.

In a firm, entrepreneurial individuals at all levels may actively participate in the process of recognizing and exploiting innovative opportunities. Thus it is possible that each of them has an impact on firm's entrepreneurial initiative. However, different from the research on entrepreneurs in general, the role of entrepreneurial individuals in the corporate context can be largely reflected upon their collective decisions (especially made by those at the top) that drive the organizations to keep renewal and to create new businesses. Therefore the level of study on entrepreneurs in corporate entrepreneurship may be shifted to the decisions they take in the process of venturing (Venkataraman & MacMillan, 1997).

In view of these considerations, while studying the organizing of venturing initiatives, this researcher pays more attentions to the factors managers (including entrepreneurial individuals) consider in order to accommodate new businesses. It is important to note that such a research design is not because of the ignorance of entrepreneurs—instead, the researcher agrees that entrepreneurs play crucial roles in venturing; rather, a shift of research perspective to the critical decisions made for venturing may help to achieve more understandings on the study in general.

The following sections will define some key concepts relating to corporate entrepreneurship and venturing; thereafter viable organizational mode for venturing and incentives to venturing will be introduced. Then several theories explaining the organizational choice of corporate entrepreneurship will be presented, discussed and synthesized in order to build a theoretical framework for the study.

3.2 Defining Corporate Entrepreneurship and Venturing

Although scholars have begun to pay increased attention to the new business start-up activities within existing organizations (e.g. Burgelman, 1983a, 1983b; Guth & Ginsberg, 1990; Husted & Vintergaard, 2004; Miles & Covin, 2002; Zahra, 1986, 1995, 1996), similar to the study of entrepreneurship in general, there has been a striking lack of consistency in defining what is corporate entrepreneurship and what is corporate venturing. The terms are rather vague, as it tends to mean different things to different people (Block & MacMillan, 1993).

Reresearchers use different expressions to refer to the entrepreneurial efforts within an existing organization. A list of terms has been used in the literature, and words such as intrapreneuring (Pinchot, 1985), internal corporate entrepreneurship (Jones & Butler, 1992), internal entrepreneurship (Schollhammer, 1982; Vesper, 1984), strategic renewal (Guth & Ginsberg, 1990), and venturing (Hornsby, Naffziger, Kuratko, & Montagno, 1993) are used interchangeably in many studies.

The definitional ambiguities have plagued the scientific understanding and explanation on entrepreneurial activities within firms, and it is necessary to make clearly stated definitions, as the clearly stated and agreed-upon definitions can make it easier for researchers to understand and develop each other's work; it is also easier for practitioners to decide whether research findings are applicable to their situation. Thus, for a purpose of conceptual clarity, this researcher has adopted a terminology framework on entrepreneurship suggested by Sharma and Chrisman (1999), therein, they seek definitions that do not exclude what has been termed entrepreneurship, corporate entrepreneurship and corporate venturing in the past, but tend to cover different aspects of the terms that can facilitate the reconciliation of the theory and research on entrepreneurship and venturing (see from Fig. 3.1).

The conceptual framework is built firstly upon an understanding of the term *entrepreneurship*. Based on the definitions given by Gartner (1988), Schumpeter (1934), Stopford and Baden-Fuller (1994), and Zahra (1993, 1995, 1996), the term

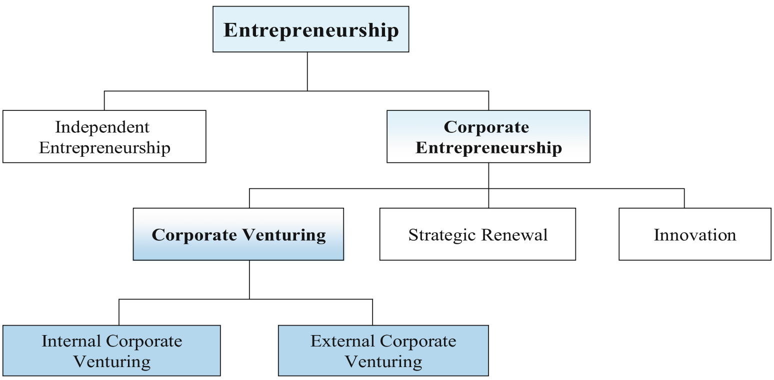

Fig. 3.1 Hierarchy of terminology

entrepreneurship is defined broadly to "encompass acts of organizational creation, renewal, or innovation that occur within or outside an existing organization" (Sharma and Chrisman, 1999, p. 18). Here, the conditions that define entrepreneurship are related to newness in the sense of strategy or structure, business renewal or innovation. Despite the breadth of this definition, it is consistent with the prevalent view of entrepreneurship, and it allows further distinction between independent and corporate entrepreneurship to be made.

According to Collins and Morre (1970), within the domain of entrepreneurship, entrepreneurial activities are undertaken differently, and those undertaken within the context of an organization are differentiated as "independent entrepreneurship" and "corporate entrepreneurship".

> Independent entrepreneurship is the process whereby an individual or group of individuals, acting independently or any association with an existing organization, creates a new organization.

And,

> Corporate entrepreneurship is the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation with that organization. (Sharma & Chrisman, 1999, p. 18)

Corporate venturing is usually discussed in the context of corporate entrepreneurship. Within the boundary of an existing organization, corporate entrepreneurship encompasses three types of phenomena: (1) the birth of new business within an existing corporation; (2) the transformation of existing organizations through the renewal of the key ideas on which they are built; and (3) innovation. The first type of phenomenon has been often referred to as corporate venturing (Zajac, Golden, & Shortell, 1991), while the second type has been called strategic renewal (Guth & Ginsberg, 1990). Both strategic renewal and corporate venturing suggest changes in either the strategy or structure of an existing corporation, which may involve innovation. So, in this study,

> Strategic renewal refers to the corporate entrepreneurial efforts that result in significant changes to an organization's business or corporate level strategy or structure. These changes alter pre-existing relationships within the organization or between the organization and its external environment and in most cases will involve some sort of innovation. Renewal activities reside within an existing organization are not treated as new businesses by the organization.

And,

> Corporate venturing refers to corporate entrepreneurial efforts that lead to the creation of new business within the corporate organization. They may follow from or lead to innovations that exploit new markets or new product offerings. These venturing efforts may or may not lead to the formation of new organizational units that are distinct from existing organizational units in a structural sense (e.g. new division). (Sharma & Chrisman, 1999, p. 19)

Therefore, corporate entrepreneurship, or more specifically, corporate venturing is the theme of study in this book. Among corporate entrepreneurial activities, the major difference between corporate venturing and strategic renewal is that corporate venturing involves the creation of new businesses whereas strategic renewal only leads to the reconfiguration of existing business within a corporate setting. Thus, corporate venturing is usually radical innovations that gear to developing new *product-market* frameworks, and the strategic renewal is the incremental business development that is mostly conducted inside the existing *product-market* frameworks.

The rationales to separate corporate venturing and strategic renewal are that venturing involves the creation of new business, whereas both strategic renewal and innovation are ongoing entrepreneurial activities in an organization. Here the distinction between them does not mean the exclusion of the content of strategic renewal and innovation—actually, they are vital elements of corporate entrepreneurship—the purpose of separation is to facilitate the following study of corporate entrepreneurial activities from the organizational perspective, as only corporate venturing involves the creation of new businesses.

In an organizational structural perspective, corporate venturing may or may not lead to the formation of organizations that are distinct from the existing entities; and furthermore, corporate ventures may or may not reside within the domain of the existing organizational boundaries (von Hippel, 1973). Thus, corporate venturing is further classified as external and internal venturing.

> *Internal corporate venturing refers to the corporate venturing activities that result in the creation of organizational entities that reside within an existing organizational domain. (p. 20)*

And,

> *External corporate venturing refers to corporate venturing activities that result in the creation of semi-autonomous or autonomous organizational entities that reside outside the existing organizational domain. (p. 19)*

Within the internal and external corporate venturing, there are also distinct modes to organize venturing activities. These different venturing organizational modes will be further illustrated in Sect. 3.4.

3.3 Incentives for Corporate Entrepreneurship and Venturing

Firms that are considering developing new business through corporate entrepreneurial activities are usually faced with decision challenges such as why to start a new business and how to start it. *Why do firms engage in corporate entrepreneurship?* This is among the first questions firms need to answer. Previous studies indicate that there are generally two types of venturing incentives: direct incentives and indirect incentives (cf. Ellis & Taylor, 1987; Guth & Ginsberg, 1990; Jolly & Kayama, 1990). The direct incentives are mainly linked with firm's expectation for economic profits, and indirect incentives are mostly concerned with rents for firm to develop competencies, innovation, learning, and to pursue technological and strategic success. The direct incentives include growth and profitability through new business creation; and the indirect incentives include development of new competencies and technologies, promotion of an innovative corporate culture, learning through exploration, etc (Backholm, 1999).

The direct incentives are clearly market-oriented economic goals, requiring return on investment. For instance, Kanter, Noth, Bernestein, and Williamson (1990) suggested that the direct incentive to the creation of new sources is to generate revenue regardless of the impact on the mainstream organization. Other researchers pointed out that the direct incentives are connected with growth aspirations, which could be achieved through diversifications (Ansoff, 1965; Rumelt, 1974). Particularly if corporations face slowing or lacking growth in their business, diversification through corporate entrepreneurial activities will be moved to the agenda of corporate management (Fast, 1977).

The indirect incentives are more potential value creation driven, and they aim to build new competencies for the firm, or to fully exploit existing competences for possible future rents. Although the existing capabilities provide the basis for a firm's current competitive position, without changes, these same capabilities may become rigidities constraining the firm's future ability to compete (Leonard-Barton, 1992). So, many firms conduct corporate entrepreneurial activities in order to generate new competences (Kanter et al., 1991). Penrose (1959) pointed out the importance of resources of the firm. And, one of the core normative conclusions of the resource-based and competence-based literature is that corporate strategy should be guided by the attempt to utilize the corporation's distinctive resources and core competencies. Thus, in this way, corporate entrepreneurship can be viewed as an attempt to leverage existing competencies in new markets.

The other prominent indirect incentive of corporate entrepreneurship is the adaptation to the environment through innovation and learning. Established organizations usually experience considerable difficulty in trying to respond quickly and effectively to changes in markets and technology (Hannan & Freeman, 1977; Romanelli, 1987; Utterback, 1994). One reason for this difficulty is to adopt inertia within firms. Particularly in successful firms, behaviour and perception become institutionalized and form a barrier to change. In addition, large firms have often been characterized as less innovative and entrepreneurial than small firms (Utterback, 1994). Excessive hierarchy, bureaucratic decision-making, and incentive inducing risk-averse behaviour have been among the factors frequently cited as reasons (Kanter, 1983; Quinn, 1985). Thus, firms conduct corporate entrepreneurial activities to introduce innovation and to renew companies for environmental changes (Keil, 2002).

In summary, firms engage in corporate entrepreneurship because of various incentives. These incentives can be generally categorized into two types: direct and indirect, according to whether they are driven by market-oriented economic goals or potential value creation objectives. Each type of incentive is associated with respective expectations (see from Table 3.1). Understanding the venturing incentives is a crucial starting point to further investigate venturing activities.

Table 3.1 Incentives for venturing

	Direct	Indirect
Incentives	New business revenue,	Development of new resources and competencies,
	Growth and profitability through new ventures	Promotion of innovation,
		Learning,
		Adaptation to the new environment
Expectations	Market growth,	Rents to develop competencies,
	Cost minimization,	Innovation,
	Economic profits	Learning,
		Technological and strategic success

3.4 Venturing Organizational Decisions

Another fundamental concern of corporate entrepreneurship is how to use organization to support the creation and development of new ventures (Gartner, 1985; Venkataraman & MacMillan, 1997). As introduced in Sect. 3.2, corporate entrepreneurial activities can be generally divided into two types: internal venturing and external venturing, both the internal and external venturing can be further divided into several alternative modes. The following sections will review studies conducted on the issues of venturing organizational mode and present a typology of venturing mode.

3.4.1 Studies Conducted on Venturing Organizational Decisions

In 1984, Burgelman (1984b) conducted one of the most famous studies on internal corporate venturing. He proposed that internal new business activities can range from direct integration into mainstream activities to dedicated new venture divisions. Between these two extremes, several intermediate design alternatives exist. New business activities can be linked to a staff department responsible for new business creation or they can be put into an independent business unit.

Tushman and O'Reilly (1997) stated that internal corporate venturing can be integrated into mainstream activities, which has the advantage of easier access to resources. However, in the case of discontinuous and disruptive innovations, having the new business linked with the mainstream activities may lead to resistance arising from the existing business departments, and it is also not easy to fit into the established management system. So, firms may shift to another organizational alternative—setting up a new venture division (NVD).

The NVD separates new businesses from the operating divisions, and at the same time, the venture is maintained within the boundaries of the corporation, which ensures maximum control. Nevertheless, problems also exist in the NVD design. The main challenges include creating the necessary links with operating division that controls critical resources. In view of these, Sykes (1993) proposed a construction halfway between a venturing division and venturing within mainstream business divisions. He suggested the creation of corporate business research and development functions. The activities of this function include venturing version statement drafting, sponsorship of mission-oriented technical research, technical research liaison, etc. Moreover, this department can also pursue business development activities, such as new business planning, new division or product line formation, technology acquisition, etc.

To further expand search space for opportunities and to form new frameworks that are better geared toward the changing environment, many firms move to conduct external corporate venturing. Keil (2002) conducted a comprehensive study on external corporate venturing. He proposed that external corporate venturing can be classified into three groups. The first group resembles the operating of traditional venture capital firms. In this group of venturing activities, investment is the essential mechanism through which a relationship with an independent venture is formed. Venturing alliances constitute the second group. They include direct minority investment, non-equity alliances, and joint ventures. In contrast to corporate venture capital, in this group the relationship with the venture is built on intense cooperation rather than on investment. The third group is referred to as transformational arrangements, which include, for example, M&A and spin-offs. Therein, the spin-offs are transforming to a totally external venturing, while the M&A transforming to be internalized, thus ultimately, M&A can be categorized into internal venturing.

3.4.2 Studies Comparing Different Venturing Organizational Modes

To help firms to decide the organizational structure for venturing activities, several studies have attempted to compare different venturing organizational modes. Of these, three are seminal, conducted by Burgelman (1984a), Roberts and Berry (1985), and Venkataraman and MacMillan (1997) respectively.

Burgelman stated that the strategic importance of a venture determines the need for control over it. The more important a venture, the more important are direct hierarchical governance mechanisms. Operational relatedness determines to what extent the venture should be operationally coupled with existing business. Burgelman's framework is normative in nature and is more focused on internal venturing. External venturing, such as spinning ventures off or developing ventures through alliances and venture capital, is not the focus in Burgelman's work.

As a complementary, Roberts and Berry (1985) proposed a later normative framework that is more focused on the external venturing. In this framework, they made no distinction between different modes of internal venturing, but they heavily addressed the different modes of external venturing. Roberts and Berry argued that the newness of market and technology, as well as the familiarity of the firm with them, are the main criteria that should drive the decision concerning which organizational mode to use to enter into a new business. They hence developed a three-by-three matrix that maps optimal venturing structure.

Both Burgelman and Roberts' works are normative in nature. Their studies are grounded in rich empirical work, but both frameworks lack the link to theories that may help to explain organizational choices. Opposite to these, a third framework proposed by Venkataraman and MacMillan (1997) relied largely on theories.

Venkataraman and MacMillan conceptualized the choice of the organizational mode for new business development in a theoretical approach. Their theoretical framework draws from a variety body of literature and three important variables are derived from the theories they applied:

- The level of uncertainty surrounding the new business development;
- Metering problems surrounding the efforts and performance of key resource exchangers or principals and agents involved in the development of the business opportunity, and
- The level of insulation (or vulnerability to leakage) surrounding core technologies or capabilities of the focal entrepreneur or firm.

Venkataraman and MacMillan (1997) argued that the combination of these variables determines the optimal mode of business development. Their framework is clearly integrated into theories of governance choice, and their hypotheses in selecting the possible organizational modes have shed some lights on theoretically understanding the organizational choice for venturing. However, their framework is criticized as difficult to operationalize and having no empirical evidences. Therefore, the goal ahead is to develop a dynamic framework that integrates systemic theories and links robust empirical investigations. To achieve such a goal, a first task is to identify a typology of variable venturing organizational modes.

3.4.3 A Typology of Venturing Organizational Modes

Based on previous studies, a total of six types of venturing organizational modes can be identified: (1) direct integration, (2) intermediate designs, (3) new venture division, (4) M&As, (5) venturing alliances, and (6) venture spin-offs. Therein, direct integration refers to venturing activities that are closely integrated into the mainstream activities; new venture division refers to the establishment of a dedicated department within the organization devoted to new business activities; and, intermediate designs include activities residing between direct integration and new venture division.

The acquisitions can refer to a relationship that includes the transfer of the majority voting power between existing legal bodies (Lindholm, 1994; Keil & Laamanen, 1995). Some studies subsume acquisitions under alliances (Borys & Jemison,

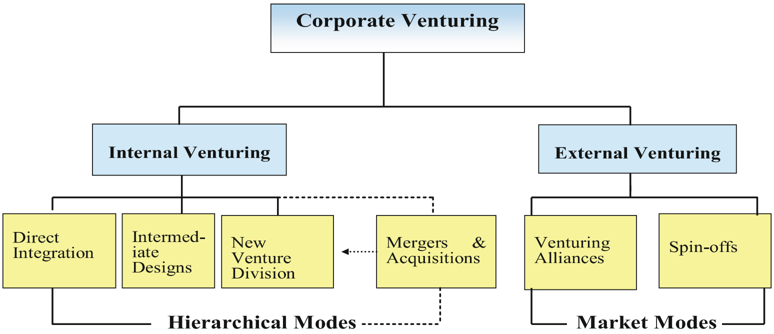

Fig. 3.2 A typology of venturing organizational modes

1989). Though acquisitions involve a close association between two parties, they do not necessarily involve a common objective; rather, they may be mainly driven by the objectives of one party. Here, the M&As are defined differently from alliances, they mainly refer to those with majority acquisition stakes. So, they are business activities transforming towards internal organization.

Venturing alliances can be classified into equity and non-equity alliances (Gulati, 1995; Pisano, 1989, 1990). Equity-based alliances can be further classified into equity joint ventures or minority direct investments. Equity joint ventures involve the creation of a new, independent, but jointly owned entity. Minority direct investments involve one company taking a minority equity position in another. Non-equity alliances need to be distinguished from other forms of cooperation between firms (Camagni, 1991; DeBresson & Amesse, 1991), they have informal forms of cooperation. In this study, the informal collaboration is not the focus; rather, the alliances here are at least based on an explicit contract. From the organizational mode perspective, the venture alliances and venture spin-offs, that refer to those new venturing that completely diverge from the current business, are all forms that reside partially or totally outside the parent's organizational boundary (see from Fig. 3.2).

These six venturing organizational modes differ from each other with the operational relatedness between venturing activities and existing business; while the operational relatedness is defined as to which extent the new business is related to the existing business in organizational, technological, human resource and financial dimensions. Among the six modes of corporate venturing, the first four can be categorized as internal venturing that has comparatively strong operational relatedness with the existing business. The venturing activities are organized/transforming internally, or in other words, they are venturing conducted in an organizational hierarchy; whilst the last two are external venturing types that have weaker operational relatedness with the existing business. The venturing activities are conducted externally, or in other words, they are venturing organized through a market scheme. Therefore, in general, the internal venturing organizational modes that include the direct integration, intermediate designs, the new venture division and M&As (basically with the majority acquisition stakes) are referred to as the *Hierarchical* modes;

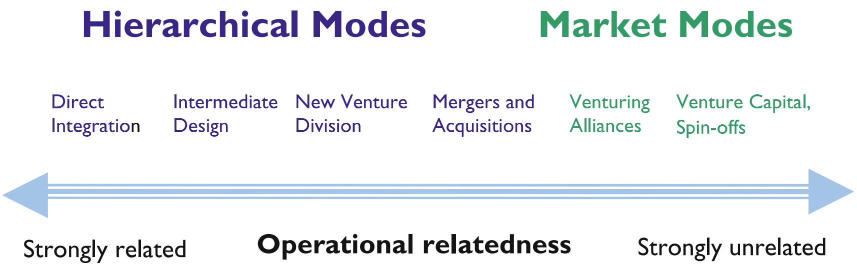

Fig. 3.3 The operational relatedness of different venturing organizational modes

while the external modes that include venture alliances such as equity and contractual-based non-equity joint ventures and spin-offs are referred to as the *Market* oriented modes in this study (see from Fig. 3.3).

The term hierarchical modes vs market modes of relations come from the IO literature (e.g. Williamson, 1985, 1991). They are important to the organizational choice for venturing. They are discrete structural alternatives for transaction. Each of these structural alternatives employs different means to regulate exchanges and is characterized by trade-offs in the form of incentives and controls (Williamson, 1991). The hierarchy-market concept is a continuum, as one moves closer to market, less investment, control, etc., is needed; alternatively, as one moves closer to hierarchy, more control, investment, etc., is needed.

To distinguish between the hierarchical venturing organizational modes and market venturing organizational modes is important as the decisions on organizational structural options, to a great extent, are decisions between hierarchical schemes and market schemes. Firms differ in how to select different modes for venturing. Some firms are clearly focused on market venturing modes and develop a rich spectrum of organizational arrangements, while others focus more on hierarchical venturing modes and only use relationships to support internal business creation. Therefore, the challenge is to make appropriate decisions in selecting the potentially suitable modes for venturing activities. To tackle such a challenge, a well developed theoretical framework is needed.

3.5 Economics and Resource Perspectives

There are several different theoretical approaches to explain the choice of a particular venturing organizational mode. For example, the efficiency-based Industrial Organizational Theories (IO), such as Transaction Cost Theory and Agency Theory, the appropriability-based theories, such as the Resource-base theory, and some theories of strategic choice, such as the competitive positioning theory.

The IO approach developed from the structure-conduct-performance (SCP) paradigm proposed by Bain (1968) for explaining industry structure and behavior, competition, etc. It was later popularized with a strategic flavor by Porter (1985). IO has become much broader in recent decades because of the inclusion of more modern approaches such as transaction costs and agency theory. According to the IO theories, the choice of a mode of organization to carry out any economic activity is a function of the transaction costs and agency costs in carrying out that activity. Thus, if the entrepreneurs or firms do not own or control all the resources necessary to pursue an opportunity, they must deal with other resource controllers in order to have access to all required resources. The pursuit of opportunities can be organized in any of several alternative ways, if other things are equal, the firm will choose the mode that minimizes the transaction costs in the process of pursuing the opportunities.

From a resource-based perspective corporate entrepreneurship is a vital way to develop, leverage and combine resources for competitive purposes (Folyd & Wooldridge, 1999). For instance, in the creation of new products. These new combinations or innovations may boost a firm's competitive position and consequently have a positive impact on its growth and performance. Firms benefit from corporate entrepreneurial activities in particular because of its potential to develop new knowledge, which may be a continuous source of innovations (Zahra, Nielsen, & Bogner, 1999). The role of corporate entrepreneurship in the growth, use and combination of knowledge resources makes it a key knowledge enabler (Von Krogh, Ichijo, & Nonaka, 2000).

The competitive positioning theory seeks to maximize market power. The central argument is that the choice of organizational mode is a function of the trade-off between the speed and cost of entry into a market. Those modes that optimize this trade-off in the process of creating a new business will be preferred (Venkataraman & Macmillan, 2000).

Although alternative theories exist for the study of organizational mode, the author has chosen to particularly focus on the IO and RBV perspectives, based on the following reasons:

Firstly, these two perspectives have been both individually and collectively applied by many scholars for the study of organizational structural issues (e.g. Combs & Ketchen, 1999; Foss & Foss, 2000, 2004; Hitt & Ireland, 2000; Kay, 2000; Madhok, 2000; Venkataraman & MacMillan, 1997). Therefore, it is theoretically abundant for research on the current issues.

Secondly, these two perspectives individually explain venturing but in different ways that appear to conflict. Thus, it is an interesting issue to look at the apparent conflict in the IO and RBV approaches to venturing, to determine the nature of the conflicts, and to seek whether they really conflict, and how they can be reconciled.

Thirdly, these two theories fall into the field of strategic management and classic economics, which well fit my research interests. The following will introduce in detail how these two perspectives explain the organizational choice, and how they conflict with each other.

3.5.1 The Economics Perspective

The economics perspective applies economic reasoning to explain how business activities are organized. Central to such approaches are two Industrial Organizational (IO) theories: Transaction Cost Economics (TCE) and Agency Theory (AT). A major concern of economic approaches to organization is to identify actions that minimize the costs of governance and maximize performance in cost extension (Combs & Ketchen, 1999). It is proposed that economic activities can be organized in alternative ways, e.g. hierarchy, market and hybrid (Williamson, 1996) and that self-interest, divergent goals and imperfect information characterize this process of organizing (Williamson, 1994).

TCE developed from Ronald Coase's classic work *The Nature of the Firm* (1937). Rather than describing the firm in technological terms as production function, Coase viewed the firm and market as alternative modes of governance, the choice between which was basically decided by transaction cost differences. Transaction costs identified by Coase include, for example, the costs of search for information, costs of bargaining and decision and costs of policing enforcement. Coase contended that without taking into account transaction costs it is impossible to understand properly the working of the economic system (1937).

In 1969, the concept of transaction costs was observed by Kenneth Arrow, who held that "the market failure is not absolute, so it is better to consider in a broader category, that of transaction costs, which in general impede and in particular cases block the formation of markets" (1969, p. 49). Arrow broadened the definition of the transaction cost as the "cost of running the economic system" (1969, p. 48). Later on, the contractual issues concerning the governance were put forward by Armen Alchian and Harold Demsetz (1972). They proposed that technological nonseparabilities were the key factor in supplanting market by internal organization. In the 1970s, Williamson made a significant move to operationalize the transaction costs reasoning, and since then, the transaction costs paradigm has progressed from informal to formal modes of analysis (Williamson, 1999).

In basic terms, the transaction cost theory rests on two key assumptions: opportunism and bounded rationality (Williamson, 1991). The former is interpreted as self-interest seeking with guile, while the latter implies that behaviour is 'intendedly rational, but only limitedly so' (Williamson, 1991; Simon, 1957). All complex contracts concerning transactions are unavoidably incomplete because of bounded rationality and hence are subject to hazards of opportunism. An appropriate governance structure would economize on bounded rationality and safeguard transactions against opportunitistic behaviour. Thus, from the TCE perspective, the primary objective of a firm is to economize and reduce transaction costs through choosing appropriate governance structures for handling its transactions.

The second theory that sheds light on organisational venturing decisions is the positive Agency Theory. AT seeks to identify real world governance problems and to understand the mechanisms firms use to solve them (Eisenhardt, 1989; Mahoney, 1992). AT focuses on exchanges wherein one party, the principal, delegates responsibility to another, the agent. It views the economic activity as a function of the monitoring costs involved in the particular mode to carry out that activity. The monitoring costs will rise if the pursuit of a business opportunity involves a division of labor with some individuals being principal and others acting as the agents of these principals. As long as the interests of the principals and agents are in conflict, they will influence the level of monitoring costs (Jensen & Meckling, 1976). So, the key factor in organizing economic activities, according to AT, is to minimize monitoring costs, and in turn, reduce agency costs and improve performance.

Both the TCE and AT seek to maximise performance by minimising costs, and they are widely cited in organizational studies. These two theories build the core of a theoretical foundation that examines the organizational activities in the economics perspective.

The above discussed economics perspective has grown to be a major lens through which firm's decisions on how economic activity is organized can be explained. However, despite of its explanatory power on the economic activities, the TCA and AT have also received a lot of criticism. Central to these critics is that it overemphasizes the cost minimization and neglects the value creation. For example, Madhok (1996) argued that the notion of the firm as a bundle of transactions or contracts is an inadequate basis for a theory of the firm since it basically ignores the essential notion of the firm as a bundle of knowledge, and the underlying processes therein. In addition, critics also pointed out that the economics perspective assigns a minor role to the entrepreneur while viewing the firm as a mechanism for internalizing market transactions. The stress on cost minimization implies that "economizing is more fundamental than strategizing—or put differently, that economy is the best strategy" (Williamson, 1991, p. 76). This argument (Williamson, 1991) deviates a great deal from the normal conception of an entrepreneur who innovates and creates wealth through doing something new and different (Carland, Hoy, Boulton, & Carland, 1984).

In contrast to the economics perspective, a resource perspective—which in essence, views the firm as a bundle of resources, competences and capabilities lined together through firm—complements the above mentioned weaknesses, e.g. it overemphasizes the cost minimization and neglects the other kinds of value creation.

3.5.2 The Resource-Based Perspective

The resource-based perspective also has distinguished antecedents. Much of the work of the resource perspective draws inspiration from Edith Penrose's influential book: *The Theory of the Growth of the Firm* (1959) and Joseph Schumpeter's earlier work: *Capitalism, Socialism, and Democracy* (1942). In 1963, Richard Cyert and James March initiated a 'realism in process' approach to the study of organization in their book: *A Behavioural Theory of the Firm,* which suggested that the firm's behaviour is the weighted outcome of individual conflicts, and organizational mechanisms exist to maintain conflict at levels that are not unacceptably detrimental.

This theme was echoed by Richard Nelson and Sideny Winter in their book: *An Evolutionary Theory of Economic Change* (1982). In recent decades, a lot of scholars have devoted tremendous efforts to study the resource perspective of the organization (cf. Barney, 1986, 1988, 1991; Barney & Ouchi, 1986; Wenerfelt, 1984).

A significant contribution of the resource perspective of organizational study is its emphasis on resources, competences, capabilities and processes, and the core theory representing the resource perspective is the resource-based view (RBV) (cf. Barney, 1991; Peteraf, 1993). The RBV suggests that the firm is best viewed as a collection of sticky and imperfectly imitable resources or capabilities that enable it to successfully compete against other firms (Barney, 1986; Wenerfelt, 1984).

What constitutes a 'resource'? Barney (1991, p. 101) referred to the resource "include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc; controlled by a firm that enable the firm to conceive of all implement strategies that improve its efficiency and effectiveness." To build the competitive advantages, a resource must be "valuable, rare, imperfectly imitable and substitutable." To be valuable, a resource must enable a firm to employ a value-creating strategy, by either outperforming its competitors or reducing its own weaknesses (Amit & Schoemaker, 1993; Barney, 1986, 1991).

To be rare, a resource must be by definition rare. To be imperfectly imitable, the resource needs to be controlled by only one firm, and it is the source of the competitive advantage (Barney, 1991). This advantage could be sustainable if competitors are not able to duplicate this strategic asset perfectly (Barney, 1986; Peteraf, 1993).

Even if a resource is rare, potentially value-creating and imperfectly imitable, an equally important aspect is non-substitutability (Barney, 1991; Dierickx & Cool, 1989). If competitors are able to replace the firm's value-creating resource with a substitute, prices will be declined down to the point that the price becomes almost the same as the discounted future rents (Barney, 1991; Conner, 1991).

The resources can be physical, such as unique equipment or innovations protected by patents, or intangible, such as brand equity or operating routines. A firm that has developed advantageous resources are specific to applications; and at the same time, this specificity constrains the firm's ability to transfer these resources to new applications (Silverman, 1999). In addition to the term 'resource', researchers from the resource perspective have also been trying to explain firm behaviour and competitiveness in terms and concepts such as capability (Collis, 1996), competence (Sanchez & Howard, 1996), and knowledge (Choi & Lee, 1997).

A subsequent distinction made by Amit and Schoemaker (1993) is that the encompassing construct previously called resources can be split up into resources and capabilities. In this respect resources are tradable and non-specific to the firm, while capabilities are firm-specific and used to utilize the resources within the firm, such as implicit processes to transfer knowledge within the firm (Hoopes, Madsen, & Walker, 2003; Makadok, 2001). This distinction has been widely adopted throughout the resource-based view literature (Barney, Wright, & Ketchen, 2001; Conner & Prahalad, 1996; Makadok, 2001).

Every stream of research has strengths and weaknesses. The RBV is not an exception. One of the major concerns is its obscure and often tautological definitions of key terms. Theorists have used concepts such as resources, assets in a rather liberal manner and even different meanings are attached to the same concept. This terminological ambiguity makes the RBV far from a coherent perspective. In addition, the RBV is criticised by leaving undisturbed the "black box of process" (Johnson, Melin, & Richard Whittington, 2003; Priem & Butler, 2001), and its difficulties of operationalization (Williamson, 1999). Nevertheless, to be sure, "the early versions of most new paradigms are crude" (Kuhn, 1970, p. 77), and the RBV will be developed into a more mature research framework through continuous efforts from the researchers in the field. So this study will employ the RBV as one of the central theories, but the RBV will be viewed in the light of its potential weaknesses.

3.5.3 Relations Between the Economics and Resource Perspectives

There are different views on the relationship between the economics and resource perspectives. The independent view perceives that the IO and the RBV are independent from each other. The RBV places emphasis on identifying which resources require enhancements, while the IO focuses on how to manage these resources once identified (Wernerfelt, 1989). Also, the IO adopts an economizing approach to assessing comparative economic organization; while the RBV is more concerned with value creation and pays more attention to the resources, capabilities and processes. Thus, they have different assumptions over the organization, and the theories and assumptions need to be used independently.

A second view is that the IO and RBV are complementary, each offering unique insights that generally point mangers in similar directions. This complementary view is partially grounded in the recognition that specific assets in IO share an important quality with strategic resources in RBV—both are difficult to trade or imitate (Chi, 1994; Peteraf, 1993). This commonality explains why high performance among firms with certain diversification postures can be explained as a product of efficient organizational governance or the exploitation of strategic resources in new markets (Chatterjee & Wernerfelt, 1991; Markides & Williamson, 1996). The complementary view is also reflected in some scholars' (cf. Gray & Wood, 1991) suggestions that neither resource nor economics-based perspectives adequately explains collaboration but rather that both perspectives are needed.

In addition, some scholars also view the two theoretical approaches as conflicting with one another, the relation between the IO and RBV can be conflictive. For example, Conner and Prahalad (1996) suggested that, from the RBV, housing an activity within an organization's hierarchy may be preferred over market options even when managers confront no fear of opportunism, which is the driving force toward ownership under the IO. Combs and Ketchen (1999) added that the decision whether or not to engage in inter-firm relationship is one such instance where prescriptions from the IO and RBV can conflict. Specifically, managers are confronted with a dilemma when resource constraints point managers toward market option, whereas cooperation is not an efficient response from the economics perspective.

3.5.4 Reconciling the Economics and Resource Perspectives

3.5.4.1 A Current Trend to Reconcile the Economics and Resource Perspectives

In the field of strategic management, at least until the mid-1990s, many scholars believed that "within strategic management, transaction cost economics is the ground where economic thinking, strategy and organizational theory meet" (Rumelt, Schendel, & Teece, 1994, p. 28). In particular, Williamson's work was heavily cited and used by strategic management scholars. However, the situation changed during the 1990s, and transaction cost economics became increasingly subject to critical discussion (Foss & Foss, 2004). Many writers associated with the resource-based, capability and knowledge-based approaches explicitly used the critique of the IO as a starting point for developing their own approaches to the firm (e.g. Ghoshal & Moran, 1996; Kogut & Zahra, 1992).

Nevertheless, the IO theories, mainly the TCA and AT as mentioned earlier are fundamentally important to strategy research in general, and to the RBV in particular, as there are a number of weaknesses in the present version of the RBV that may be ascribed to insufficiently taking account of transaction costs. For example, as partially stated previously, the RBV neglects the "black box" of value creation process, and also the incentives for creating value are not fully captured, thus it is not possible to understand the inherent efficiencies of the resources that firms control (Foss & Foss, 2004; Teece, 1982; Williamson, 1996). Whilst, the IO has the potential to remedy these weaknesses as the IO reasoning applies economic rationalities to explain the interaction between value creation and value appropriation of firm resources (Foss & Foss, 2004). Therefore, reconciling the IO with the RBV can add new insights into the analysis of firm resources, and the IO research needs to be an integral part of strategic management (Coase, 1992).

As a result, recent research has shown an increasing trend to reconcile the economics and resource approaches. For instance, Williamson (2000) observed that the resource perspective contains many 'good ideas', and in some respects it complements the economics perspective. In terms of actually proposing theories on the basis of both perspectives, Madhok (2000)—who had hitherto been a vocal critic of transaction cost economics (c.f. Madhok, 1996)—now suggests an integrative framework for analyzing inter-firm relations that draws on ideas of both economics and resource perspectives.

3.5.4.2 Research That Reconciles the Economics and Resource Perspectives

There have been some studies that made efforts to seek for a way to reconcile the IO and the RBV. For example, Foss and Mahnke (2000) suggested that the notion of property rights over resources can be a way to reconcile the RBV and the IO. Property rights over resources consist of the rights to consume, obtain income from, and alienate these resources. They opined that resources are not given, but are outcomes of processes of economizing with transaction costs of property rights. Therefore, what are physically the same resources to different firms may economically be different resources, because the relevant firms are not equally capable of protecting the relevant attributes. Foss & Foss proposed that the IO and RBV should be integrated in order to achieve a better understanding of the property rights.

In another study, Combs and Ketchen (1999) proposed the reconciliation of the resource and economics perspectives too. They examined 94 publicly held restaurant chains, and found that firms do not simply respond to the logic of only the RBV or IO, but rather react to contingencies identified by both. But they also draw that firms place resource-based concerns in front of considerations from organizational economics when deciding whether or not to engage in inter-firm cooperation; because firms in need of certain resources will have to use inter-firm cooperation even when cooperation is not prudent from an IO perspective.

In addition to that, Barney and Lee (2000), Kay (2000), and Pfaffmann (2000) all applied ideas from the resource as well as the economics perspective in the development of their own distinctive arguments.

However, despite such research efforts, the gap of knowledge is still evident. Firstly, as indicated by Foss and Foss (2004), current work only concentrates on sketching, not actually fleshing out the RBV-IO synthesis. Therefore there is demand to further the theoretical development on how to reconcile the two perspectives. Studies should be carried out with an integrated theoretical framework, and the empirical reality needs to be investigated while firms are actually making choices.

Secondly, in some circumstances, the IO and RBV generate complementary implications for firms, so the option a firm should choose is unambiguous. Yet, in other settings, the two theories may have contradicting implications, as hold by those scholars who opined that the two perspectives are conflictive. There is no research or no sufficient research that explicitly explains how firms should resolve conflicts among different decision criteria in making organizational choice. Nevertheless, the most important conditions under which to study organizational choice are conditions where these different theories conflict. So, there is a demand to develop a reconciled way and to make constructive use of both perspectives, and to answer the question of how firms can react under contradictions.

3.5.4.3 A New Contention Proposed in This Book

A new contention from this book to the relationship between the resource and economics perspective is that both the IO and RBV can be used as complementary as each provides insights into different perspectives. In the specific issue of new business venturing, the IO may give considerations on the cost aspect, while the RBV complements by looking at the valuable resources creating benefits of a transaction. So, both the perspectives are needed in an effort to understand complex phenomena of venturing.

However, in some circumstances, there will be a tension posed between the economics and resource perspectives, and predictions given by the IO and RBV will diverge. In such cases, the researcher proposes that the appropriate organizational choice may depend on the incentives and purpose of the specific venturing activity, because the incentives of economic activities play a decisive role in organizational decisions (Bazerman, 1999; Clark & Wilson, 1961; Shapira, 2002).

For corporate entrepreneurship and venturing, there are direct incentives and indirect incentives. As presented previously, the direct incentives include new business revenue, growth and profitability through new venture. The purposes associated with such incentives are to achieve market growth, cost minimization and profit maximization. The indirect incentives include the development of new resources and competencies, promotion of innovation, learning, etc.; and the associated purposes are to strive for rents to develop competencies, innovation, learning, and technological and strategic success.

Usually, the direct and indirect incentives coexist, driving the new business venturing activities ahead. Though in some circumstances, either the direct incentives or the indirect incentives will be the major one at a specific time in the process of new business venturing. Therefore, the researcher proposes that for the new business venturing, if the venturing initiative is primarily driven by the direct incentives of cost minimization and profit maximization, the IO will have stronger predicting power; or in contrast, if the venturing initiative is basically motivated by the indirect incentives of resource and competence development, the RBV may win over the IO in making the venturing decisions.

In sum, the author of this book holds that integration and reconciliation between the resource and economics perspective are needed to the study of new business venturing. A more comprehensive and coherent understanding of venturing start-up decisions needs to be built by integrating both the economics and resource perspectives. When the two theories have conflictive predictions, contingency reasoning is required to reconcile the two theories—depending on whether the incentives of venturing are mainly costs- and profits-driven or resource- and competence development-oriented, the IO and RBV may have different predicting powers.

3.6 Applying Theories to Understanding the New Media Business Venturing

This section will apply the above stances to media corporate entrepreneurship and develop theoretical statements. Before the propositions are made, it is important to identify the industries under investigation. As stated by Amit and Schoemaker (1993), the strategic value of any factor can be industry-specific. Thus, the choice of which factors to investigate must be informed by knowledge about the industry (e.g. Ingham & Thompson, 1994).

The media industries are the focused population of this study. Given the variety of resource and economics variables that have been studied previously, any single investigation is unlikely to be exhaustive. Hence, the focus here is on several selected resource and economic conditions that are frequently cited as important both (1) within the RBV or the IO research, and (2) by research on media industries.

3.6.1 From the Economics Perspective

From an economics perspective, corporate entrepreneurship start-ups in media companies can be understood as economic functions to pursue profits and market power. The TCE argues that the choice of organizational mode to carry out any economic activity is a mechanism of the transaction costs in carrying out that activity. So, if firms do not own or control all of the resource necessary to pursue the opportunity, they must deal with other resource controllers in order to have access to all required resources. The pursuit of the opportunity can be organized in several alternative ways. The theory proposes that, if other things are equal, the firm will choose the alternative that can minimize transaction costs in dealing with all other resource controllers in the process of pursuing the opportunity (Williamson, 1985).

In general, transaction costs are the cost of contracting with other resource suppliers. For media firms, they include, for instance, writing, negotiating with the distribution parties, monitoring the media production, safeguarding, and enforcing contracts and settling disputes between different parties involved in the media value chain. For the new business venturing, the transaction costs are mainly influenced by the level of uncertainty involved in the development of the new business, and the specificity of the investments required to develop the new business opportunity (Venkataraman & MacMillan, 1997).

According to the TCE, if the level of uncertainty is high, a more hierarchical mode to organizing the venturing activity is preferred as it will minimize possible transaction costs and lower down the exist costs (Kogut, 1988; Hennart, 1988). Demsetz (1988) argues that though transaction cost is not eliminated by in-house production, due to the purchasing of inputs from other firms, it is assumed that the cost is still much smaller in magnitude, and can be ignored. So, the firm has lower management and production costs than other firms in the market. In such a circumstance, the internal development is preferred. If the level of uncertainty is relatively low, there is less threat of enormous increase of transaction costs. Firms will be more willing to venture for the new business opportunity externally. More market options, such as strategic alliances, are preferred.

For the specificity of investment, the higher the specificity of investments required, the greater the likelihood the internal development is preferred according to the transaction cost theory. The specificity of investment involves irreversible costs for specific business. If these irreversible costs are high, firms usually prefer to organize the new business activities inside their organizational boundaries. Alternatively, the lower the specificity of investment required, the higher the likelihood of the market options.

Similar to the TCE, the AT also regards firm as a production function to which profit maximization is ascribed. The agency theory proposes that the choice of mode of organization to carry out any economic activity is a function of the monitoring cost involved in the particular mode to carry out that activity (Pratt & Zechhauser, 1985). Monitoring costs will rise if the pursuit of a business opportunity involves a division of labor with some individuals being principals and others acting as the agents of these principals. As the interests of the principals and agents are in conflict, they will influence the level of agency costs (Jensen & Meckling, 1976).

In fact, all the new business activities involve principals and agents. According to Alchian and Demsetz (1972), team production uses several types of resources and the product is not the sum of separable outputs of each cooperating resource. New business divisions typically bring together people and institutions in joint-production situations, where people do not have a history or repeated transactions and lack knowledge about each other's preferences and motivations. So, investments must be made in monitoring and evaluating efforts and performance, as well as in establishing sanctions and incentives. Usually, in joint production the marginal contributions of the team members cannot be easily separated, and also, the efforts of the individuals involved directly in the outcomes of the joint effort are difficult to relate. So, the monitoring problem exists, the agency costs rise (Alchian & Demsetz, 1972).

The AT theory thus suggests that more hierarchical modes would be preferred when the effort is hard to observe and the dividing performance on the basis of individual effort is difficult. In such cases, internal development would be preferred to cooperative arrangements because such modes allow a more direct supervision and monitoring of agent activities. On the other hand, if the effort or performance contribution can be easily measured, the more likely the firm conducts venturing with the cooperative arrangements.

According to the above, the level of uncertainty, specificity of investment and level of agency costs are all associated with the choice of organizational mode. As these three factors: *level of uncertainty, specificity of investment and level of agency costs* are derived from the Industrial Organizational Theories—which in their nature, are economics factors—so, they are put together and labeled as 'factors that predict economics conditions' or in short '**economics conditions**', in order to achieve clarity and simplicity for understanding.

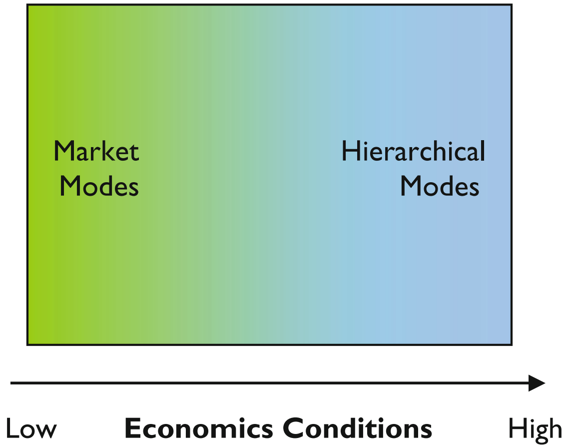

Fig. 3.4 Organizational modes according to the 'economics conditions'

Therefore, for the choice of organizational mode for venturing:

> *when the level of 'economics conditions' that include the level of uncertainty, specificity of investment and level of agency costs is high, it is more likely that hierarchical modes will be preferred by media companies to organize their venturing activities; otherwise, more market-oriented modes will be preferred* (see from Fig. 3.4).

While referring to a high or low level of 'economics conditions', it should be noted that this is relative to the size, as well as to the economic and financial conditions of a firm. Firms differ among their willingness to take high risks or to make high investments, constrained by different company realities. Some firms may be financially strong and have high tolerance for uncertainty; while others are relatively weak in their financial status. Thus, what is low for one company may well be high for the other. For instance, a high specific investment for a local newspaper company may be merely a low cost for a global media conglomerate. Therefore, it is important to note that here the high or low conditions are merely relative conditions—this explanation also applies to the following discussion from the resource perspective.

3.6.2 From the Resource Perspective

From the resource perspective, corporate entrepreneurship is closely linked with the value creation activities of the firm. According to the RBV, both transaction and management costs faced by a firm are dependent on the firm's resources and capabilities to utilize these resources. Some researchers (cf. McGrath, Venkataraman, & Macmillan, 1994) hold that corporate venturing is a mechanism through which resources that are currently under-utilized can be exploited or resources critical for future rents can be acquired. Thus, the resource acquisition, combination and utilization are important parameters to consider while the firm decides the boundaries to organize venturing activities.

The management team is strategically a central human resource (Castanias & Helfat, 1991). Zahra and Wiklund (2005) proposed that management entrepreneurial and functional characteristics have significant and positive influence on the innovative resource recombination, while resource recombination is vital for value creation (Schumpeter, 1934). Schumpeter argued that the economic development and wealthy creation are achieved by "the different employment of the economic system's existing supplies of productive means" (p. 68). In these situations, the ability of a firm to recombine resources is important for gaining a competitive advantage. Burgelman (1983a, 1983b) also suggested that resource combination is a principle means for rents capturing in corporate venturing. A substantive and desirable outcome of corporate venturing is to generate valuable new resource specific to firm through resource recombination.

Thus, the managerial capabilities in resource recombination are crucial factors to consider while making the venturing decisions. The higher the capabilities managers possess in resource recombination, the more likely the venturing activities are to be organized internally within the organization's boundary to protect the resources that are specific to the firm.

The new media business specific capabilities are also among the most important resources for the companies to consider. For media firms, specific capabilities include media production and distribution capabilities. Media production capabilities refer to a set of media content generation capabilities, including the capabilities of creating rights, buying/selling rights, packaging, and pricing media products and services, while the content generation is the heart of media business (Aris & Bughin, 2005). The distribution capabilities include media company's abilities to market, advertise and promote products and services. For information and entertainment business, these are the essential capabilities that may provide true value for the company (Picard, 2002). If firms possess these specific capabilities, they may have more advantages to venture in a timely manner and they may organize venturing activities internally, as the value sometimes would be destroyed under the market arrangements. Instead, if firms would not be capable of producing the input in-house at an acceptable level of quality and efficiency with current know-how, the constraint of capacity will drive them to the market options of venturing (Nooteboom, 1992).

According to the above, the level of managerial capabilities for resource recombination, the new media production capabilities and the new media distribution capabilities are all associated with the choice of organizational mode.

As the managerial capabilities for resource recombination, the new media production capabilities and new media distribution capabilities are factors derived from the resource-based theories, they are lumped together and referred to as the 'factors that predict resource conditions', or in short, '**resource conditions**' for simplicity and clarity.

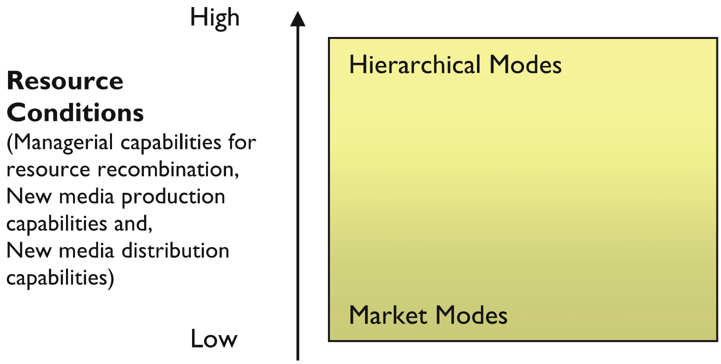

Fig. 3.5 Organizational modes according to the 'resource conditions'

Therefore, for the choice of organizational mode for venturing:

when the level of 'resource conditions' that include the managerial capabilities for resource recombination, new media production capabilities and new media distribution capabilities is high, it is more likely that the hierarchical modes will be preferred by media companies to organize their venturing activities, otherwise, the more market-oriented modes will be preferred (see from Fig. 3.5).

3.6.3 Divergent Directions and Contingent Explanations

So far, analyses have been made from the economics and resource perspectives. However, in some circumstances, explanations from these two perspectives may diverge, and it is possible that the IO and the RBV may point managers to different directions, as it is shown in Fig. 3.6 below.

In Fig. 3.6, when both the 'economics conditions' and 'resource conditions' are high or low (see from the Cell 2 and the Cell 3), the IO and the RBV suggest similar hierarchical modes or market-oriented modes. However, when the 'resource conditions' are high and 'economics conditions' are low (see from the Cell 1), the RBV suggests the hierarchical modes, whereas the IO suggests the opposite market modes. When the 'resource conditions' are low and 'economics conditions' are high (see from the Cell 4), the RBV suggests the market modes, whereas the IO suggests the opposite hierarchical modes.

Thus, which direction to follow and how to understand these contradictions are questions raised from the integration of the two theoretical perspectives. As previously stated, this researcher's proposition to such a contradiction is that venturing incentives may influence venturing decisions. If venturing activities are primarily motivated by the direct incentives that focus on market growth, profit and revenue increases etc., firms may follow the directions given by the IO; otherwise if the venturing activities are more motivated by the indirect incentive that mostly seek to develop competences, strengthen resources and to improve learning and

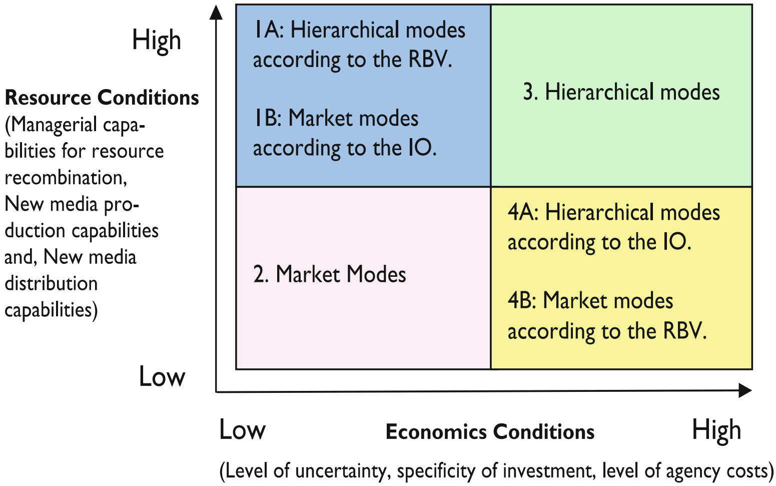

Fig. 3.6 Divergent directions

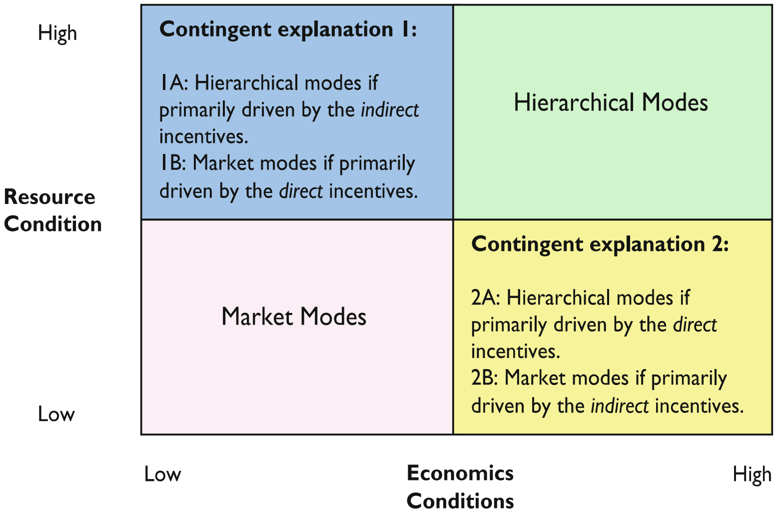

Fig. 3.7 Contingent explanations

technological progresses, firms may follow the directions given by the RBV, as illustrated in Fig. 3.7 below.

Therefore, for the organizational decisions for venturing:

> *when the level of 'resource conditions' is high and the level of 'economics conditions' is low, it is more likely that hierarchical modes will be preferred by media companies to organize their corporate venturing activities, if the venturing is primarily driven by the indirect incentives; otherwise, it is more likely that market modes will be preferred if the venturing is primarily driven by the direct incentives.* And,

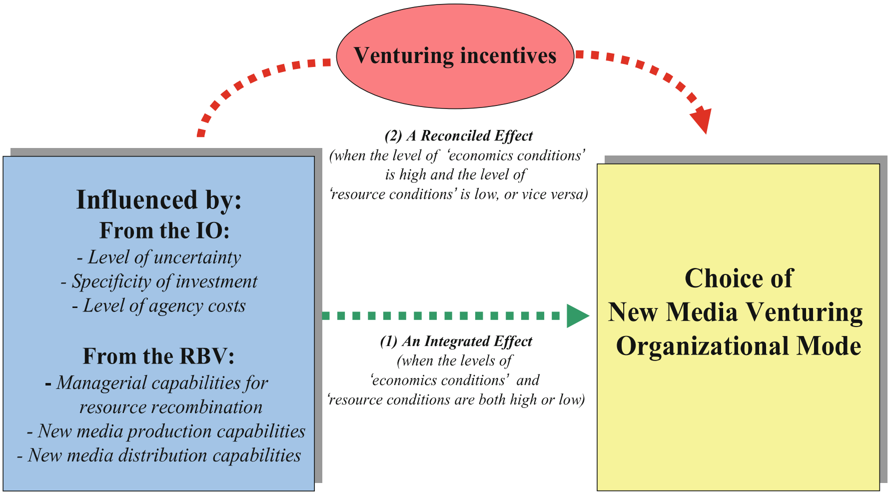

Fig. 3.8 The theoretical model

> *when the level of 'resource conditions' is low and the level of 'economics conditions' is high, it is more likely that hierarchical modes will be preferred by media companies to organize their corporate venturing activities, if the venturing is primarily driven by the direct incentives; otherwise, it is more likely market modes will be preferred if the venturing is primarily driven by the indirect incentives.*

A theoretical model is developed from the above statements. Therein, the choice of new business venturing organizational mode is influenced by the factors derived from both the IO and RBV theories (see from Fig. 3.8). In this Figure, the arrow (1) indicates *an integrated effect* between the IO and RBV predicted factors and the choice of venturing organizational mode. Because when the level of 'economics conditions' and the level of 'resource conditions' are both low or high, the IO and the RBV provide similar explanations, an integration of the two theories is needed for a better understanding of venturing.

Whilst the arrow (2) dictates *a reconciled effect* between the IO and RBV predicted factors and the choice of venturing organizational mode, and the venturing incentives are served as a contingent reasoning to explain this relation. As when either the level of 'economics conditions' is low and the level 'resource conditions' is high, or the level of 'economics conditions' is high and the level of 'economics conditions' is low, the IO and the RBV have conflictive explanations. In order to reconcile the two theories for a multi-perspective understanding, the venturing incentive is an important parameter to consider.

Part IV
Researching Media Corporate Entrepreneurship

Chapter 4
Case Study Strategy

This chapter contains an introduction to the research strategy that builds this study and discussion on the issues that frame the research process. As an essential method for social science inquiry, especially for the process and context of documenting and analyzing, a case study approach is chosen as the research strategy. The following chapter presents the rationales of the choice of research strategy, selection of cases, data collection and methods of data analysis, as well as some validity and reliability issues relating to the study.

4.1 Some Epistemological Stances

Research in social science nowadays is characterized by increasing complexity and plurality. A big variety of voices are raised concerning the ways and tools of doing research. To make one's work more communicable and understandable, it is necessary to have a clear-cut way of acquiring knowledge. Therefore, the epistemological stances that support the study is a crucial element to present.

Epistemology concerns assumptions about ways in which a researcher acquires knowledge (Denzin & Lincoln, 2003). As a social science researcher, the author holds that the understandings to the qualities of experiences and process are important, due to the dynamic and complex feature of the social phenomenon. The author believes that one must have a good and clear picture of the qualities of the world before one can attempt to explain it. And the author seeks to extend analysis of the qualities of the social to the way its processes enter into everyday life. Social processes are among the focuses of this study, because they constitute the very circumstance, contingencies and meanings of everyday life (Gubrium & Holstein, 1997).

Meanwhile, the context of the research subject also needs to be taken into consideration, in order to grasp the relations and interactions involved in the research issues. The phenomenon and context can not be distinguished from each other in

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M. Hang, *Media Corporate Entrepreneurship*, Media Business and Innovation,
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real-life situation, thus the contextual conditions are highly pertinent to the phenomenon of study.

These beliefs on qualities, process and context of study, however, do not lead me to claim a qualitative method of research. Rather, the author holds that research in social science would be reinforced by conducting research within the framework of the scientific method—to develop propositions, collect empirical data, and draw conclusions on such data (cf. Yin, 2003). By doing these, "the result of the empirical study is not claimed to be science but the emulation of the scientific method" (Yin, 2003, p. 163).

The author would argue that there is no contradiction between a process-focused and context-included approach and the scientific method of empirical study. Instead, techniques in data collection and data analysis may help to present the richness and complexity of the social phenomenon.

The pursuit for an understanding on process and context, together with the demand for scientific empirical data collection has led the author to choose case studies as a strategy for this book.

4.2 The Case Study as a Research Strategy

The case study is an empirical inquiry that "investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2003, p. 13). The choice of a case study strategy is made because the case study research emphasizes detailed contextual analysis of events or conditions and their relationship. It is a preferred research design when there is a need to cover contextual conditions.

In addition, case study approach is also preferred when "how" and "why" questions are being posed. According to Yin (2003), one of the most important conditions to differentiate among the various research methods is to identify the type of research questions being asked. The "how" and "why" questions are more explanatory in nature, and they deal with operational links that need to be traced in-depth and over time, rather than mere frequencies or incidences. Studies on these questions are thus more likely to favour the use of case studies as a research design. The research questions of this study are: "how do media firms organize their venturing activities" and "why do they choose a certain organizational form for venturing". These "why" and "how" questions suggest a case study approach, therefore, a case study design is selected.

Case study research, as defined by Yin (2003) and Eisenhardt (1989b) among others, has well-defined steps. It is important to note that a common misconception is that case studies are solely the result of ethnographies or of participant observation (Yin, 2003). Case study research is methodologically complex, both quantitative and qualitative methods may be combined, providing a multifaceted view of the phenomenon under study (Hollifield & Coffey, 2006).

Usually, the case study inquiry copes with the technically distinctive situation in which there are many more variables of interests than data points, thus case study research relies on multiple sources of evidence, covering participant observation, document analysis, survey, questionnaires, interviews, Delphi processes, and others. "The power of the case study research is the ability to use different methodologies within the data collection process and to compare within case and across cases for research validity. The case study research comprises an all-encompassing method, so in this sense, it is not either a data collection tactic or merely a design feature alone (Stoecker, 1991) but a comprehensive research strategy" (Yin, 2003, p. 14).

In view of the above, the author conducted case study to researching the current issues. This choice is made based on the power of the case study strategy to conduct context abundant research, the embedded richness of this strategy, as well as the nature of the research questions of the current study.

4.3 Research Techniques

"Every empirical study has an implicit, if not explicit, research design" (Yin, 2003, p. 19). Case study is known as a triangulated research strategy. Feagin, Orum and Sjoberg (1991) asserted that the triangulation of case study research can be realized when theories, investigations and data correspond to each other; and the validity of case study can benefit from the prior development of theoretical propositions or hypotheses, multi-perspective analysis from the investigators and multiple sources of data evidence.

Design of this case study also relies on these three triangulated factors: data are collected through multiple sources, the investigator applies different approaches in data analysis, and propositions and hypotheses are developed from theoretical frameworks.

The prior theory-based hypothesis or proposition development in case study research may conflict with some of the traditional approaches in doing case study—therein, a more inductive way of reasoning is adopted, and case study is applied to generate theories at the end of the study—however, more recent evidence indicates that case study design can be used not only for inductive research, but also as quazi-experiments in deductive theory testing. Therefore, theories serve to both generating and testing hypotheses and further explaining propositions in case studies (Flyvbjerg, 2006).

In accordance with this, theories will be used to generate and explain propositions in the next section, and during this process, two case research techniques: logic model and rival explanations will be applied.

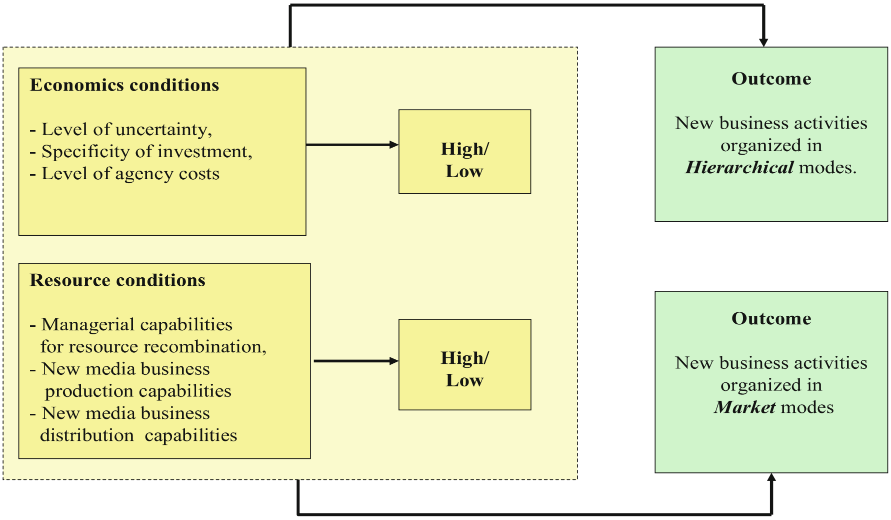

Fig. 4.1 The logic model

4.3.1 The Logic Model

The first technique is a logic model. Logic model presents the hypothesized sequences of activities and outcomes derived from the theoretical model. It is used to determine whether the actual sequence of events emulates the hypothesized one (Yin, 2003). The theoretical model presented in the previous chapter indicates a sequential flow of events starting from the differing 'economics and resource conditions' of companies to the choice of new media business organizational mode. Thus, two groups of factors, the IO-based factors: the level of uncertainty, specificity of investment and the level of agency cost, and the RBV-based factors: managerial capabilities for resource recombination, new media business production capabilities and new media distribution capabilities, will influence the outcome, which is the structural choice for new media creation. A logic model presented below further interprets this sequential logic flow relation (see from Fig. 4.1).

According to this logic model, the sequence of activities moves from the 'resource' and 'economics' factors to the consequences of new media business venturing organizational choices. When both the 'economics condition' and 'resource conditions' are high or low, the IO and RBV predict the same outcomes, as shown in Fig. 4.2.

The logic model suggests media companies with high level of 'economics conditions' and high level of 'resource conditions' or low level of 'economics conditions' and low level of 'resource conditions' would organize venturing activities in the hierarchical modes or, in the latter situation, the market modes. Therefore, propositions 1 and 2 are composed as:

Proposition 1. When the level of 'economics conditions' and the level of 'resource conditions' are both high, the hierarchical modes will be preferred by media companies while venturing for new business.

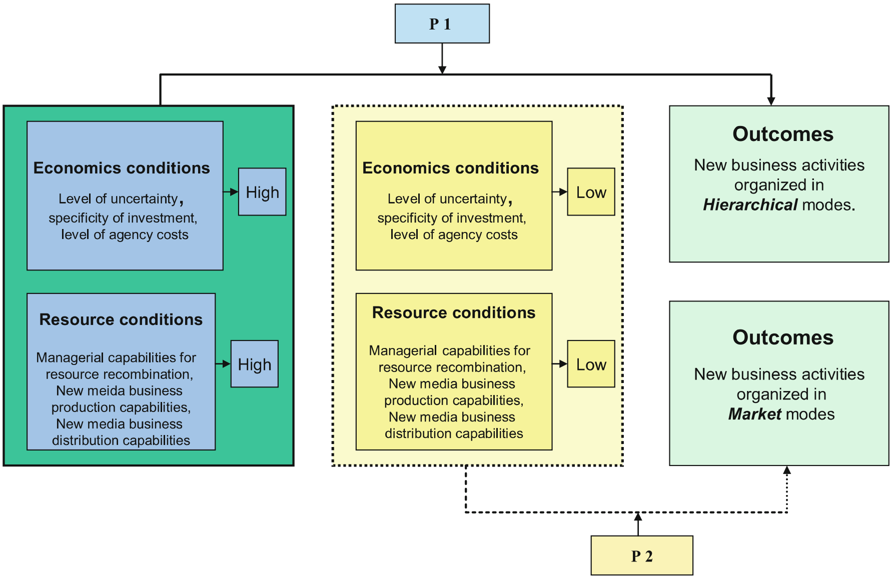

Fig. 4.2 Propositions 1 and 2

Proposition 2. When the level of 'economics conditions' and the level of 'resource conditions' are both low, the more market-oriented modes will be preferred by media companies while venturing for new business.

4.3.2 Rival Explanations

The second technique applied in this study is a rival explanation. Yin (2003) indicates that no concept is more helpful in conducting research than the concept of rival explanations. In doing case study, the rival explanations are those that point to different conditions or outcomes, derived from different theoretical frameworks.

The IO and the RBV predict different directions under the circumstances when either the 'economics conditions' are high and 'resource conditions' are low, or 'economics conditions' are low and 'resource conditions' are high, as shown in Fig. 4.3 below.

Two sets of rival patterns are thus shown:

Rival Pattern 1A. When the level of 'economics conditions' is high and the level of 'resource conditions' is low, the IO predicts the market modes.

Rival Pattern 1B. When the level of 'economics conditions' is high and the level of 'resource conditions' is low, the RBV predicts the market modes.

Rival Pattern 2A. When the level of 'economics conditions' is low and the level of 'resource conditions' is high, the IO predicts the hierarchical modes.

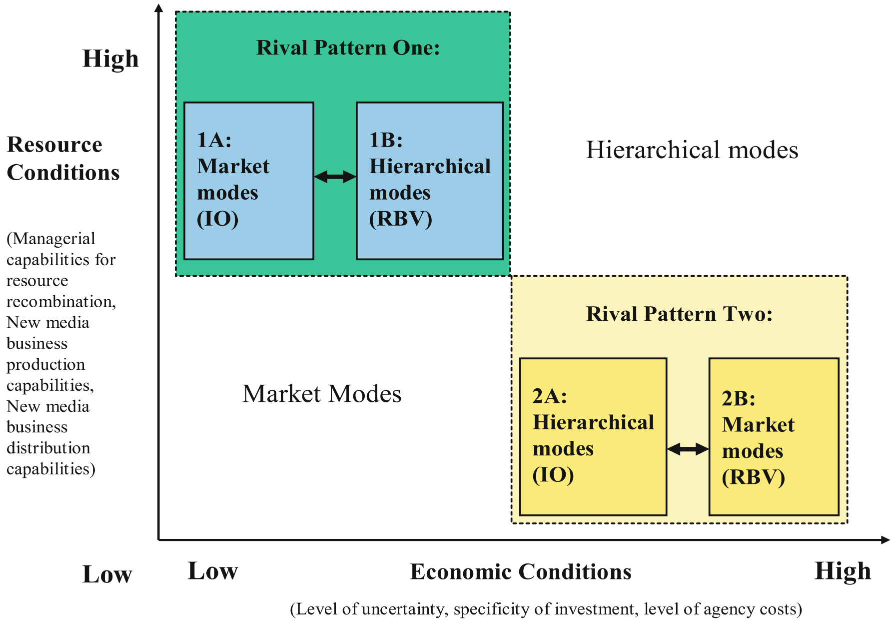

Fig. 4.3 Rival explanations

Rival Pattern 2B. When the level of 'economics conditions' is high and the level of 'resource conditions' is low, the RBV predicts the market modes.

As previously suggested, venturing incentives may act as a contingent factor that helps to explain these rival situations. When venturing activities are primarily driven by the direct incentives for immediate economic profits, it is more likely for the firm to follow the directions given by the IO. Otherwise, if the venturing activities are primarily driven by the development of competencies and other indirect incentives, it is more likely to follow the predictions given by the RBV.

On this basis, Propositions 3, 4, 5 and 6 are drawn (see from Fig. 4.4):

Proposition 3: When the level of 'economics conditions' is high and the level of 'resource conditions' is low, the hierarchical modes will be preferred by media companies while venturing for new business, if the venturing activities are primarily driven by the direct incentives.

Proposition 4: When the level of 'economics conditions' is high and the level of 'resource conditions' is low, the market-oriented modes will be preferred by media companies while venturing for new business, if the venturing activities are primarily driven by the indirect incentives.

Proposition 5: When the level of 'economics conditions' is low and the level of 'resource conditions' is high, the hierarchical modes will be preferred by media companies while venturing for new business, if the venturing activities are primarily driven by the indirect incentives.

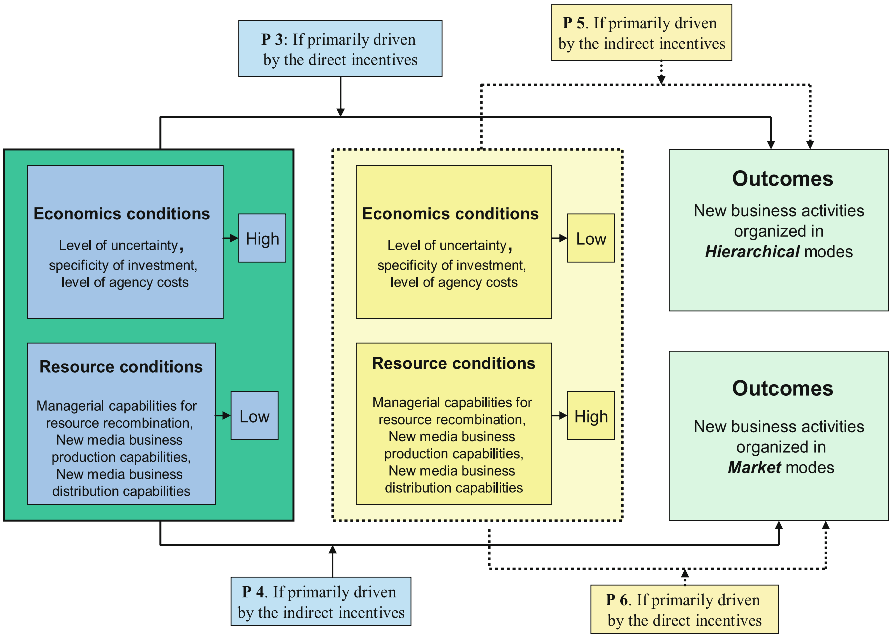

Fig. 4.4 Propositions 3, 4, 5 and 6

Proposition 6: When the level of 'economics conditions' is low and the level of 'resource conditions' is high, the market-oriented modes will be preferred by media companies while venturing for new business, if the venturing activities are primarily driven by the direct incentives.

These six propositions suggest media companies with specific 'economics conditions' and 'resource conditions' will form their corporate venturing activities in certain ways. Once these propositions are developed, the next step is to select cases that are predicated by these 'economics & resource' conditions, in order to examine in the empirical studies whether their organizational mode outcomes are decided by these conditions, as suggested by the theoretical model.

4.4 Selecting Cases

4.4.1 A Replication Logic for Case Selection

While selecting cases, replication logic is applied. The replication logic is used to improve the validity by having a multiple case design, as the multiple-case is often considered more compelling, and the overall study is regarded as being more robust than the single-case design (Herriott & Firestone, 1983).

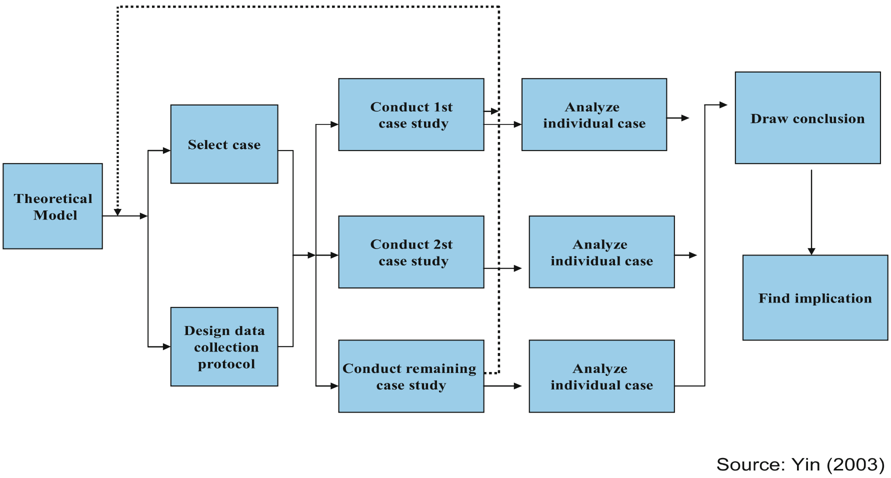

Fig. 4.5 The replication approach to multiple-case study

The replication logic is analogous to that used in multiple experiments (see e.g. Hersen & Barlow, 1976). However, it is necessary to distinguish a replication logic from a sampling logic which is usually conducted, for example, by the multiple respondents in a survey.

The sampling logic requires an operational enumeration of the entire universe or pool of potential respondents, and then a statistical procedure for selecting a specific subset of respondents to be surveyed. The resulting data from the sample are assumed to reflect the entire universe or pool. Whereas, in the replication logic, the goal is to duplicate the conditions of the original case, and to see whether the original finding can be considered robust and worthy of continued investigation or interpretation (Yin, 2003).

In the replication logic, each case must be carefully selected so that it either predicts similar results (called a literal replication) or predicts contrasting results but for predicable reasons (called a theoretical replication). If all the cases turn out as predicted, these cases, in the aggregate, would have provided compelling support for the initial set of propositions (see from Fig. 4.5).

As a sampling logic is not used, the typical criteria regarding sample size are also irrelevant in this study. For this reason, the author decided to duplicate the study by selecting two cases for each of category that is characterized by specific 'economics & resource conditions'. By having two cases in each category, the validity of the study will be improved via the replication logic.

4.4.2 Process of Case Selection

The previous text suggests different 'economics & resource conditions' to consider while making venturing organizational mode decisions. These different conditions can be generally divided into four categories: category 1, when the level of 'resource

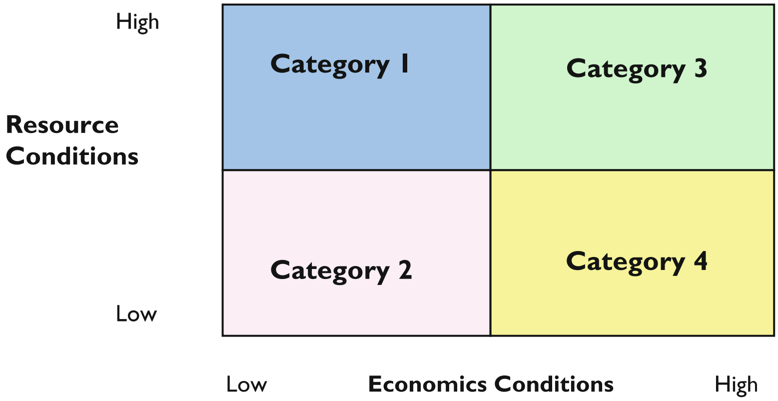

Fig. 4.6 Four categories associated with different 'resource & economics conditions'

conditions' is high and the level of 'economics conditions' is low; category 2, when the level of 'resource conditions' is low and the level of 'economics conditions' is low; category 3, when the level of 'resource conditions' is high and the level of 'economics conditions' is high; and category 4, when the level of 'resource conditions' is low and the level of 'economics conditions' is high (see from Fig. 4.6).

To clearly explain the propositions, cases that fit in each category are needed. In order to find such cases, the author conducted onsite investigation in eight media companies, including News Corporation, The New York Times Company, Reuters, Time Warner, Sony BMG, China Central TV Station, Verizon and China Telecom. New media business venturing cases from these companies were screened, and questions were asked about the 'resource & economics conditions' associated with these new media venturing cases.

Later, some companies were revisited, and one more company YouTube was added. Based on data acquired, six media companies were chosen: News Corporation, The New York Times Company, Reuters, Verizon, China Telecom and YouTube; and eight new media business venturing cases were selected for further study, with two cases fitting in each of the four categories (see from Fig. 4.7) Updated data on these cases were retrieved again to reflect the recent movements of these companies.

The eight media venturing cases were selected due to their representativeness for the current study. Others were rejected either because there was insufficient information acquired or the types of cases did not fit in the current study as long as more data was acquired.

The selected cases include an Internet business venturing case in News Corporation, an Internet business venturing case in the New York Times Company, an online gaming business venturing case in Verizon, a mobile distributing consumer media venturing case in YouTube, a FiOS broadband TV venturing in Verizon, a webcasting business venturing case in China Telecom, a mobile media venturing case in News Corporation, and a greenhouse venture capital case in Reuters (see from Fig. 5.1). The distribution of these cases along the dimensions of 'economics conditions' and 'resource conditions' is based on the data from the empirical study.

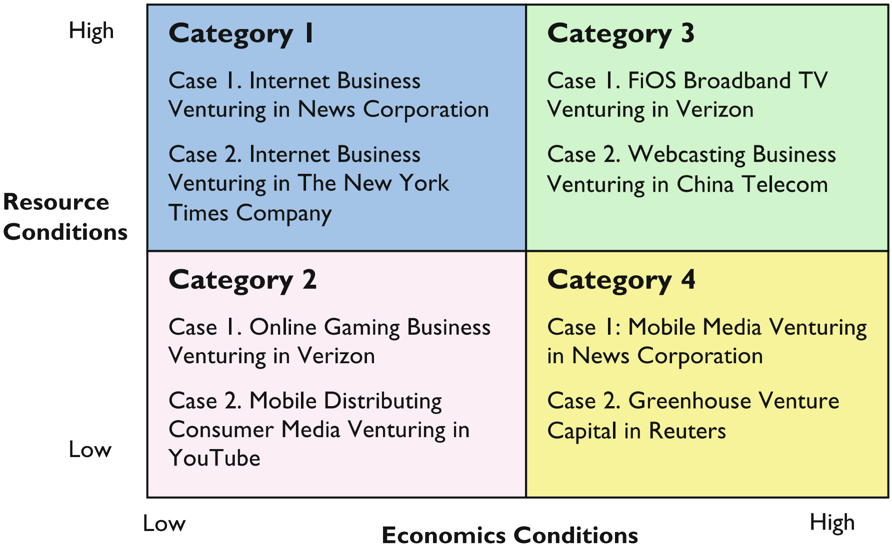

Fig. 4.7 New media venturing cases selected for each category

Interviews were among the major sources to acquire data. Questions were asked to respondents in regard to the 'economics conditions', 'resource conditions', changes of incentives of the venturing initiatives and etc.

As to the 'economics conditions', it was especially concerned with the level of uncertainty, the specificity of investment and the level of agency cost to start the venturing initiatives. Whiling asking questions for the level of uncertainty, it was to examine, for example, to what level do the underlying skills associated with the venturing function rapidly change? To what level do the required technologies associated with the venturing function rapidly change? And to what level does the environment surround the organization rapidly change? For the specificity of investment, it was to examine, to which level the specific investments are required by the new business development. And for the level of agency costs, it was to examine, for instance, to which level do the costs raise due to the division of venturing functions and unbalanced expectations from venturing functions and the mainstream organizations. These questions are derived from theories that build my theoretical framework.

Similar theoretical consideration was given to propose questions for the 'resource condition'. Therein, the author particularly concerned with the managerial capabilities for resource recombination, companies' capabilities for new media production and new media distribution. Questions were asked about the companies' general background, previous experiences for new business venturing, conditions of the management team for new businesses, and new media specific capabilities.

Based on these information, the 'economics conditions' and 'resource conditions' for the venturing initiatives was marked as either 'high' or 'low' to enable the later analysis and to give the result more clarity. However, as mentioned previously, here the high or low level is a relative level, not statistically precise. For example, in the Verizon cases, the level of 'economics conditions' for FiOS TV broadband venturing was relatively higher compared to that in the online gaming business venturing. This is due to the larger investment required to build up the FiOS infrastructure. On the other hand, the level of 'resource conditions' for online gaming business venturing was relatively lower than the FiOS TV broadband venturing, because of the lack of previous experiences and capabilities for gaming business—therefore, the author put FiOS TV broadband venturing case in category 3, while the online gaming venturing case in category 2.

Similarly, in the News Corp cases, the level of 'economics conditions' for mobile media venturing was considered to be relatively higher compared to that in the Internet business venturing, because of high specific content investment required by the mobile business operations. On the contrary, the level of 'resource conditions' for the mobile business venturing was relatively lower compared to the Internet business venturing, due to the incompatibility of traditional media content with mobile content—therefore, the author positioned the News Corp Internet business venturing case in category 1 and the mobile media venturing case in category 4. All the other cases were also positioned according to the level of relative 'economics and resource conditions' of the specific venturing initiatives.

Each of the eight cases has different features, and the venturing was conducted and developed under respective organizational conditions—for example, the YouTube case occurred in a fairly young startup; the Greenhouse case in Reuters was turned down a few years ago; and the webcasting case was in a primarily national-based company: China Telecom. However, these differences do not make the study incomparable; instead, it may help the cases to become more diverse, and findings to be more implicative.

For most of the selected cases, analyses were based on both the primary data and secondary data. Among these cases, the unit of analysis—the major entity the author analyzed in the current study—is the strategic behavior (the choices and changes of organizational modes) of corporate entrepreneurship over time, and this unit of analysis can be seen at each individual case in the following part of case analysis.

4.5 Issues of Validity and Reliability

Validity and reliability are major concerns for any research. Every researcher wants to contribute results that are believable and trustworthy. In this study, the internal validity—the extent to which research findings are congruent with reality—is addressed by using logic models, designing rival explanations and checking interpretation with the informants.

The external validity—to which the study's finding can be generalized—is addressed by using replication logic in the multiple-case design. However, this is different from the statistic generalization, in which a sample generalizes to a large universe. Instead, case studies rely on analytical generalization, in which, the inves-

Table 4.1 Validity and reliability issues

	Tactics used in this study
Internal validity	Use logic model,
	Design rival explanations
External validity	Use replication logic with multiple case design
Construct validity	Use multiple sources of evidence,
	Inviting experts reviewing the research design and research report
Reliability	Use case study protocols and techniques,
	Describe in detail how the study was conducted

tigator aims at generalizing a particular set of results to some broader theory. The analytic generalization is about whether theories derived from the study could be generalized later (Yin, 2003). The external validity in this study is improved by using replication logic with a multiple case design.

The construct validity—establishing correct operational measures for the concepts being studied—is enhanced by using multiple sources of evidence, and having discussions on the case design and report. In this study, multiple sources of evidence that include documents, archival data, interviews and site investigations are applied, in order to improve the construct validity.

In addition, the reliability—the extent to which there is consistency in the findings (Merriam, 2001)—is enhanced by using case study protocols and techniques, explaining the assumptions and theory underlying the study and also by describing how the study was conducted and how the findings were derived from data. In addition, the data is carefully collected and interpreted with protocols and techniques. Through so doing, the result of study can be "the emulation of the scientific method" (Yin, 2003, p. 163). Table 4.1 shows some tactics the author use to improve validity and reliability in this study.

Part V
Media Corporate Entrepreneurship in Practices

This part contains six media corporate entrpreneurship cases. Chapter 5 presents empirical study on News Corporation. Among a variety of venturing efforts made by News Corp, this chapter focuses on two venturing cases: an Internet Business Venturing and a more recent Mobile Media Venturing case. Chapter 6 examines another Internet Business Venturing case which came into force in the New York Times Company. Chapter 7 introduces two venturing cases in Verizon Communications Inc.: FiOS Broadband TV Venturing and Online Gaming Business Venturing. Chapter 8 lays the focus on the emerging consumer media company YouTube, and studies are made on its Mobile Distributing Consumer Media Venturing—a new business the company explored in order to distribute its popular online video content to mobile devices. Chapter 9 moves its lens from the global media companies to a more national-based enterprise: China Telecom, and therein, a Webcasting Business Venturing case is examined. Chapter 10 has the international focus again: the global media company Reuters is studied and a venturing capital entity of the company: Reuters Greenhouse is the center of analysis (see from Table 1).

Each chapter contained in this part is composed of an introduction, presenting general information of the company, followed by a short section reviewing new business venturing in the company. Then focus is laid on the venturing cases. The emergence, growth and transformation of the venturing initiatives are studied. The next section presents the 'economics conditions' and 'resource conditions' associated with these venturing initiatives. A summary section concludes whether the 'economics conditions' and 'resource conditions' influence the venturing organizational mode, as proposed by the theoretical framework, and whether there are any specific factors affecting the venturing organizational decisions.

Table 1 List of companies and venturing cases

Chapter	Company	Venturing Case
5	News Corporation	Internet Business Venturing Case
		Mobile Media Venturing Case
6	The New York Times Company	Internet Business Venturing Case
7	Verizon Communications	FiOS Broadband TV Venturing Case
		Online Gaming Business Venturing Case
8	YouTube	Mobile Distributing Consumer Media Venturing Case
9	China Telecom Corporation	Webcasting Business Venturing Case
10	Reuters	Reuters Greenhouse Venturing Case

Chapter 5
News Corp Internet Business and Mobile Media Venturing

5.1 News Corporation: Company Information

The News Corporation Ltd. is one of the world's largest media companies. It holds interests in broadcast, satellite, cable television, film, newspapers, magazines, book publishers, and on-line services, across four continents. The company is headed by its primary shareholder, Rupert K. Murdoch, who has built the company from an initial base of small Australian newspapers in the early 1950s into a global media conglomerate.

The News Corp is often identified with Murdoch, whose family controls some 30 % of its stock. The goal of Murdoch is to own multiple forms of programming—news, sports, films and children's shows—and beam them via satellite, TV stations or Internet to homes in the United States, Europe, Asia and South America. Media moguls such as Michael Eisner, and Gerald Levin see Murdoch as one of the media executives they most respect and fear. TCI's John Malone stated that global media vertical integration is all about trying to catch Murdoch. Time Warner former executive Ted Turner viewed Murdoch in a more sinister fashion, having likened him to Adolf Hitler; while Viacom CEO Sumner Redstone said that "Murdoch basically wants to conquer the world" (McChesney, 1997). And Murdoch seems to be doing it.

In 1952, Rupert Murdoch inherited the ownership of an Australian newspaper *Adelaide News* from his father and formed News Limited. Shortly after that, he expanded this business by acquiring and starting several newspapers and magazines—*Cumberland Newspapers* (1960), *Mirror Newspapers* (1960). *The Australian* (1964), *News of the World* (1969), *The Sun* (1969), *Sydney Daily Telegraph* (1972), *Sunday Telegraph* (1972), *New York Post* (1976) and others.

In 1980, Murdoch started News Corp as a holding company of News Limited. During the 1980s, News Corp expanded through acquisitions. In 1981, Murdoch acquired two London-based newspapers *The Times* and *The Sunday Times*. In the mid-1980s, News Corp entered the electronic media sector by launching its first satellite TV channel—Sky Television in the UK. In 1985, Murdoch moved to the

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US market and acquired Fox Studios. In 1986, he bought six Metromedia TV stations and 1 year later, he acquired TV Guide.

Sky Television merged with its competitor British Broadcasting in 1991, to form BskyB (British Sky Broadcasting). In 1993 and 1995, Murdoch purchased whole equity stake in the Hong Kong based satellite network STAR. Most of the channels acquired by Murdoch were successful across the world—Sky in the UK, Fox Television in the US and STAR in Asia—they are major television networks in their markets. In December 2003, News Corp acquired Hughes Electronics Corporation and its subsidiary Direct TV service from GM Corporation (SourceWatch, 2006).

In the first decade of twenty first century, News Corp was indeed the world's leading publisher of English-language newspapers. In film entertainment, the company's Twentieth Century Fox film studio has been releasing a number of popular motion pictures every year. Its television operations grew rapidly in the US and its Fox Broadcasting Company is one of America's most watched networks. In 2004, Fox was ranked number 1 by people between 18 and 49 years in America; and the company's book publishing division HarperCollins Publishers is one of the world's largest. In 2006, the company's revenue reached US$ 25.3 billion, and the total assets over US$56.6 billion. News Corp is an integrated media empire at that time with widely diversified entertainment media businesses, covering eight main segments including Filmed Entertainment, Television, Cable Network Programming, Direct Broadcast Satellite Television, Magazines and Inserts, Newspapers, Book Publishing, and other business. Later, the empire continued growing after the acquisition of Dow Jones in 2007, bringing Dow Jones Indexes and its flagship media The Wall Street Journal in its publishing arms.

In June 2013, News Corporation announced the separation of its business divisions. Due to strategy change, the media giant split into two parts: Twenty First Century Fox and the new News Corporation. The Twenty First Century Fox took over the entertainment media properties, such as STAR TV, Sky plc, and Fox Entertainment Group. The publishing business inherited its brand, known as new News Corporation today, reached $8.574 billion total revenue and $770 EBITDA in fiscal year 2014 (News Corporation Annual Report, 2014). It primarily consists of six reporting segments:

News and Information Services. The News and Information Services segment principally consists of The Wall Street Journal and Barron's both print and digital publications, Marketwatch.com, and professional information services, such as Factiva, Dow Jones Risk & Compliance, Dow Jones Newswires, Dow Jones Private Markets and DJX. News Corp is also the owner of numerous publications, including *The Australian, The Daily Telegraph, Herald Sun* and *The Courier Mail* in Australia, *The Times, The Sunday Times, The Sun* and *The Sun on Sunday* in the U.K. and the *New York Post* in the U.S.

Cable Network Programming. Prior to the separation in 2013, the Cable Network Programming segment consists of the production and licensing of programming distributed through cable television systems and direct broadcast satellite (DBS) operators in the United States. According to the News Corporation Annual Report 2014, FOX SPORTS Australia and its seven television channels are the major components of the Cable Network Programming segment.

Digital Real Estate Services. News Corporation is a main shareholder of REA Group, a publicly traded company which specializes digital advertising business for real estate services. REA Group owns realestate.com.au, and realcommercial.com.au, the first-rank residential and commercial property websites in Australia. REA Group also operates influential property sites and APPs in United Kingdom, South Europe and Asia. In November 2014, News Corp acquired the top real estate in United States, Move, and its subsidiary services and brands such as realtor.com ®, Top Producer ®, TigerLead ® and ListHub TM.

Book Publishing. The Book Publishing segment consists of the publication of English language books throughout the world. The main contributor is HarperCollins, the market-leading consumer publisher with more than 60 branded publishing headings, a wide range of readers, and robust resources and competence of digital reform.

Digital Education. Amplify, the well-known digital education brand, is the flagship brand of News Corporation's digital education business, which is launched in July 2012. It is focused on improving K-12 education by providing digital products and services, helping teachers and parents to offer a more interactive way of learning. In late September 2015, News Corp closed its sale of Amplify. In First Quarter of Fiscal 2016, News Corp will reflect the results of its Digital Education segment as discontinued operations.

Other. The Other segment primarily contains general corporate overhead expenses, the corporate Strategy and Creative Group, and costs related to voicemail interception, illegal data access and inappropriate payments to public officials at the Company's former publication. The corporate Strategy and Creative Group operates to identify new products and services across its businesses to increase revenues and profitability and to target and assess potential acquisitions and investments (News Corporation Annual Report, 2014).

Holding such diversified businesses, News Corp stands among the foremost media companies in the world. The company's fearless and controversial media leader Rupert Murdoch and his great success in building and expanding a media empire have attracted much attention from scholars and media analysts. Murdoch-watching has even become a 'minor industry'. Among a variety of articles and books, there are studies by some news executives, including the *Full Disclosure* by former *Economist* and *Sunday Times* editor Andrew Neil (1996); *Good Times, Bad Times* by former editor Harold Evans (1983) and the *Sundry Times* by former editor Harold Giles (1986). There are also thoughtful reviews on the expanding and strategies of News Corp, for example, *The Changing Face of Australia's Media and Communications* by Barr (2000), *An Uncensored Account of Revolution That Gave Birth to 21st Century Television News Broadcasting* by Kearns (1999), *The Gatekeepers: The Global Media Battle to Control Australia's Pay TV* by Westfiled (2000), and *Strategy Process: The internal and external business environment of News Corporation* by Gupta.

In recent years, the great power and impact News Corp holds also draw attention from scholars, such as *Dial M for Murdoch: News Corporation and the Corruption of Britain* by Watson and Hickman, and *From Corporate to Social Media: Critical Perspectives on Corporate Social Responsibility in Media and Communication Industries* by Sandoval. Despite different views and voices on Rupert Murdoch as a media leader, these studies are almost unanimous that the wide range of media holdings in many countries of the world have already put News Corp in a central position among a handful of the world's corporate behemoths nowadays, and the company would continue to dominate the global media landscape for years to come.

5.2 New Business Venturing in News Corporation

Headed by an entrepreneurial leader Rupert Murdoch, News Corporation describes itself as "the most innovative and fearless media company in the world". For years, it has been a pioneer for innovation and new business venturing. The company has been the first to explore the TV DVD market, the first to venture into the cable news market, and the early mover for the new digital media business.

"What we are doing is to bring the innovative, entrepreneurial spirit to the company," said Murdoch. The company has always grown by intelligently managing a mix of businesses in various stages of growth and development. Established businesses produce modest growth yet sizable – and reliable – cash flows. Businesses in the middle stage are the primary growth drivers of the company, delivering strong profit growth. And their youngest efforts are being nurtured and developed by the cash generated by their mature businesses, to allow them to find their footing and realize their potential as the company's future growth drivers.

Since late 1990s, catching the new business opportunities brought by digital technology has been the focus of the company's venturing endeavors. Starting from the end of the 1990s, the company has launched several Internet initiatives and recently it acquired a number of digital properties to speed its growth (Thompson, 2005). In 2006, the development of digital media business reached the peak, and Murdoch even declared that the year was a milestone, transforming the company from a traditional media company into a major digital player in the media and entertainment industry. Nowadays, digital publications and products can be seen in every department of News Corp. Not to mention the two major segments of its business, Digital Education and Digital Real Estate Services.

> *… All of the historic constraints inherent in distribution—prohibitive entry costs, hard-to-reach locations, sluggish technology—are being swept away by digital technology. For the first time in media history, complete access to a truly global audience is within our grasp,* said Murdoch.
>
> *No company is better positioned to seize the new digital media opportunity than ours,"* he added. "*Some boast high traffic but little content. Others have plenty of content but little*

> *traffic. Only News Corp combines high traffic with vast amounts of compelling content. Our situation is unique—and powerful. And we are taking advantage of it.*

In the past years, the company's venturing progress in digital media business was significant. In 2005, News Corp acquired MySpace.com, the Internet's most popular social networking site, as well as the gaming and entertainment site IGN.com and several other smaller sites (Scott-Joynt, 2005). It launched a venturing division *Fox Interactive Media (FIM)* to oversee these new digital businesses. The aim of FIM is to build up the existing web presence and to improve coordination and synergy across all of the company's websites and digital media efforts. As a result, in a year, News Corp began to rival the Internet elite. FIM sites started to rank the second in total page views and the fifth in unique visitors in the U.S., attracting more than 100 million people per month worldwide. Revenues from MySpace doubled every 4 months during 2006 (Shields, 2005).

Continue to expand its empire in digital arena, News Corp made several acquisitions, especially in recent 3 years. In 2012, News Corp bought Australian Independent Business Media, the owner of the Business Spectator and Eureka Report, to expand its impact on Australian business market. Other than that, the company also offered bid for Consolidated Media Holdings Ltd. in order to enhance News Corp's interest in Australia's largest pay-television service (Lower & Critchlow, 2012). In 2013, News Corp bought Storyful.com, the edge-cut social media agency for $25 million. Following these steps, it acquired Move and Realtor.com in 2014 to extend its digital real estate business, made bid for Olive Tree Bible Software (Bloomberg Business Service, 2014), and bought the world's largest romance publisher Harlequin Enterprises Ltd. In 2015, News Corp acquired Unruly, the revolutionizing social media advertising platform, attempting to broaden its digital and advertising expertise as well (Gesenhues, 2015).

To move one step further and to provide more mobility to the digital media, News Corp started to venture into mobile business in recent years. A new product called 'mobisode' was launched, providing short, downloadable shows to mobile users.

"Wireless technology gives us an enormous opportunity to reach billions of mobile phone users with our content. With this new venture business we're looking forward to inventing new and compelling ways to engage this exciting new audience," said Peter Chernin, News Corp.'s President and Chief Operating Officer.

Though as a new venturing business, the precise model for mobile services to sustain profitability is still uncertain, and venturing to mobile business may seem to be a departure from the company's core business and practices. Nonetheless, the company executives still believe that there is a fundamental continuity to this approach, and that to stay innovative and to continuously venture for new business opportunities is critical for the company's future success.

> *To some in the traditional media business, these are the most stressful of times. But to us, these are great times—the prelude to a new golden age of media. Technology is liberating us from old constraints, lowering key costs, easing access to new customers and markets and multiplying the choices we can offer. For a content company, what could be better?* commented by Murdoch.

5.3 Two Cases: Internet Business Venturing and Mobile Media Venturing

While vigorously venturing for new business, organizational decisions are always among the central issues to consider. In News Corp's venturing practices, venturing organizational choices have varied from the very internal venturing organizational modes to the market modes, depending on different venturing circumstances and the 'resource & economics conditions'. To understand these venturing organizational decisions, this section will focus on two venturing cases of the company: the Internet Business Venturing and Mobile Media Venturing. The following section will examine how these initiatives started, grew and transformed. Then the next section will present the 'economics conditions' and 'resource conditions' associated with these new business venturing initiatives, and analyze the venturing organizational modes, according to different venturing conditions.

5.3.1 Case 1: Internet Business Venturing

5.3.1.1 The Early Start

News Corp's Internet initiative started in the late 1990s. The earliest Internet strategy of the company was to use its websites to promote its strengths in newspaper and publishing businesses. Accordingly, several online sites, including FOX.com, FOXSPORTS.com, FOXNEWS.com and FOXMARKETWIRE.com, were launched inside respective publishing and newspaper sectors. Shortly after that, the company decided to consolidate its Internet presence; thus, an Internet venturing division, News America Digital Publishing Group (NADP) was created in November 1997 (Willams, 2001). All the online operations were organized and managed by NADP; and this Internet division, later renamed as News Digital Media, also planned and provided digital news services and Internet solutions for the company.

In addition, in April 1999, News Corp announced the formation of e-Partner to invest in the Internet, wireless communication and interactive television companies. E-Partner was operated independently from News Digital Media, and it was established with en equity capital base of US$300 million provided by News Corp. In July 1999, e-Partner started eVentures—a 50–50 joint venture between News Corp and Softbank Corp—to introduce American Internet companies into the UK, Australia, New Zealand and Indian markets. News Corp also started career and auction sites in Australia. In December 1999, News Corp entered into a US$ 1 billion partnership with Healtheon/WebMD (Healtheon), an online health network. Under this agreement, News Corp gave Healtheon a 50 % equity stake in its cable channel, the Health Network and full ownership of the healthnetwork.com. In return, News Corp acquired a 10.8 % equity stake in Healtheon. Using a similar approach, e-Partners had invested in a number of dotcom companies such as Eyestorm, Guild.com, Equinix, Buy.com Inc, Aristotle and Mediabuy by 2000 (Hallet, 1999).

News Digital Media Division also formed its own investment unit: News Digital Ventures in December 1999. This new unit was served as an investment vehicle for News Digital Media, supporting most Internet holdings of the company. Since its formation, News Digital Ventures organized a number of venture capital investments for News Corp in digital media areas. It also acquired 100 % of STATS Inc., the largest aggregator of real time sports scores and statistics.

In early 2000, with the dotcom boom at its peak, online media companies were competing with each other to attract more visitors to their websites. Two venturing organizing modes were prevailing for media companies—creating their own divisions, or holding minority stakes in dotcom companies hoping to get returns from the investment made in them. In January 2001, the AOL Time Warner merger was announced. In the same month, News Corp planned to invest US$ 700 million to promote Healtheon's website. However, in March 2000, the dotcom bubble burst, resulting in huge losses for a number of dotcom ventures. News Corp's eVentures and partnership with Healtheon had to wind up. While eVentures was shut down, the agreement with Healtheon was cancelled and News Corp got back full ownership of the Health Network by January 2001 (Kumar, 2006). In addition, News Digital Media closed its operation in the U.S in January 2001, only maintaining part of its Internet businesses in Australia. Most established News Corp's websites were merged into its television operation; and Internet venturing activities were largely slowed down in the company in an overall base.

5.3.1.2 Later Development

After the dotcom business crash, only a few dotcom companies survived. These companies slowly but steadily grew in size and their websites saw a gradual increase in revenue from online advertisements. By the end of 2004, online advertising became the fast growing segment ahead of traditional media advertising. The growing number of broadband users contributed significantly to the popularity of the Internet (Fritz, 2005).

News Corp realized these fast growing opportunities. In January 2005, the company launched an interactive sales unit to manage its Fox.com and IdolonFox.com websites, formalizing the website advertisement sales structure. Within 2 months of establishing the new sales unit, the combination of Fox.com and Idolonfox.com generated US$ 2 billion, nearly double the 2004 revenues. Encouraged by the revenue boast, News Corp announced in July 2005 the formation of Fox Interactive Media (FIM), a new unit that consolidates and oversees their online venturing activities.

FIM made its first acquisition in the same month, when it bought Intermix Media—an online company with a network of 30 websites including the popular community portal MySpace.com that is the fifth most visited domain in the U.S. The acquisition of Intermix underscored News Corp's plan to expand its internet presence. With MySpace and Intermix's other network sites, News Corp's U.S. web traffic has nearly doubled to more than 45 million monthly users.

In August 2005, FIM made its second acquisition by acquiring Scout Media Inc., which owned Scout.com, a leading independent online sports network in the U.S., and Scout Publishing, a publisher of 47 local sports magazines in the U.S. Scout Media had a customer base of more than two million. Its niche sports websites such as eDuck Sprots and Bucknuts combined with Foxsprots.com, providing news about professional and college sports. The addition of Scout Media has given Fox the ability to widen its coverage and to bring more extensive print reach.

One month later, FIM announced its third acquisition to buy IGN Entertainment, Inc, a leading community-based Internet media and service company for video games and other forms of digital entertainment. With the addition of IGN, Intermix and the existing Fox-branded sites, News Corp's U.S. web traffic increased to nearly 70 million monthly users and more than 12 billion page impressions per month. The combined sites provide a powerful cross-promotional opportunity for Fox's television and film content and enable the company to introduce new products and services using its enhanced web presence.

In August 2006, FIM and Twentieth Century Fox announced a multi-year agreement to provide feature films and television shows on a download-to-own basis across the FIM network. FIM's network got access to Fox Entertainment Group's catalogue of content including hit feature films as well as episodes of television series. This agreement with Twentieth Century Fox has enabled FIM to expand its offerings with premier TV and movie content.

Meanwhile, FIM announced a multi-year search technology and services agreement with Google Inc., whereby Google became the exclusive search and keyword targeted advertising sales provider for FIM's network of web properties including MySpace.com. The agreement called for Google to power web, vertical and site specific search for MySpace.com and the majority of Fox Interactive Media properties. Under the terms of the agreement, Google is also obligated to make guaranteed minimum revenue share payments to FIM based on Fox achieving certain traffic and other commitments (Sgambelluri, 2006).

Through these acquisitions, Internet business has been expanding significantly in News Corp. In addition, efforts such as allying with Google for service commitment have helped the company to guarantee profits from growing online traffic. For all these Internet venturing endeavors, FIM serves as a main organ to organize venturing activities, and this internal venturing unit is playing an important role in the company's strategic portfolios.

5.3.2 *Case 2: Mobile Media Venturing*

In addition to Internet business, News Corporation also ventured to mobile business in recent years. The mobile services were firstly used for text-voting in the company's American Idol program, which achieved great success in the U.S. The American Idol Program was developed and produced by the Fox Mobile Entertainment Division—a mobile venturing division, formed in 2003 to oversee the company's mobile media initiative.

In February 2006, Fox Mobile Entertainment announced the launch of Mobizzo, a new destination for mobile content. Mobizzo produces short episodes of programming called Mobisode, designed exclusively for transmission and viewing on cellular telephones. Up to September 2006, 4 series and more than 200 Mobisodes had been produced by Mobizzo, with programs delivered into 6 different languages, reaching 25 countries.

Though most early mobile business venturing was organized through Fox Mobile Entertainment—a division inside the company—to further explore mobile opportunities, News Corp decided to venture outside the company's organizational boundary. In September 2006, a joint venture was formed between News Corp and VeriSign. News Corp paid approximately $188 million for a controlling interest in VeriSign's wholly-owned Jamba subsidiary and combined it with Fox Mobile Entertainment assets. The joint venture aims at combining the technology and infrastructure strengths of the VeriSign with News Corp's ability to build content and brands. Content produced by Mobizzo was migrated to Jamba and Jamster, serving 30 territories with a potential reach of more than a billion mobile subscribers.

Both entities forming this joint venture are considered pioneers in mobile entertainment. Jamba was founded in 2000 and is considered a global leader in off-deck delivery of mobile entertainment. It has one of the industry's most advanced technology platforms. Jamba can immediately distribute content in all of its territories. Jamba also has the real-time ability to track marketing, reacting to consumer needs and interests in order to be able to monetize products and services.

The new company immediately becomes the largest customer for VeriSign's Digital Content Services (DCS) group, which specializes in providing intelligent infrastructure and connectivity solutions to enable the delivery of content over mobile and broadband networks. The transaction was finalized by the end of 2006, and the joint venture is branded as Jamba in the U.S., and as Jamster worldwide.

Jamba/Jamster—after the Fox Mobile Entertainment Division—serves as a new mobile media venturing entity of News Corporation, further developing mobile related business for the company. This joint venture partnership was formed based on the two firms' intention to accelerate their mobile media business. On the other hand, this external venturing organizational mode was also decided by the 'economics conditions' and 'resource conditions' associated with this venturing initiative, as illustrated in the next section.

5.4 Analysis

5.4.1 Analysis of the Internet Business Venturing

The previous section presented the Internet business venturing case and the mobile media business venturing case in News Corp. In the case of Internet Business Venturing, the company started with accommodating venturing activities inside its organizational boundary by integrating the online initiative with their newspaper and publication operations. Therefore, online venturing activities were mainly served as promoting tools for the offline media at the beginning.

With the booming of Internet venturing in the 1990s, the company started to form separate Internet venturing divisions inside the organization, striving for opportunities brought by the Internet. Hence, there was the formation of News Digital Media and News Digital Ventures. To invest outside the U.S market, the company made strategic partnership and formed external entities: e-Partner and e-Ventures. By so doing, the organizational mode for Internet business venturing gradually moved away from organizational hierarchy to the market.

In 2000, the Internet bubble burst, and digital venturing slowed down in the company. However, online advertising opportunities grew since 2001. In 2004, a new division FIM was formed to organize digital venturing initiative. Several acquisitions were immediately made after the formation of this digital division. And under this internal architecture, FIM, Internet business venturing activities began fast growing.

To understand the choices and changes of venturing organizational decisions in the case of News Corp Internet business venturing, interviews were conducted in the company's office in New York. Questions were asked about the 'economics conditions' and 'resource conditions' associated with the venturing initiative, the incentives for venturing and the specific factors influencing venturing organizational decisions. In addition, company documents were collected and relevant information were retrieved from the company's website and related publications.

5.4.1.1 The 'Economics Conditions'

"When the company started the Internet Venturing initiative, how were the general 'economics conditions' associated with the venturing business?"

> *When we started, there was great enthusiasm on the huge opportunities provided by the emerging Internet business. Yes… there was uncertainty, we chose to be very tentative and careful at the beginning… and in retrospect, we would have liked to be even more so. [By doing that], we might let some of the competitors get ahead in the race to establish their brand online, but we also avoided the vast losses some of them suffered.*

News Corp started its Internet initiative in the late 1990s. The company took very tentative and cautious actions at the beginning of venturing, in order to overcome potential uncertainties.

> *The Internet business was booming at the end of 1990s. And the entry barrier to online business was low. Many companies opened websites for their print or broadcast media … The investment we put on the Internet venturing was not as specific as that for mobile media, there we need to invest a lot for the content production…*

To start an Internet business did not require large specific investment for a media company like News Corp that embraces rich offline media content. Meanwhile, many companies in the market had launched websites for their print or broadcast media; so, at a time when the Internet business was booming, this new business was not specific to the company.

> *Our early Internet strategy was to use websites to promote our company's strengths in newspaper, publishing and broadcasting businesses. We had good collaboration between Internet business and traditional departments. The conflicting interests were avoided, [thus reducing the agency costs]…*

> *Now the Internet business environment is more stable… the business model is maturing, and the digital business is being more closely integrated with other businesses…*

For News Corp, most early content online was reproduced from the offline media. Good collaborations existed among different business sectors and production lines, thus reduced the level of agency costs led by conflicting interests from different agents.

These conditions made the general 'economics conditions' for the Internet business venturing relatively low: the company took cautious actions to overcome uncertainties; the low entry barrier into the new business eliminated high specific investment; and the new business collaborated well with the offline media, thus reduced agency costs raised by the conflicting interests.

5.4.1.2 The 'Resource Conditions'

"When the company started the Internet Venturing initiative, how were the general 'resource conditions' associated with the venturing business?

> *The company has a high competence in developing new business. We are a very entrepreneurial company, and our growth has been based on innovation.*

> *The early Internet initiative was led by a highly competent management team …*

> *[For example], the News Digital Ventures was led by Kathryn Fink. Kathryn had a deep understanding of new digital media and experiences with Internet investment. She had worked for several other strategic incentives for our company, including minority investment in Juno, Six Degrees,* etc.

News Corp has been regarded as one of the most entrepreneurial media companies in the world. Headed by an entrepreneurial leader Rupert Murdoch, the company values innovation as a key concept for success. From the resource aspect, as indicated by respondents, the early Internet initiative was led by business venturing veterans and a management team that was highly competent in recombining resources and developing new business.

> *[For the Internet initiative], we had both high content production and distribution capabilities. The content production was based on our strength in print and broadcasting business. Internet provided us an easier platform to distribute our content… Both our production and distribution abilities are high.*

> *And the level of 'resource conditions' has been increasing since the time we started…*

The new Internet business shared and reproduced content from the offline media, hence the company's strengths in content production could be utilized. Meanwhile, Internet provided an easier and faster platform to distribute content, thus enhanced the company's content distribution capabilities for the new Internet business. Considering these, the overall 'resource conditions' for Internet business venturing were relatively high.

5.4.1.3 Incentives

"What were the major incentives for your company to venture for the Internet businesses, and how did the incentives change over time?"

> *The company's core mission is to provide as many consumers as possible with the highest quality content through the most convenient distribution channels. That was the strategic impetus behind our entry into the satellite business, and that was the same impetus [which propelled us] into the digital world.*
>
> *[For the Internet business], the primary incentive at the beginning was to complement our existing business and to provide consumers an integrated platform to reach our content.*
>
> *We expect our traffic on the Internet to bring us a higher profit when we reached a certain size of customers.*
>
> *Now, in addition to profits, we also organize the new business in a way that it can best support and complement our company's other businesses.*

At the time when the new business was initiated in News Corp, the primary incentive for the Internet venturing was to complement the traditional media business, and to provide consumers an integrated platform. After a certain period of development, more profits were expected, and the company started several more Internet initiatives. Recently, the company has turned to strengthen its focus to complement its business again, and seek to create an integrated media platform. Therefore, a shift of focus of incentives can be seen from the indirect incentives (for business complement) to the direct incentives (for profits) and then back to the indirect incentives (for creating an integrated platform for the consumers) again.

5.4.1.4 Factors Influencing Venturing Organizational Modes

"Do you think the above 'economics conditions' and 'resource conditions' influenced your venturing choice of organizational mode?" "Are there any specific factors you would also mention that had an impact on the choice of venturing organizational mode?

> *Yes. These factors do [have an impact]. [What I would like to mention is that] we organize the new media to complement our other businesses. I think our new business strategy is to leverage our competences to create an integrated destination for our customers. So, when we considered how to organize new business, we also think about how to make them best complement each other.*

The respondents did see a relationship between the 'economics & resource conditions' and the venturing organizational modes. It was also added that, while selecting the venturing organizational mode, the company, to a large extent, considered how to leverage competences to create an integrated destination for consumers.

5.4.2 *Analysis of the Mobile Media Venturing*

In the case of Mobile Media Venturing, News Corporation formed Fox Mobile Entertainment inside its organization, which after its establishment, successfully launched several mobile-related products and services, including American Idol text-voting and Mobisodes. However, to speed the venturing pace, the company chose to form a strategic joint venture with Verisign, and the organizing of mobile venturing activities thus moving away from the organizational boundary to a more market-oriented mode. The following section will present the 'economics conditions' and 'resource conditions' for the Mobile Media Venturing.

5.4.2.1 The 'Economics Conditions'

"When the company started the Mobile Media initiative, how were the general 'economics conditions' associated with the venturing business?

> *The level of uncertainty for mobile business is higher than Internet venturing. What happened in m-commerce is still in its early stages, and we are only a couple of years into this.*

> *The competition [for mobile media] is high. We are competing with Telecommunication companies, IT companies, and some other content media companies for the future market.*

For the mobile business venturing, News Corp was confronted with high level of uncertainties when the mobile business opportunities emerged. The mobile technologies and skill sets were fast changing. From the early SMS media services to the more recent MMS function, the new mobile business startup required to build specific mobile technologies and skills. In addition, competitors came from different sectors in the industry; telecommunication companies, IT companies and other content media companies are all competing for the mobile media market. These increased the level of uncertainties for the new mobile business.

> *We need to invest more to develop mobile content. The mobile media requires a different set of program for the mobile devices. Our mobile content is still based on some of our popular series and episodes; however, we need to reproduce them with different standards for mobile devices…*

> *The mobile media needs higher resolution pictures and different producing settings. We have separated group of professionals working on it, and it may raise some sort of agency costs.*

The mobile media venturing required much larger specific investment than Internet venturing, as the production for mobile media content had different criteria than other devices of media. The short, high-resolution programs were needed and different marketing strategies should be applied in order to target segmented audience groups. Thus, the level of agency costs rose, due to the division of functions caused by the different features of mobile content production.

Compared with the Internet business venturing in the company, mobile media venturing required much larger specific investment because of the different production criteria for mobile content—agency cost, together with transaction costs were raised as well.

Considering these uncertainties, specificity of investment and agency costs raised by mobile content production, the overall 'economics conditions' for the mobile business venturing were relatively high.

5.4.2.2 The 'Resource Conditions'

"When the company started the Mobile Media initiative, how were the general 'resource conditions' associated with the venturing business?

> *Similar to the Internet venturing, the mobile initiative was also led by an experienced management team. They are highly competent for resource acquisition, relocation and combination of the new business.*
>
> *However, unlike the Internet venturing, we do not have much strength in distribution—we need support from wireless operators to deliver our content to customers—in that case, we need to have good partnership relations with network operators. This is the major difference between the Internet business and mobile media business.*
>
> *For Internet, we possess advantages on both content production and distribution; whilst for mobile business, we are building our technological capabilities, and actually, we've made very significant progress.*

Although the new mobile business venturing in News Corp had competent leadership team, the company did not possess capabilities for content distributions via mobile platform, which constituted an obstacle for the development of the new business. They thus needed to ally with other parties for technology and for mobile content distribution. In addition, different features of mobile content production also made the company rely less on their traditional strengths on content.

Compared with the Internet business venturing in the company, the mobile business venturing had much lower 'resource conditions', mainly due to the incompatibility of the mobile content production with the traditional media content production—the latter was where the company's main strengths laid on.

Therefore, despite a high profile management team for the mobile business venturing, the low level of mobile content production capabilities and distribution capabilities put the general 'resource conditions' for the company's mobile venturing initiative at a relatively low level.

5.4.2.3 Incentives

"What were the major incentives for your company to venture for Mobile Media businesses, and how did the incentives change over time?"

> *The mobile market is exploding and it makes perfect sense for a media company like ours to create a real content destination for the billions of cell phone users around the world.*
>
> *The driving force for us is to stay in the leading position in the growing mobile media market.*
>
> *The speed to this market is crucial, and we composed a partnership relation with VeriSign. VeriSign stands for technological excellence. If we put it together with our strength, it's a pretty interesting combination… This partnership will accelerate our activities…*

The driving force for the early mobile initiative was to stay in the leading position in the growing mobile media market. More recently, with more players joining in the competition, the company wanted to achieve a faster speed to enter into the market, hence they allied with partners for technological excellence. The changes of incentives indicate a move from the direct incentives (for market share) to the indirect incentives (speed to market and to combine the technology and content strengths).

5.4.2.4 Factors Influencing Venturing Organizational Modes

"Do you think the above 'economics conditions' and 'resource conditions' influenced your venturing choice of organizational mode?" "Are there any specific factors you would also mention that had an impact on the choice of venturing organizational mode?

> *Yes. For mobile media, the speed to enter the market is an important factor to consider…*

The respondents agreed that there was a relationship between the 'economics & resource conditions' and the choice of venturing organizing mode. They also added that the speed to enter into the market was an important factor to consider.

5.5 Summary

5.5.1 Summary of the Internet Business Venturing Case

In the case of News Corp's Internet Business Venturing, the overall 'economics conditions' that include the 'level of uncertainty, the specificity of investment, the level of agency costs' were relatively low, due to the company's caution for the Internet venturing, good collaborations inside the organization, and the reduction of conflicting interests between the content production of new Internet business and their traditional media business. In the course of time, the increasing maturity of the

Internet business model and integration of the Internet and traditional business made the 'economics conditions' maintain to be low.

In contrast, the 'resource conditions' that include the managerial capabilities for resource recombination, new media production capabilities and new media distribution capabilities' as identified in the theoretical part, were relatively high, because of the company's high competences to develop new business, the strong entrepreneurial tradition of the company and also, the company's strengths for content production. These 'resource conditions' have also been improved with the time being.

As for the incentives for the Internet business venturing, it is found that changes in incentives moved from the indirect incentives (for business complement) to the direct incentives (for profits) and then back to the indirect incentives (for creating an integrated platform for the consumers) again. These have been summarized in Table 5.1 below.

The low level of 'economics conditions' and high level of 'resource conditions' made the Internet initiative to be more organized in a hierarchical mode at the beginning in News Corp, driven by the indirect incentives of business complementary—the company established the venturing division News Digital Media and its venture capital entity: News Digital Ventures. When there was a shift to the direct incentives to strive for more profits, the company started to invest outside—it made strategic partnership and formed e-Partner and e-Ventures. By so doing, the organizing of Internet venturing activities shifted away from a hierarchical mode to a more market-oriented mode. To complement its different businesses and to build an integrated platform became strategically important for the company again after the Internet bubble burst. Thus, when the company resumed venturing for Internet business, the Fox Interactive Media was created. For the development of FIM, the

Table 5.1 Conditions for the internet business venturing in news corporation

Economics conditions	The company took cautious actions to overcome uncertainties
	The entry barrier to the new media was not high, thus eliminated high specific investment
	The new business collaborated well with the offline media, hence reduced agency costs raised by conflicting interests
	Therefore, the general level of 'economics conditions' was relatively low
Resource conditions	The early Internet initiative was headed by business venturing veterans with high competences in recombining resources
	The company has a strong entrepreneurial tradition, and it values innovation as a key concept for success
	Most content online was reproduced from the offline media, thus the company could utilize its traditional strength on content production
	Internet provides an easier and faster platform to distribute content
	Therefore, the general level of 'resource conditions' was relatively high
Incentives	The primary incentives shifted from the indirect incentives (for business complementary) to the direct incentives (for profit), and moved back to combine more indirect incentives (business complementary and creating an integrated platform for consumers) recently
Specific factors	Leverage competences and complement other businesses

mostly used approach was acquisition, and the venturing activities were mainly organized inside the organizational boundaries through the unit of FIM.

The development of the organizational modes of News Corp's Internet venturing can be related to the theoretical model proposed in the theoretical chapter: the choice of organizational mode for venturing is affected by the 'economics' and 'resource conditions'. In the circumstances when the 'economics conditions' were low and 'resource conditions' were high, News Corp conducted venturing with a more hierarchical-oriented mode while it was primarily driven by the indirect incentives, and with a more market-oriented mode while it was primarily driven by the direct incentives.

Later, as a venturing unit, FIM delived a platform of integrated sites spanning social networking, entertainment, lifestyle, games, sports and information to consumers. It has generated good profits for the company. As a dynamic next generation media group committed to redefining how consumers experience content on the web, FIM has drawn upon the heritage of Fox, serving as a leading media provider, especially for young digital consumers.

5.5.2 Summary of the Mobile Business Venturing Case

For the mobile business venturing in News Corp, the 'economics conditions' that include the 'level of uncertainty, the specificity of investment, the level of agency costs' were relatively high. The fast changing technology and skill sets for mobile venturing and a high competition in the mobile media market raised the level of uncertainty. In addition, the mobile media venturing required much larger specific investment than the Internet venturing in the company, as the production for mobile media content has different criteria from the traditional content, the specificity of investment was raised. Furthermore, the division of labour caused by different features of mobile media content production raised the level of agency costs. Therefore, compared with the Internet venturing, the overall level of 'economics conditions' for the mobile business venturing was relatively high.

On the other hand, the 'resource conditions' that include the managerial capabilities for resource recombination, new media production capabilities and new media distribution capabilities' as indicated in the theoretical model, were relatively low though. Despite a competent management team, the company did not possess capabilities for content distribution via mobile platform. They needed support from technology developers and wireless operators. Meanwhile, different mobile content production also made the company rely less on their traditional strengths on content. Thus, the overall 'resource conditions' were at a relatively low level (see from Table 5.2).

With a high level of 'economics conditions' and a low level of 'resource conditions', News Corporation organized the mobile media venturing activities inside its organizational boundary, driven by the direct incentives to achieve market share. Later, the speed to the market became crucial, thus a market mode of venturing was

Table 5.2 Conditions for mobile media business venturing

Economics conditions	The fast changing technology and skill sets for mobile venturing and a high competition in the mobile media market raised the level of uncertainty
	The production for mobile media content has different criteria from the traditional media content, the specificity of investment was raised
	The division of labour caused by different features of mobile media content production raised the level of agency costs
	Therefore, the general level of 'economics conditions' was relatively high
Resource conditions	Despite a competent management team, the company did not possess capabilities for content distribution via mobile platform. They needed support from technology developers and wireless operators
	In addition, different mobile content production also made the company rely less on their traditional strengths on content production
	Therefore, the general level of 'resource conditions' was relatively low
Incentives	The primary incentives were shifted from the direct incentives (for market share) to the indirect incentives (speed to market and to combine technology and content strengths)
Specific factors	Speed to market

conducted, and a joint venture between Mobile Media Entertainment and VeriSign was formed.

These outcomes echo what was proposed in the theoretical model: the choice of venturing organizational mode is affected by respective 'resource' and 'economics' conditions, and the incentives for venturing also play a role in shifting this choice. In circumstances when the 'economics conditions' were high and 'resource conditions' were low, News Corp conducted venturing with a more hierarchical-oriented mode while it was primarily driven by the direct incentives, and with a more market-oriented mode while it was primarily driven by the indirect incentives.

Chapter 6
NYT Internet Business Venturing

6.1 The New York Times Company: General Information

The New York Times Company (NYTC) was built around the newspaper of the same name. It is a leading media company with 2005 revenues of $3.4 Billion. The company publishes *The New York Times*, *The International Herald Tribune*, *The Boston Globe* and 15 other daily newspapers. In addition, it has approximately 35 Web sites, including *NYTimes.com*, *Boston.com* and *About.com*.

The group's flagship is *The New York Times* newspaper—one of the most prominent American daily newspapers, which has won 94 Pulitzer Prizes. *The New York Times* was established in 1851 and acquired by forbears of the current owners, the Sulzberger family in 1896. In 1851, journalist Henry Jarvis Raymond and banker George Jones founded the *New-York Daily Times* newspaper, and it was renamed to *The New York Times* in 1857. In 1896, Adolph Ochs, publisher of *The Times*, acquired *The New York Times* and in 1897, he coined the paper's celebrated slogan, "*All The News That's Fit To Print*", building it as a quality newspaper. Under his guidance, *The New York Times* achieved an international scope, circulation, and reputation (Berger, 1951).

In 1935, Arthur Hays Sulzberger succeeded the company leadership. Under Sulzberger the *Times* grew steadily in news coverage, financial strength, and technical progress. In a diversification move in 1944, the NYTC purchased New York City radio stations WQXR and WQXR-FM. In 1957, the company split the common stock into A and B common stock, with the B shares, mostly held by the Ochs trust, having voting control over the company. Sulzberger retired in 1961, and Orvil E. Dryfoos was his successor as president and publisher. In1963, Dryfoos was succeeded in turn as president and publisher by Arthur Ochs Sulzberger, who continued in 1991 to lead the NYTC as chairman and chief executive officer.

Since the 1960s, Although Sulzberger made some administrative changes and broadened the scope of the *Times* news coverage, the company continued to earn a

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relatively low profit margin on revenues, partly because of his policy of spending freely for thorough reporting, even to the extent of throwing out advertisements to make room for news. However, under the press of a strike against the paper in 1965, a decision was made to undertake a significant program of diversification. In 1967 the company's book and educational division was enlarged, and in 1968 the *Times* purchased a 51 % interest in Arno Press.

In 1969 the A common stock gave vote for three members of the nine-member board in the company. This action together with a public offering qualified the A stock for listing on the American Stock Exchange. The B stock, which controlled the company, continued to be held mostly by the Ochs family trust. In 1971 the NYTC paid Cowles Communications Company 2.6 million shares of class A stock to purchase substantial newspaper, magazine, television, and book properties, including *Family Circle* and other magazines; a Florida newspaper chain; a Memphis, Tennessee, TV station; and a textbook publisher.

During the 1970s the newspaper's profit margins continued to be under pressure because of competition, especially in New York City suburban areas. Therefore, in 1980 the NYTC paid about $100 million for a southern New Jersey cable television operation. In 1984, the company sold its book publishing operation to Random House, and in 1985 the NYTC spent about $400 million on the purchase of five regional newspapers and two TV stations.

In 1986, another recapitalization converted every ten shares of B stock into nine shares of A and one share of B, with the B stock still controlling the company. Since more than 80 % of the B stock was held by the Ochs trust, this move gave the trustees more liquidity without sacrificing control of the company.

In 1989 the NYTC sold all of its cable TV properties, because it was hard to make progress with cable. Also in 1989 the company acquired *McCall's* magazine, which, together with the acquisitions in 1988 of *Golf World* and *Sailing World*, substantially strengthened the NYTC's magazine group.

Throughout the 1990s, the company bought and sold properties in the areas of print, cable broadcasting, and electronic media because the decline in newspaper readership in the United States was continuing. In 1993, NYTC bought Affiliated Publications, which owned the *Boston Globe* and specialty magazines published by its division: BPI Communications. In 1994, the company sold its one-third interest in BPI, along with a group of women's magazines, including *Family Circle* and *McCall's*, to Germany's Bertelsmann AG.

In 1995, the purchase of a majority interest in Video News International and a video newsgathering company was made. Meanwhile, a return to cable was made when the company bought a minority stake in the cable arts network Ovation and launched two cable news channels in Arkansas.

The company continued to flourish in recent years. Among efforts to increase the appeal of its nationally distributed newspaper, the *New York Times* added new features such as Circuits, a weekly technology section introduced in 1998, which was soon generating about $1 million per month in advertising revenue. In 1999, with the economic boom of the 1990s, the company enjoyed earnings per share growth of 20.5 %; moreover, revenues for 1999 reached an unprecedented $3.1 billion.

Even while the company focused on expansion, it continued to keep a firm grasp on its expenses and its focus on core businesses.

In 1997, the Magazine Group sold off six of its smaller, low-margin publications in order to convert more resources into its high-margin golf publications, especially the award-winning *Golf World*. Although the golf magazines remained popular and profitable, they contributed only 3 % to the company's overall revenue, and by 2000 the company moved to sell off its Magazine Group entirely to Advance Publications, Inc.

To keep pace with the growing Internet economy, in 1999 the company established New York Times Digital, an independent business unit, to oversee the operations of NYTimes.com, then boasting more than ten million registered users. The company adopted what it called a "click and brick" business model, by which it sought to establish synergies between its traditional print media and its electronic offerings, as well as to maximize the revenue potential of the Internet. To this end, in 1999 the NYTC invested $15 million in TheStreet.com, one of the top Internet providers of financial information and investment news and commentary, and a digital publication with whom the *Times* shared a key customer base. The New York Times Digital unit reached profitability in 2002.

Like peers such as the *Washington Post*, the New York Times Company have followed a growing strategy for diversification, buying broadcast and cable television, wood pulp and paper operations, magazines and regional or community newspapers along the way. However, in the process of expanding, the company has been a more enthusiastic practitioner of churn—in many cases it disposed interests after only a year. In September 2006, the company decided to sell all of its television stations.

In July, 2009, the company announced that WQXR was to be sold to WNYC, which moved the station to 105.9 FM and began to operate the station as non-commercial on October 8, 2009. This US$45 million transaction, which involved Univision Radio's WCAA moving to the 96.3 FM frequency from 105.9 FM, ended the Times' 65-year-long ownership of the station.

In December, 2011, The Boston Globe reported that the company would sell its Regional Media Group to Halifax Media Holdings LLC, owners of The Daytona Beach News-Journal, for $143 million. The Boston Globe and The Telegram & Gazette of Worcester were not part of the sale. In 2011, the Times sold Baseline Studio Systems back to its original owners, Laurie S. Silvers and Mitchell Rubenstein, majority shareholders of Project Hollywood LLC.

Facing falling revenue from print advertising in its flagship publication in 2011, The New York Times, the company introduced a paywall to its website. As of 2012, it has been modestly successful, garnering several hundred thousand subscriptions and about $100 million in annual revenue.

In 2013, the New York Times Company sold The Boston Globe and other New England media properties to John W. Henry, the principal owner of the Boston Red Sox. According to the Times Company, the move was made in order to focus more on its core brands.

As one of the largest traditional media titans, the New York Times has been the focus of many studies. David Halberstam's classic *The Powers That Be* (1979) is a picture by the leading US journalist of the company. And his work was complemented by Harrison Salisbury's *Without Fear or Favor*: *An Uncompromising Look at the New York Times* (1981) and Arthur Gelb's *City Room* (2003). Diamond (1993) presented an insightful portrait of the company from a strategic perspective in his book *Behind the Times*. There are also writings by the people who had worked inside the Times, for example, Catledge's *My Life & The Times* (1971), Frankel's *The Times of My Life and My Life with The Times* (1999), Lelyveld's *A Memory Loop* (2005), etc. All these writings showed that the New York Times Company had come a long way from a small brownstone on Nassau Street where Henry Raymond published the first issue of the *New York Times* in 1851. Today, the company's success resulted not only from strong business leadership during much of its history but also from a series of capable publishers, editors, and reporters who built and continued to operate this organization, in print and online.

6.2 New Business Venturing in the NYT

The New York Times Company has been vigorously exploring new business venturing opportunities. It holds a number of minority shares to support the growth of Internet ventures. For example, it has 14 % of shares in *Indeed*, an online search engine for jobs; 13.3 % of shares in Day Life, a new online news company; 8.2 % of shares in *NewsStand*, a provider for digital publications; 8.0 % of shares in Wide Orbit, a provider for advertising infrastructure software to Television and Radio broadcasters, Cable and Digital Display networks and Handheld Video; 3.3 % of shares in FM Publishing, a site supporting independent website authors and audiences; and 2.1 % of shares in RootMarkets, a website that provides an open marketplace for buying and selling consumer intentions (The NYTC, 2006).

Internet venturing had been the major venturing initiative of the company since the 1990s. In early 1995, Steve Luciani, an employee in the information systems department at the company became convinced that the Internet was going to have a tremendous impact on the company's business. His responsibility thus turned to keep an eye on emerging technologies and to ensure the company stay ahead of new trends.

By the middle of 1995, the New York Times Company started to make commitments to the Internet. Interactive media expert Martin Nisenholtz was hired as president of the future New York Time Digital (NYTD)—an Internet venturing division of the company—which at that time was known as the New York Times Electronic Media Company and consisted of a single website: NYTimes.com.

Over the next 4 years, the company steadily increased its investment in its online venturing. Several more websites were created, and online business gradually became a strategic component of the company's portfolio.

"We plan to significantly increase the company's revenues by adding new Internet business…By teaming our traditional print assets with the new digital media, we are pursing a 'click and brick' model and taking full advantage of the synergies that have emerged from the integration of our traditional print business and emerging Internet business," according to Martin Nisenholtz.

To raise more capital for the Internet business, the company filed registration statement with SEC in tracking stock for its Internet venturing division—NYTD at the late 1999. However, the dotcom boom declined fast after 2000 and the Nasdaq fell to half of its peak. As a result, the company withdrew its registration statement at the end of 2000, and the Internet venturing activities had to change the mode of organizing.

The next section will review the start-up, development and transformation of the Internet business venturing in the company.

6.3 Case of Internet Business Venturing

The earliest Internet venturing in the New York Times Company was initiated and organized by a venturing unit, firstly called the New York Times Electronic Media Company, later renamed the New York Times Digital (NYTD). The New York Times Electronics was founded in 1995. In autumn1995 and spring 1996, this venturing unit launched two websites: NYTimes.com and Boston.com; NYTimes.com rapidly reached one million registered users at the end of 1996.

Up to 1997, more than 110,000 people visited the NYTimes.com on the Web each day, making it one of the most visited on-line news sites in the U.S. In 1998, NYTD introduced another site: nytoday.com. In December 1999, NYTimes.com reached ten million registered users.

NYTD's business expanded rapidly by 1999, and the Internet valuations rose dramatically. In March 2000, venture capitalists called an investment of $40 million in NYTD. Senior executives within the company became concerned that insufficient resources were being devoted to developing its Internet business. Even though the ultimate business model for media websites was uncertain, they still felt a straightforwarded "newspaper.com" operation could not possibly take full advantage of the Internet's vast potential.

Therefore, a "tracking stock"—a special class of stock which, in theory, tracked the performance of a division within a corporation—was launched that would enable NYTD to raise capital at Internet valuations, rather than newspaper valuation. The "tracking stock" proposal would move NYTD further from the company's organizational boundary, in order to achieve separate value for the Internet business.

However, the Internet bubble burst soon after the file of this proposal, and the "tracking stock" plan was withdrawn in 2000 due to the bearish market. Instead of moving away from the organizational boundary, Internet venturing activities were still organized inside the organizational hierarchy of the NYTC.

Since 2001, NYTD has operated as a separate segment of the NYTC. It started to distribute content to Yahoo in March 2001. In March 2002, it launched Times News Tracker personalized service on the NYTimes.com. One month later, it started paid personals serves on the Boston.com. At the end of 2002, NYTD launched wireless news service on NYTimes.com to mobile users, partnering with Vindigo Studios. Internet business grew steadily under the architecture of this venturing division. Organized by NYTD, revenues from Internet business increased 22.6 % to $88 million in 2003.

Despite revenue, NYTC started reorganization in 2004. The company changed its reportable segments formerly known as the Newspaper Group and New York Times Digital. NYTD's Internet operation was combined with their related print business, creating the News Media Group. The organizational mode for Internet business thus transformed, moving towards a more hierarchical direction; and Internet business was becoming closely integrated with company's print media. The aggregation of the company's print and digital business in this manner has reflected the company's new organizational structural change and its business strategy, responding to a trend of media convergence.

6.4 Analysis

To understand the choices and changes of venturing organizational modes in the New York Times Internet business venturing case, empirical studies were conducted in the company, and questions were asked about the 'economics conditions' and 'resource conditions' associated with the venturing initiative, incentives for venturing and specific factors influencing venturing organizational choices.

While conducting empirical study, direct observation was made in the New York Times Company's office in New York. In addition, relevant company documents were reviewed and information about the company was retrieved from websites and related publications. The following section presents the questions and answers from the interviews. The analyses indicate that the development of Internet business in the New York Times Company has seen the transformation of organizational modes for new business venturing moving from a hierarchical mode to a more market-oriented mode, then back to the organizational boundary again.

6.4.1 The 'Economics Conditions'

"When the company started the Internet Venturing initiative, how were the general 'economics conditions' associated with the venturing business?

> [*At that time*,] *clearly the business model for making money on the Internet was still evolving*, *but what was apparent was that Internet use*, *advertising and commerce were enjoying explosive growth. We invested in new Internet ventures as we believed it would increase in value in the years to come*.

In the case of Internet business venturing in the New York Times Company, the new Internet initiative emerged during Internet market boom. “Competitors were investing heavily in their online operations, and Investors were throwing money at anything with growing revenue, regardless the expenses”, according to the respondent. The company believed that the value of the new Internet business would increase in the years to come, and their confidence in market had helped to resist the uncertainties.

> *The early Internet business cooperated well with our print media: most content online was reproduced from print, and they also shared some resources such as newswriting, reporting and editing.*
>
> *This cooperation and collaboration helped to lower the level of agency costs…*

The new Internet business shared resources for content creation and production with the traditional media sections. Meanwhile, there was no high specific investment for Internet business, due to the comparatively low barrier to enter into the Internet business. The company was pursuing a ‘click and brick’ model for new business, and they tended to integrate the traditional print business with the emerging Internet business. The integration helped to reduce the agency costs.

The situation of the NYTC’s Internet business venturing was very similar to News Corp’s Internet venturing, the integration of the new and traditional media content production had lowered the economic costs raised by the new business. Despite some uncertainties associated with the new business development, the general level of ‘economics conditions’ for the NYTC’s Internet business venturing was still relatively low.

6.4.2 The ‘Resource Conditions’

“When the company started the Internet Venturing initiative, how were the general ‘resource conditions’ associated with the venturing business?

> *The [managerial] capabilities for resource recombination are high in the company. We have a long history of developing diversified businesses, and we are good in diversifying our portfolio and in developing new initiatives.*
>
> *The culture environment of the company is embedded with the spirit of innovations and entrepreneurship. We have a high willingness to explore new business fields.*

From the resource perspective, the company had a long history of developing diversified business. The cultural environment of the company was embedded with the spirit of innovation and entrepreneurship, and managers had high willingness to explore new business fields. The management team that started the new Internet business boosted capabilities for resource recombination; and a number of experts, such as interactive media expert Martin Nisenholtz, were hired to lead the new business development.

> *The company has built many media specific capabilities through the way of developing; we have strong capabilities in media content production and distribution. We also possess strong repurposing expertise and content transfer expertise.*

In addition, as one of the most successful traditional media companies, the NYTC had strong capabilities in media content production and distribution, as well as high repurposing expertise and content transfer expertise. These capabilities and strength could be stretched largely to the new Internet business due to similar content production features. Therefore, the overall 'resource conditions' were relatively high for the company to start the Internet media business venturing.

6.4.3 Incentives

"What were the major incentives for your company to venture for Internet businesses at the beginning, and how did the incentives change over time?"

> *The major incentive for the new Internet business venturing was to team our traditional print assets with Internet. We seek to purse a 'click and brick' model and take full advantage of the synergies emerged from the integration of traditional and digital businesses.*
>
> *At the time when we filed the stock registration, we hoped to value separately our growing Internet business. But* [*the*] *market* [*at*] *that time suddenly turned to be bearish on Internet companies, regardless of how well they were performing. We had to withdraw our registration statement; otherwise our new business would not receive the valuation it deserved.*
>
> *Now we focus on balancing our company's portfolio with new business, and we make the new business expanding be consistent with our core purpose and core products. We hope to leverage our core competencies with new businesses, while limiting our operating risks…*

As for the incentives, the early incentive for the Internet business venturing was to team the company's traditional print assets with Internet to pursue a 'click and brick' model, taking full advantage of the integration of traditional and digital business (the indirect incentives). By 1999, more value was expected from the Internet business, therefore the tracking stock registration was filed (the direct incentives for profits). The registration was withdrawn mostly due to the bearish Internet market at that time. Currently, the company's digital business strategy focuses on balancing company's portfolio with the new business, and leveraging the company's core competences with the new business (the indirect incentives).

6.4.4 Factors Influencing Venturing Organizational Modes

"Do you think the above 'economics conditions' and 'resource conditions' influenced your venturing choice of organizational mode?" "Are there any specific factors you would also mention that had an impact on the choice of venturing organizational mode?

> *Yes. For example, the trend for media convergence, changes of regulatory environment and changes in the industry would all affect this organizational move.*

The interviews found that there was a relationship between the 'economics & resource conditions' and the venturing organizational modes. The specific factors that influenced the venturing organizational choices they referred to include a trend for media convergence, changes of regulatory environment and changes in the industry.

6.5 Summary

For the Internet business venturing in the NYTC, the level of 'economics conditions' that include the 'level of uncertainty, the specificity of investment, the level of agency costs' was relatively low. The company believed that the Internet venturing would increase in value in the years to come; the confidence on the market had helped to resist some uncertainties. And, the early Internet business cooperated well with the print media: most content online was reproduced from print; they shared resources such as news-writing, reporting and editing. The good cooperation and collaboration had helped to lower the level of agency costs.

In contrast, the level of 'resource conditions' that include the managerial capabilities for resource recombination, new media production capabilities and new media distribution capabilities' as identified in the theoretical part, was relatively high. The company enjoyed a long history of developing diversified business, and it possessed rich experiences in developing new initiatives. The cultural environment of the company was highly entrepreneurial, which promoted innovation in the company. Most importantly, the long history of the company had built its media specific capabilities of content production and distribution (see from Table 6.1).

The low 'economics conditions' and high 'resource conditions' affected the venturing organizational modes. Therein, the Internet venturing activities were organized in a hierarchical mode at the beginning, driven by a competence-development incentive. Then the venturing activities moved to be more market-oriented, striving for value from the Internet business. The consequence was that NYTD sought track in stock in 1999, intending to operate as a separate venturing entity. However, the registration statement was withdrawn due to Internet market uncertainties. Recently, the trend of media convergence has made another organizational shift: the company started to consolidate its Internet business venturing, binding it more closely with its core business; therefore, the company dropped NYTD as a reportable segment, instead, combining NYTD's digital operation with their related businesses.

These developments can be linked to the theoretical framework proposed in the previous part that both the 'economics' and 'resource' conditions affect the mode of venturing. In the circumstances when the 'economics conditions' were low and 'resource conditions' were high, the NYTC conducted venturing with a more hierarchical-oriented mode while it was mainly driven by the indirect incentives, and with a more market-oriented mode while it was mainly driven by the direct incentives.

Table 6.1 Conditions for Internet Business Venturing in the NYTC

Economics conditions	Despite uncertainties, the company believed that the Internet venturing would increase in value in the years to come
	The early Internet business cooperated well with the print media: most content online was reproduced from the print, and they also shared some resources such as news writing, reporting and editing
	The cooperation and collaboration helped to lower the level of agency costs
	Therefore, the general level of 'economics conditions' was relatively low
Resource conditions	The company had a long history of developing diversified business, and it possessed rich experiences in developing new initiatives
	The culture environment of the company was embedded with the spirit of innovation and entrepreneurship, having a high willingness to explore new business fields
	The company had built many media specific capabilities through its way of development, including the media content production and distribution capabilities
	Therefore, the general level of 'resource conditions' was relatively high
Incentives	The primary incentives shifted from the indirect incentives (competence-development) to the direct incentives (Internet valuation) then to the indirect incentives again (to combine the digital operation with related businesses and to respond to the trend of media convergence)
Specific factors	Media convergence, changes of regulatory environment and changes in the industry

As it insisted in the past decades, the NYTC has been firmly and closely focused on their key newspaper business, despite some efforts of diversifying into other business along the way. The news digitalization is an irrevocable trend in today's media society; therefore, to digitalize and to go to the web is not a question of whether or not for the NYTC but a challenge of when and how. The past years have seen the NYTC actively developing the new Internet media business, and also using the organizational structure as a tool leveraging the development of the new business. In the future, more organizational decisions need to be made by company managers in order to take various opportunities arising from the changing industry, and the venturing organizing issues will remain to be central to consider.

Chapter 7
FiOS TV and Online Gaming Venturing

7.1 Verizon: Company Information

Verizon Communications Inc., based in New York and incorporated in Delaware, was formed on June 30, 2000, with the merger of Bell Atlantic Corp and GTE Corp. Verizon began trading on the New York Stock Exchange (NYSE) under the VZ symbol on Monday, July 3, 2000. The company name Verizon was derived from two words: *veritas* and *horizon*. The Latin word *veritas* connotes the meaning of certainty and reliability, and *horizon* signifies forward-looking and visionary.

While Verizon is a newly formed company, the mergers that created Verizon were many years in the making, involving companies with roots that can be traced to the beginnings of the telephone business in the late nineteenth century.

7.1.1 The Bell Atlantic and GTE Merger

The mergers that formed Verizon were among the largest in the U.S business history, culminating in a definitive merger agreement, dated July 27, 1998, between Bell Atlantic, based in New York City, and GTE, which was in the process of moving its headquarters from Stamford, Conn., to Irving, Texas (Bradbury & Kelion, 2000; Scot, 2001).

Prior to the merger, GTE was one of the world's largest telecommunications companies, with 1999 revenues of more than $25 billion. GTE's National and International Operations served approximately 35 million access lines through subsidiaries in the United States, Canada and the Dominican Republic, and through affiliates in Canada, Puerto Rico and Venezuela.

In addition, GTE was a leading wireless operator in the United States, with more than 7.1 million wireless customers and the opportunity to serve 72.5 million potential wireless customers. Outside the 50 states, GTE operated wireless networks

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serving approximately 6.7 million customers through subsidiaries in Argentina, Canada and the Dominican Republic, and affiliates in Canada, Puerto Rico, Venezuela and Taiwan.

GTE provided internet working services, ranging from dial-up Internet access for residential and small-business consumers to Web-based applications for Fortune 500 companies. GTE was also a leader in directories and telecommunications-based information services and systems.

Bell Atlantic was even larger than GTE, with 1999 revenues of more than $33 billion. Its Domestic Telecom unit served 43 million access lines, including 22 million households and more than 2 million business customers. Its Global Wireless unit managed one of the world's largest and most successful wireless companies, with 7.7 million Bell Atlantic Mobile customers in the United States, and international wireless investments in Latin America, Europe and the Pacific Region.

Bell Atlantic's Directory Services was the world's largest publisher of directory information, including operations in Europe. Bell Atlantic's International unit included a mix of mature and start-up wireline telecommunications investments in Europe and the Pacific Region.

The Bell Atlantic – GTE transaction was valued at more than $52 billion at the time of the announcement. The merger was designed to join Bell Atlantic's network in 13 states from Maine to the Virginias with GTE's national data communications capabilities and long-distance expertise, in order to create a combined company with the scale and scope to compete as one of the industry's top-tier companies. This combined company would be able to provide long-distance and data services nationwide as part of a full package of other communications services, subject to regulatory restrictions.

The merger closed nearly 2 years later, following review and approvals by Bell Atlantic and GTE shareowners, 27 state regulatory commissions and the Federal Communications Commission (FCC), and clearance from the U.S. Department of Justice (DOJ) and various international agencies.

In the meantime, Bell Atlantic and London-based Vodafone AirTouch Plc (now Vodafone Group Plc) announced on Sept. 21, 1999, that they had agreed to create a new wireless business with a single brand and a common digital technology. This wireless joint venture received regulatory approval after 6 months. The new "Verizon" brand was launched on April 3, 2000, and the wireless joint venture began operations as Verizon Wireless on April 4. GTE's wireless operations also became part of Verizon Wireless. These have created the country's largest wireless company. Verizon then became the majority owner (55 %) of Verizon Wireless, with management control of the joint venture.

Verizon Communications was added to the Dow Jones Industrial Average in April 2004. The company continues to have a nationwide presence in wireline and wireless markets, with more than 100 million Americans connecting to a Verizon network daily.

Till 2006, Verizon's wireline network included more than 48 million wireline access lines and more than 5 million broadband connections nationwide. Over 1.5 billion phone calls and trillions of bits of data were being carried over this nationwide network on an average business day. Verizon's wireline network also included approximately 9.3 million miles of local, inter-city and long-distance fiber-optic systems—more than any U.S. local or long-distance company.

Meanwhile, Verizon Wireless owned and operated the nation's most reliable wireless network. By 2006, Verizon Wireless served more than 51 million customers in 49 of the top 50 U.S. markets. Verizon's wireless network is 100% digital, with more than 160 switching facilities and 23,000 cell sites nationwide (Encyclopedia, 2006; The History of Verizon, 2006).

7.1.2 The MCI Merger

On Feb. 14, 2005, Verizon announced that it had agreed to acquire MCI, Inc., in a move to enhance Verizon's ability to deliver the benefits of converged communications, information and entertainment across the country and around the world. The merger closed on Jan. 6, 2006, in a transaction valued at approximately $8.5 billion.

Following this transaction, Verizon had approximately $90 billion in annual total consolidated operating revenues and approximately 250,000 employees, serving customers in more than 140 countries. Now Verizon operates three network-based businesses: Verizon Wireless, operator of America's largest wireless network; Verizon's wireline segment (Domestic Telecom), which is deploying the wireline broadband and video network in America; and Verizon Business, which includes many former MCI operations and serves medium and large business and government customers (Encyclopedia, 2006).

7.1.3 A Contemporary Telecom Giant That Promotes Dynamic Competitions

The MCI merge, together with other merges the company made have led some people to raise concerns whether these transactions would impair telecom competition and hurt consumers (e.g. Pociask, 2004). However, there are many others arguing that these claims are based on an economic model of static competition that has no relevance to the supply of today's telecom services (Wagner et al., 2005).

Today, technology is intensely dynamic in telecom. In such a dynamic environment, producers are continually developing new technologies and creating new products. Thus, competition is an active process of trying to create product offerings and forms of commercial enterprise that will result in the highest value of service to customers (Potts, 2000). To this end, the merger between Verizon and MCI, together with other mergers would obviously reduce the number of competitors in the provision of telecom services, but this reduction has nothing to do with monopolization;

instead, it has everything to do with being an active competitor in seeking better ways of delivering valued services to consumers, and it is through doing this that commercial success comes (Wagner et al., 2005).

In 2006, Verizon and Motorola partnered to bring its customers home DVR access, which allowed viewers to record and watch television programs simultaneously. *The Wall Street Journal* speculated:

> *Verizon Communications Inc. is fielding offers for* [*sale*] … *of traditional telephone lines … part of the New York-based phone giant's strategy to delve deeper into the wireless and broadband arenas, while getting out of the traditional phone business in U.S. areas that aren't slated for fiber upgrades … Verizon also has been shopping a package dubbed "GTE North" that comprises about 3.4 million access lines in former GTE Corp. territories in Indiana, Illinois, Ohio and Michigan.*

In July 2007 Verizon released FiOS 2.0, which enabled customers to use widgets, allowing for more interactivity of the service. Verizon announced in January 2008 that one million people subscribed to the service. That same year, Verizon FiOS expanded its HD channel selection to over 150 HD channels. Price increases were announced in April 2008, when FIOS was available to (not necessarily subscribed by) 6.5 million households. In January 2009, FiOS was available to 12.7 million homes, with about 2.5 million subscribing to the Internet service. As of June 2009, Fios Internet had 3.1 million customers. Estimates on December 31, 2009, were 3.4 million Internet customers and 2.86 million for FIOS TV, with availability down to 12.2 million premises.

Following relatively low financial return for the wider company in early 2010, Verizon announced in March 2010 that it was winding down its FiOS expansion, concentrating on completing its network in areas that already had FiOS franchises but were not deploying to new areas, which included the cities of Baltimore and Boston, which had not yet secured municipal franchise agreements. Doug Michelson, an analyst at Deutsche Bank, concluded that "Verizon has been overspending to acquire FIOS customers". Some viewed the halt in expansion as a violation of Verizon's agreements with some municipalities and states, since Verizon has collected revenue to deploy infrastructure upgrades that never occurred.

In April 2010, Verizon announced that three million people were subscribed to Verizon FiOS. In July 2010, estimates were 3.8 million FiOS Internet subscribers and 3.2 million TV subscribers, with availability to 15 million homes. In May 2013, Verizon announced it had passed 18 million homes with FiOS and 5 million customers.

In April 2015, Verizon announced that it added 133,000 new FiOS Internet connections and 90,000 net new FiOS Video connections in Q1, taking its total subscriber base to 6.75 million and 5.74 million, respectively. At present, Verizon is served as a contemporary telecom giant, and it is continuously striving for new business success that may sustain its leading position.

7.2 New Business Venturing in Verizon

Since its founding, Verizon's strategy has been to differentiate itself from peer companies through innovation. This strategy has provided a platform for the company to develop a variety of new services and applications not available using their traditional production lines. New business venturing has been an approach for Verizon to foster innovation and to catch the opportunities brought by the innovation.

In recent years, one of the major new business initiatives for the company has been the FiOS program, therein the company ventured into FiOS TV. The TV business was outside the core business lines of Verizon—a company that is primarily operated as a network-based telecommunication enterprise. However, starting from several years ago, Verizon initiated FiOS program, and FiOS TV was launched in 2005.

Verizon FiOS TV is an innovative broadband TV service delivered over fiber-to-the-premises network. According to the company, FiOS TV was designed to compete with cable and satellite and to win. The fiber network supporting FiOS TV can provide high-resolution pictures and sound, and has the capacity to transmit a wide array of high definition programming. The fiber optics have been employed for many years in phone companies' core networks, but copper cables have been used to connect individual homes and businesses to the companies' fiber facilities. Verizon was the first company to innovatively use fiber to directly connect homes and businesses on a widespread scale.

With the new FiOS TV service, Verizon may offer customers an interactive programming guide. Customers can use the digital video recorder (DVR) to control their viewing experience, to record, pause and rewind programs. Customers can also use the library of video on demand (VOD) titles to watch whatever and whenever they want. Starting as an emerging business some years ago, the FiOS TV now has become one of the fastest growing businesses in the company, playing an increasingly important role in the company's revenue scheme.

In addition to the TV business, Verizon has also ventured into online gaming business in recent years. In May 2006, Verizon invested in the online game company Super Computer International (SCI), a company that hosts online games for multiplayer video-game developers and publishers. The two companies started to jointly develop the next-generation of online game browser called PlayLinc.

In September 2006, Verizon launched the Verizon Game Service, which includes the Verizon Game Network, a service developed for serious gamers, and Verizon Games on Demand, a service for casual gamers that allows them to rent or buy games. This online gaming business venturing is a part of Verizon's overall strategy to establish a relationship with a large community of gamers. The company believes that the increasing number of gamers will fuel business opportunities for Verizon, including digital distribution of games, in-game and on-site advertising, promotion of other Verizon service, and increased adoption of Verizon's broadband services.

"While it may seem strange that Verizon, born out of the 100-year telephone industry, would get into online games," said by Mitch Dornich, Senior Manager of Verizon Game Service. "It actually fits well into the company's strategy. As Verzion loses its traditional local-access telephone lines at a rapid pace, the company has been focusing on growing new business."

Fostering new business to sustain the company's future competitive advantage has been an important component in Verizon's strategy. For years, this strategy has incubated a number of venturing initiatives in the company. Among these venturing practices, new business activities were organized with different modes in order to adapt to respective organizational conditions. To understand the rationales behind, the next section will focus on two venturing cases of the company: FiOS TV venturing and Online Gaming Business Venturing.

7.3 Two Cases: FiOS TV Venturing and Online Gaming Business Venturing

7.3.1 Case 1: FiOS TV Venturing

The earliest initiative of FiOS venturing emerged in January 2002, when Verizon and developers in Loudon County, Virginia, announced a fiber to the home project, wiring all new homes in the community with fiber-optics instead of copper wire as they were built. The project provided an opportunity for Verizon to use fiber optics to provide voice, data and video services all the way into homes.

In May 2003, Verizon developed the common technical standards for technology known as *fiber to the premises*, or FTTP. This technical development paved the way later in the year to manufacturers of equipment that could be used in FTTP networks.

In November and December 2003, Verizon selected eight primary equipment suppliers for its planned FTTP deployment, and the production started from the beginning of 2004. In May 2004, Verizon selected Keller as the first community for the company's first deployment of FTTP. Two months later, Verizon held simultaneous news conferences in Huntington Beach, Calif., and Tampa, Fla. to announce FTTP deployments in those states. The company also conducted a national dial-in news conference to announce pricing for what were known as FiOS broadband products. In September 2004, Verizon began selling its first FiOS broadband products to consumers in Keller, Texas. One month later, the company expanded deployment of its FTTP to six additional states in the east: Delaware, Maryland, Massachusetts, New York, Pennsylvania, and Virginia. In September 2005, Verizon launched FiOS TV in Keller, Texas, and said that the service would be offered across the company's footprint in the future. By the end of 2006, Verizon's fiber network had passed three million homes and was deployed in close to 800 communities in more than half the states that they served.

Now, FiOS TV offer over 400 all-digital channels, more than 20 high-definition channels and 2,000 video-on-demand titles. Delivered over a fiber network, FiOS TV can offer sharp pictures for the audience. Starting as an innovative venturing business, today Verizon FiOS TV has become a platform for long-term growth of the company, transforming its business around and expanding opportunities in broadband and multimedia fields.

The FiOS TV initiative was started inside Verizon, and since then the company has accommodated the development of FiOS TV inside its organizational boundary. Through several years of development, now FiOS network is increasingly demonstrating its future growing potentials. And it is becoming one of the company's major next-generation products, on the path to achieve Verizon's sustainable success.

7.3.2 Case 2: Online Gaming Business Venturing

In October 2002, Verizon Online started their game business, partnered with WildTangent's games, a technological deliverer for CD-ROM quality games. Verizon Online that time was a full-service Internet Service provider, offering dial-up, DSL and dedicated Internet access services for residential consumers and small and mid-sized business. The main purpose of this game service was to provide the value-added offerings to the Verizon online customers. After the agreement with WildTangent, Verzion expanded the cooperation with Real Arcade and CNET Network Inc., to provide extended game content and services through its Gamespot site.

In May 2006, Verizon acquired a stake in Super Computer International (SCI) to increase its presence in online video gaming market. A primary focus of the Verizon-SCI relationship is to the deployment of a next-generation, online game browsing and messaging platform called PlayLinc that will give gamers more control over their multiplayer gaming interactions. Verizon's relationship with SCI has helped two parties to speed the development and distribution of an advanced online gaming platform with capabilities. The companies hope that they can bring together Verizon's strengths in broadband, the Internet, communications and mass marketing with SCI's state-of-the-art gaming technologies and expertise to create an entirely new experience for the online gaming community.

Verizon has a significant opportunity through PlayLinc to not only gain revenue through avenues such as in-game advertising and digital distribution of games, but also attract high-value gaming customers to its fiber-based FiOS Internet and TV services. PlayLinc can be used with any broadband connection, but customers of Verizon's fiber-based FiOS Internet service will benefit from the power of a high-speed fiber connection directly into their homes.

> *Competing on PlayLinc over a FiOS connection is like driving a Formula One race car instead of your mom's sedan*," said online gaming champion Micah Ernst, who recently used the Verizon online gaming service. "*The speed was incredible, and lag was virtually non-existent. It's an amazing experience.*

To develop the game business, Verizon started with allying different game program deliverers such as CNET and Wild Tangent. Later, with the growing of the game business, Verizon decided to buy stakes in SCI to jointly develop program and content. With an intention to develop the game services powered by the FiOS broadband capacities, the company has been cooperating with different partners, and the venturing activities has been mostly conducted in the market-oriented modes, by partnering with other companies.

7.4 Analysis

To collect data for the empirical study, interviews were made in Verizon, in addition, company documents were reviewed, and relevant information were retrieved from the company's website and related publications.

7.4.1 Analysis of the FiOS TV Venturing

7.4.1.1 The 'Economics Conditions'

"When the company started the FiOS TV initiative, how were the general 'economics conditions' associated with the venturing business?

> *There are uncertainties to develop FiOS program: legal permission, local business barriers and there are many things to consider.*

> *Challenges also come from the market, customer requirements are changing. It is a time [which] we call a paradigm change. It is affecting companies over there.*

The development of FiOS program was associated with high uncertainties. Some uncertainties came from the legal environment: the company had to get legal permission from the government to build the new business, and also the FiOS TV services would have risks of being resisted by some local cable companies. In addition, the new FiOS business required a different business model, and customer requirements were changing, adding more uncertainties to the new business.

> *The (specificity) of investment was high for the FiOS program. We replaced the traditional copper material with the fiber optics, the investment of such business is tremendous.*

> *The level of (agency) costs was also high. FiOS TV is a totally new program, it requires different types of expertise and skill sets. It may also raise (agency) costs.*

The FiOS initiative required a large amount of investment, as the new service would replace the copper material with more costly fiber optics, the level of specificity of investment was high. Moreover, different type of expertise and skill sets required by the new FiOS business raised the level of agency costs that brought by agents for different productions. Therefore, the overall 'economics conditions' for the FiOS initiative were relatively high.

7.4.1.2 The 'Resource Conditions'

"When the company started the FiOS TV initiative, how were the general 'resource conditions' associated with the venturing business?

> *The managerial capabilities for resource recombination are high (in the company). Verizon was formed through mergers and acquisitions, through innovations, and through continuously creating new business opportunities. Our management team has high expertise in combining our competences with new businesses.*

From the resource aspect, Verizon was formed through a series of mergers and acquisitions, and innovation was the base of the company's strategy. The management team had high expertise and experiences in developing new business and recombining new resources—many of them had served long for the industry, and had experienced a number of new business explorations through the way of the company's development.

> *We have also high technological competences for FiOS. We have a very professional team working for FiOS. And our experiences from the traditional voice business network building help us to reinforce our production and distribution capabilities for the FiOS business…*

Meanwhile, the company's strengths and advantages in network building had reinforced the production and distribution capabilities of the new FiOS business. Thus, the level of FiOS business production and distribution capabilities was relatively high.

7.4.1.3 Incentives

"What were the major incentives for your company to venture for FiOS TV?"

> *Our incentives for new business are the market growth, new revenue, new growth opportunities, etc. Those are the primary drivers from the strategy point of view…*

> *We are looking at new growth opportunities. The reason of why is actually somewhat simple. The voice business is a very mature business. The growth opportunity of the traditional voice business is very low. Obviously, companies want to continue to grow and expand. The voice business is growing steadily; this is allowing us to take the cash from it and to invest in growth opportunities like FiOS program.*

It is reflected from the above answers that the incentives for the FiOS business were mostly market growth, new revenue and new growth opportunities, in order to compensate the mature voice business.

7.4.1.4 Factors Influencing Venturing Organizational Modes

"Do you think the above 'economics conditions' and 'resource conditions' influenced your venturing choice of organizational mode?" "Are there any specific factors you would also mention that had an impact on the choice of venturing organizational mode?

> *Yes, these internal and external factors would affect our decision. On the other hand, for a new business initiative like FiOS, what I would stress is that, the regulatory environment and the competition in the industry are somewhat major factors to consider.*

7.4.2 Analysis of the Online Gaming Business Venturing

7.4.2.1 The 'Economics Conditions'

"When the company started the Online Gaming Venturing initiatives, how were the general 'economics conditions' associated with the venturing business?

> *The most different thing is that the investment required by the gaming business is much lower.*

> *Basically, we do what we are doing best, so we focus on the network service side of the gaming business, which avoided big investments and costs.*

Comparing with the FiOS venturing, the specificity of investment in the case of online gaming business venturing was much lower. The company basically focused on the network service side of the gaming business, thus avoided large specific investment and agency costs. Though there was also competition and uncertainties associated with the new gaming business development, considering the low level of specificity of investment and agency costs required by the new business, the general level of 'economics conditions' was relatively low.

7.4.2.2 The 'Resource Conditions'

"When the company started the Online Gaming initiative, how were the general 'resource conditions' associated with the venturing business?

> *We have strengths on network services, not the content generation and production. And we want to stay with our core competences at this case ….*

From the resource side, the company's core competences are distributed on the network services, whilst the content generation and production capabilities for online gaming were comparatively low. The company basically stayed with their core competences, thus the general level of 'resource conditions' for the online gaming business venturing was relatively low as well, especially compared with the FiOS business venturing in the company.

7.4.2.3 Incentives

"What were the major incentives for your company to venture for Online Gaming?"

> *We have a very good value proposition in the network experiences. The incentive for us is to generate more value from our network. It is the major driving force for us.*

7.4.2.4 Factors Influencing Venturing Organizational Modes

"Do you think the above 'economics conditions' and 'resource conditions' influenced your venturing choice of organizational mode?" "Are there any specific factors you would also mention that had an impact on the choice of venturing organizational mode?

> *I would say it is how to best generate value from our network, these also affect our choices…*

7.5 Summary

7.5.1 Summary of the FiOS TV Venturing Case

To sum up, the overall 'economics conditions' that include the 'level of uncertainty, the specificity of investment, the level of agency costs' for the FiOS TV venturing were relatively high. There was a high level of legal uncertainties: the company had to get legal permission from the government to build the new business, and the FiOS TV services would have risks of being resisted by some local cable companies. Meanwhile, the new business called different business model which increased the level of uncertainty. Moreover, the new business required a high level of specificity of investment due to the replacement of the costly fiber optics. And agency costs were also raised, owing to the demand for different agents of expertise and skill sets for the new business.

In contrast, the 'resource conditions' that include the 'managerial capabilities for resource recombination, new media production capabilities and new media distribution capabilities' were also at a high level, due to Verizon's capabilities for innovation, expertises from the management team, and the company's strengths and advantages in network building (see from Table 7.1).

Table 7.1 Conditions for FiOS TV venturing

Economics conditions	The development of FiOS program was associated with legal uncertainties, as the company was required to receive permission from government to build the new business
	The new initiative required different business model, and customer requirements were changing, adding more uncertainties to the new business
	The specificity of investment was extremely high, as the new service would replace the copper material with the more costly fiber optics
	Different type of expertise and skill sets also raised the agency costs that can be brought by the division of different productions
	Therefore, the general level of 'economics conditions' was relatively high
Resource conditions	Verizon was formed through a series of mergers and acquisitions, and innovation is the base of the company's strategy
	The management team had high expertise in developing new business and resource combination
	The company's strengths and advantages in network building reinforced the production and distribution capabilities of the new FiOS TV business
	Therefore, the general level of 'resource conditions' was relatively high
Incentives	Market growth, new revenue and new growth opportunities
Specific factors	Changes of regulatory environment and competition in the industry

With the relatively high 'economics conditions' and 'resource conditions', the business venturing of FiOS TV had been organized inside the organizational boundary mostly with the hierarchical mode. This organizational choice corresponds to what suggested by both the IO and RBV discussed in the previous chapter—that high 'economics conditions' and 'resource conditions' would make the venturing organizational modes to be more internally-oriented.

7.5.2 Summary of the Online Gaming Business Venturing Case

In summary, the 'economics conditions' that include the 'level of uncertainty, the specificity of investment, the level of agency costs' were relatively low for the online gaming business venturing in the Verizon. The specificity of investment was much lower for online gaming venturing, especially compared with the FiOS venturing. Also, the company planned to merely focus on the network service side of the gaming business, maintaining a low agency cost. Though there was competition and uncertainties associated with the new gaming business development, considering the low level of specificity of investment and agency costs required by the new business, the general 'economics conditions' were still relatively low.

Table 7.2 Conditions for online gaming business venturing

Economics conditions	The specificity of investment was much lower for online gaming venturing, compared with the FiOS venturing
	The company basically focused on the network service side of the gaming business, thus avoided large specific investment and agency costs
	Therefore, the general level of 'economics conditions' was relatively low
Resource conditions	The company's core competences centered on the network services, and it basically stayed with its core competence
	The company didn't possess game content generation and production capabilities
	Therefore, the general level of 'resource conditions' was relatively low
Incentives	To generate more value from the company's strong network capabilities
Specific factors	To best generate value from the company's strong network

On the other hand, the level of 'resource conditions' that include the managerial capabilities for resource recombination, new media production capabilities and new media distribution capabilities' was relatively low as well, as the gaming business was not the core competencies of the company, and the company did not possess much game content generation and production capabilities (Table 7.2 summarizes the above conditions).

Therefore, the low 'economics & resource conditions' drove the company to the market while venturing for the online gaming business. Verizon conducted a number of partnership relations with gaming content production companies, and it also acquired stakes in other companies in order to strength their online gaming abilities.

The respondents agreed that the 'economics & resource conditions' influenced the choice of organizational mode for venturing. In the case of Verizon's online gaming business venturing, the low 'economics conditions' and 'resource conditions' made the company to mainly select the market mode for their business venturing, by establishing joint cooperation relationships with other companies—these support the theoretical model presented in the theoretical chapter.

Currently, Verizon online gaming business is continually leveraging game content and marketing it to new untapped audience benefits service providers, game publishers and end-users alike (Extent, 2006). The FiOS broadband business is also rapidly expanding its service areas and coverage in order to meet new customer demands. The aim of the company is to have FiOS TV customers in three million to four million homes by 2010.

The advance of technology has destroyed the once sharp distinctions among phones, televisions and computers. With the transmission of voice, data and video becoming increasingly integrated, traditional phone companies are now competing with cable companies such as Comcast, Cox, and Time Warner, as well as with computer-oriented companies such as Intel, Microsoft, and Yahoo. These environment changes have rendered obsolete some long-standing notions about market boundaries (Wagner et al., 2005). Therefore, to explore more integrated new media services outside the traditional telecom provision of services is a strategy for future success. To pursue such a strategy, telecom companies need to continually adjust their organizational profiles as new technologies and products emerge. The changes of organizational profiles move hand in hand with the changes of ways to organize, thus more organizational structural challenges are confronted with media managers in the way ahead, and the proposed ‘economics & resource conditions’ are valuable parameters to consider while decisions and choices are being made.

Chapter 8
Mobile Distributing Consumer Media Venturing

8.1 YouTube: Company Information

YouTube is a young but fast growing consumer media company. It grew from a website, YouTube.com that was created for people to watch and to share video content. Now it has become one of the most popular media entertainment websites worldwide with millions of people visiting it everyday.

YouTube.com was founded by Chad Hurley, Steve Chen, and Jawed Karim in 2005. All the three founders of the company were early employees of PayPal (Graham, 2005). After a dinner party in January 2005, they found it was hard to find a proper site to share with their friends the video they took in the party. So there came the idea of creating a website for video uploading and downloading. "YouTube.com" was activated on February 15, 2005, and the website was developed quickly over the following months. The founders offered the public a preview of the site in May 2005, and 6 months later, YouTube made its official debut.

Similar to many other technology start-ups, YouTube was started as a small enterprise in an inexpensive garage. In November of 2005, venture capital firm Sequoia Capital invested an initial \$3.5 million in YouTube (Scott, 2006). Additionally, Roelof Botha, partner of the firm and former CFO of PayPal, joined the YouTube board of directors. In April 2006, Sequoia put an additional \$8 million into the company, and YouTube immediately witnessed a boom of popularity and growth in just its first few months of operation.

To grow its business and also to protect the company from the threat of copyright-infringement (Veiga, 2006), YouTube started to form strategic alliances with big content production media companies. In April 2006, YouTube allied with G4 to bring entertaining video content to their audiences. The alliance brought, for example, G4's interactive series "Star Trek 2.0" to YouTube, using the stop-motion animation.

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In June 2006, YouTube allied with NBC to promote NBC's Fall program lineup and other preferred shows over the next year (Wallenstein, 2006). The alliance agreement included a cross-promotional advertising relationship on the YouTube service and on-air promotion provided by NBC. Under the terms of the agreement, NBC would create an official NBC Channel on YouTube to house its Fall Preview area with exclusive clips to promote NBC's content. In addition, over the next year, NBC will upload several video presentations per week to the NBC Channel on YouTube. YouTube will also promote NBC's videos throughout their site.

In September 2006, YouTube and Warner Music Group (WMG) announced an agreement to distribute on YouTube the library of music videos from WMG. In the arrangement, YouTube users could incorporate music from WMG's recorded music catalogue into the videos they created and upload onto YouTube. WMG became the first music company to harness YouTube's video entertainment service to commercially distribute its music video catalogue. WMG also became the first global media company to embrace the user-generated content.

In October 2006, YouTube and Universal Music Group announced an agreement offering YouTube and its users access to UMG's roster of artists covering every genre of music. In addition, under this agreement, UMG embraced the user-generated content, allowing users to incorporate music from UMG's recorded music catalogue into the videos they create and upload onto YouTube.

In the same month, YouTube announced another deal with Sony BMG to make available a wide variety of video content from the company to the YouTube community. In addition, SONY BMG and YouTube agreed to work together to develop new opportunities which allow users to include certain SONY BMG sound recordings in their own uploads.

In addition, YouTube signed a strategic content and advertising partnership agreement with CBS Corporation. The deal called for the CBS Television Network, its premium television service provider, Showtime Networks Inc., as well as its basic cable/digital media service, CSTV Networks, Inc., to offer the YouTube community a wide variety of short-form video programming from its news, sports and entertainment divisions on a daily basis beginning that month. Meanwhile, CBS was the first TV network to test YouTube's new content identification architecture and reporting system which would allow CBS to protect its intellectual property by identifying and locating copyrighted CBS content on YouTube. CBS would then have the opportunity to either remove it from the site or, at CBS's sole discretion, allow it to remain. If CBS allows the content to remain on the site, CBS will share in any revenue from advertising placed adjacent to the content (YouTube Archive, 2006).

Through these agreements and alliances, YouTube has largely reduced the risks from possible lawsuits, and also strengthened its overall content and distribution capabilities. The incredible overall fast growing of YouTube made this new company quickly became the target for many media and technology giants. Big media conglomerates, such as Google, Microsoft, Yahoo, the News Corporate and Viacom had all visited YouTube's headquarter in San Mateo to inquire about buying the company. Finally, on October 9, 2006, it was purchased by Google for US$1.65 billion in stock.

Google does not provide detailed figures for YouTube's running costs, and YouTube's revenues in 2007 were noted as "not material" in a regulatory filing. In June 2008, a Forbes magazine article projected the 2008 revenue at $200 million, noting progress in advertising sales. In January 2012, it was estimated that visitors to YouTube spent an average of 15 min a day on the site, in contrast to the 4 or 5 h a day spent by a typical U.S. citizen watching television.

YouTube entered into a marketing and advertising partnership with NBC in June 2006. In November 2008, YouTube reached an agreement with MGM, Lions Gate Entertainment, and CBS, allowing the companies to post full-length films and television episodes on the site, accompanied by advertisements in a section for US viewers called "Shows". The move was intended to create competition with websites such as Hulu, which features material from NBC, Fox, and Disney.

In November 2009, YouTube launched a version of "Shows" available to UK viewers, offering around 4,000 full-length shows from more than 60 partners. In January 2010, YouTube introduced an online film rentals service, which is available only to users in the US, Canada and the UK as of 2010. The service offers over 6,000 films. A few months later, YouTube began free streaming of certain content, including 60 cricket matches of the Indian Premier League. According to YouTube, this was the first worldwide free online broadcast of a major sporting event.

In May 2010, it was reported that YouTube was serving more than two billion videos a day, which it described as "nearly double the prime-time audience of all three major US television networks combined". In May 2011, YouTube reported in its company blog that the site was receiving more than three billion views per day. In November 2011, the Google+ social networking site was integrated directly with YouTube and the Chrome web browser, allowing YouTube videos to be viewed from within the Google+ interface. In January 2012, YouTube stated that the figure had increased to four billion videos streamed per day.

In May 2013, YouTube launched a pilot program to begin offering some content providers the ability to charge $0.99 per month or more for certain channels, but the vast majority of its videos would remain free to view. In February 2015, YouTube announced the launch of a new app specifically for use by children visiting the site, called YouTube Kids. It allows parental controls and restrictions on who can upload content, and is available for both Android and iOS devices. Later in August 26, 2015, YouTube Gaming was launched, a platform for video gaming enthusiasts intended to compete with Twitch.tv. 2015 also saw the announcement of a premium YouTube service titles YouTube Red, which provides users with both ad-free content as well as the ability to download videos among other features.

In August, 2015, Google announced that it was creating a new company, Alphabet, to act as the holding company for Google, with the change in financial reporting to begin in the fourth quarter of 2015. YouTube remains as a subsidiary of Google.

8.2 Case of the Mobile Distributing Consumer Media Venturing

To maintain its fast development, and to expand the scope of its business services, YouTube has been staying innovative and creative. Growing from a new venture providing video content on the web, recently the company has started to venture into another new arena—delivering video content to mobile phones.

"*Everybody carries a phone with them*, *but they may not have a computer*," said Steve Chen, chief technology officer and co-founder of YouTube. With the mobile platform, people can take the phone out of their pocket while waiting for the bus and watch a video." he added.

YouTube's move to mobile started in May 2006. In that month, YouTube launched a service that allowed people to upload videos directly from their mobile phones and PDAs to the YouTube Web site. Six month later, YouTube moved a further step to ally with mobile operators to deliver video content to mobile devices.

In November 2006, YouTube announced that they would make the mobile phone debut, allying with Verizon Wireless. While its YouTube.com web site is free, totally advertising model based, YouTube's phone-based business will require a \$15-a-month subscription to a Verizon Wireless service called VCast. Instead of choosing what to watch from a vast library of clips, VCast users will be limited to an unspecified number of videos selected and approved by the company. YouTube editors would select short videos from its library for the Verizon Wireless service.

Though there have been over thousands of mobile video titles already available to Cingular, Sprint and Verizon Wireless Subscribers, YouTube is still the first to offer user-generated content. However, this new mobile service is not without problems. Many people doubt whether the limited selection of videos on the service will undermine the basic appeal of YouTube, which has grow popular in the past because users decide what they want to watch. In addition, how far a subscription model can go is full of uncertainty.

Nevertheless, there are also many people who believe that the YouTube online content would translate well to the mobile phone. And this new business will bring more opportunities for the company to promote their business in a larger arena. "Our new mobile service is the first of many," said Kelly Liang, senior director of business development for YouTube. Ms. Liang said the company planned to introduce other such deals within the coming year.

> *We are excited to launch our new mobile service and to partner with Verizon Wireless to bring YouTube videos to a new audience*," said Steve Chen. "*People want to be entertained in a way that fits their individual lifestyle. This service offers our community and Verizon Wireless subscribers a new opportunity to connect and engage with their favourite videos. We will continue to roll out more exciting partnerships and features for the mobile user over the coming year*.

New business venturing is certain to happen in an innovative and young firm like YouTube. As many of the other new business initiatives, the starting of the new mobile distributing consumer media venturing in YouTube is also associated with explicit or implicit organizational decisions.

To collect data for the empirical study, interviews were made with the business directors and editor of YouTube via telephone. Meanwhile, company archives were reviewed, and relevant information were retrieved from the company's website and related publications.

8.3 Analysis

8.3.1 The 'Economics Conditions'

"When the company started the Mobile Distributing Consumer Media Venturing, how were the general 'economics conditions' associated with the venturing business?

> *Mobile is increasingly adopted by mass consumers and there is a huge market potential to develop mobile related business… Though there are many other mobile media companies, we are still the first one that provides the user-generating content to mobile…With the increasing popularity of YouTube, we are confident that our new mobile service will also be largely accepted by users.*

In the case of YouTube Mobile Distributing Consumer Media Venturing, there were huge market potentials to develop mobile related business. Though there were many companies competing in the mobile market, YouTube was still the first one to provide the user-generating content, thus could take the first-mover advantages in the market.

> *The content delivered to mobile will be selected by our company, which will protect the new mobile service from the potential risks of legal infringement…* [*Thus,*] *the uncertainty is kind of low in this perspective.*

> *There is no high specific investment to the new mobile service: our content is user-generated and we ally with network operators for content delivering…*

> *There is no separate production function,* [*thus, the high level of agency costs was avoided*]…

The increasing popularity of YouTube also brought huge brand benefits to its mobile services. In addition, the content delivered to mobile was selected by the company, which protected the new business from potential risks of legal infringement. Meanwhile, there was no high specific investment in this case, as the content was user-generated and YouTube allied with network operators for content delivering, avoiding high transaction costs and agency costs. Considering these, the level of the 'economics conditions' for the new mobile distributing business was relatively low.

8.3.2 The 'Resource Conditions'

"When the company started the Mobile Distributing Venturing initiative, how were the general 'resource conditions' associated with the venturing business?

> *We are learning through doing. We are a young but very creative company. To develop this new business, we have our own content advantages, and brand advantages.*

From the resource perspective, the company was young, and lacked experiences in resource recombination. The company called itself as "learning through doing"; the capability in resource recombination was not high in general.

> *Of course, we do not have our own distribution channel for mobile service, so we made strategic alliances.*

In addition, the company did not possess their own distribution channel for mobile service, thus had to ally with wireless operators. Therefore, the new business production and distribution capabilities restricted the company's resource situation and the general level of the 'resource conditions' for this mobile distributing consumer media venturing was relatively low.

8.3.3 Incentives

"What were the major incentives for your company to venture for Mobile Distributing Venturing?"

> *The major incentive for us to develop such a mobile business is to extend our competences online to mobile devices and to explore huge potentials from the mobile market.*

The respondents stated that the major incentive to develop such a mobile business was to extend competences online to mobile devices and to explore the huge potentials from the mobile market.

8.3.4 Factors Influencing Venturing Organizing Modes

"Do you think the above 'economics conditions' and 'resource conditions' influenced your venturing choice of organizational mode?" "Are there any specific factors you would also mention that had an impact on the choice of venturing organizational mode?

> *When we make decisions we would consider a group of factors that include how to best use our advantages, for example, the value from our brand, etc., and how to best respond to the market changes.*

The respondent agreed upon the relation between the 'economics & resource conditions' and the venturing organizational choices, and it was also indicated that

Table 8.1 Conditions for online gaming business venturing

Economics conditions	The specificity of investment was much lower for online gaming venturing, compared with the FiOS venturing
	The company basically focused on the network service side of the gaming business, thus avoided large specific investment and agency costs
	Therefore, the general level of 'economics conditions' was relatively low
Resource conditions	The company's core competences centered on the network services, and it basically stayed with its core competence
	The company didn't possess game content generation and production capabilities
	Therefore, the general level of 'resource conditions' was relatively low
Incentives	To generate more value from the company's strong network capabilities
Specific factors	To best generate value from the company's strong network

when they made decisions they considered a group of factors, namely, how to best use the company's advantages, for example, the value that can be derived from their brand, and how to best respond to market changes.

8.4 Summary

To sum up, for the YouTube mobile business venturing, the overall 'economics conditions' that include the 'level of uncertainty, the specificity of investment, the level of agency costs' were relatively low, due to the huge market potential to develop mobile distributing business. In addition, the increasing popularity of YouTube brought positive brand benefits to the company's mobile services. The content delivered to mobile devices was selective in order to protect the new business from potential risks of legal infringement. Meanwhile, there was hardly any specific investment required by the new business, as the content was user-generated and YouTube allied with network operators for content delivery, high agency costs were avoided. Thus, the level of the 'economics conditions' for the new mobile distributing business was relatively low.

In addition, the level of 'resource conditions' that include the 'managerial capabilities for resource recombination, new media production capabilities and new media distribution capabilities' was also relatively low, due to the company's lack of experiences in resource recombination. Moreover, the company did not possess their own distribution channel for mobile services (Table 8.1 summarizes the above conditions).

Constrained by the low 'economics & resource conditions', the venturing organizational mode for YouTube to develop the new mobile distributing business was basically to ally with external partners, and venturing activities were organized mostly in the market-oriented mode. These developments derived from and can also be related to the theories and approach proposed in the theoretical chapter—low 'economics conditions and resource conditions' would suggest the market-oriented mode of venturing.

In the case of YouTube, to ally with Verizon is only the first step of YouTube's mobile business exploration. The company expects to reach similar alliances with other wireless carriers in the near future to expand its presence in the mobile market.

For the mobile carriers, with the wireless market increasingly saturated, they are trying to find new ways to attract customers and to wrest them away from rivals, and they also want to promote mobile Internet services as another way of boosting revenue. YouTube's alliances with wireless carriers seem to be a win-win strategic action that will benefit both sides of the partnership.

However, such allied mobile consumer video distributing business is not without problems. For example, by offering YouTube videos, music downloads and similar services, YouTube and Verizon are especially targeting young audiences. Yet young customers tend to be more uncertain than older ones. Most young people already have cell phones, but many tend to be price-sensitive because of limited income. So a subscription model designed for this mobile service will face challenges. Meanwhile, Verizon customers will be able to view the "selected" video content as well as post videos from this service, but analyses show that 'the beauty of YouTube is that it is organic', thus the approved content will also present challenges. It is still unknown what strategic actions YouTube and its partners will take to tackle these issues, but it is clear that the above analyses on the 'economics & resource conditions' will provide implications to the organizational structural choices concerning the new business strategy shift.

Chapter 9
Webcasting Business Venturing

9.1 China Telecom: General Information

China Telecom Corporation is a state-owned telecommunication company. It is the largest fixed-line service and the third largest mobile telecommunication provider in China. The company completed its corporate restructuring and global initial public offering in Hong Kong Stock Exchange on November 15, 2002 and in New York Stock Exchange on November 14, 2002.

China Telecom is a leading provider for telecommunications services in 20 provinces and municipalities in China. Currently, the company's main businesses include wireline and wireless network services and some other value-added communication services. The wireline network services consist of local telephone, domestic and international, Hong Kong, Macau and Taiwan long distance and interconnection services. The company also operates an extensive network of public telephones in the service regions. Public telephone services of the company are targeted at the large and growing non-resident population in China.

The company offers long distance services through its public switched telephone network. Since 1999, its VoIP long distance services have also experienced rapid growth. The VoIP services target price sensitive customers, such as small businesses, certain resident and non-resident customers. The company is the largest Chinese provider of both network and VoIP long distance services, and the total transmission volume of its long distance services.

Under the telecommunications regulations and the rules on interconnection arrangements and settlement promulgated by the Ministry of Information Industry in 2001, China Telecom has formed strong interconnection relations with other telecommunications operators in China, including China Mobile and China Unicom.

In addition to basic local and long distance voice services, China Telecom offers. Internet access and value-added services, which have become an important revenue growth driver for the company.

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Data communications service is another main business the company provides. The company's managed data services include Digital Data Network, Frame Relay, and Asynchronous Transfer Mode services. The company mainly focuses on government, financial and large enterprise customers.

China Telecom also provides domestic and international leased line services in its service regions. In addition to leased lines, the company leases network elements to business and governments and other telecommunications service providers. These services include: leasing digital circuits, digital trunk lines and optic fibers. The revenue from the leased line services is mainly derived from the lease of domestic and international digital circuits.

On 2 June 2008, the company acquired China Unicom's CDMA business and network for a total of 110 billion yuan in cash (USD $15.86 Billion in cash), a series of transactions aimed transform the company into a fully integrated telecommunications operator after its expected completion in the next 6 months to 1 year.

Such shifts mark a new era for the Telecommunications industry in China in which analyst have further commented that these changes are aimed at promoting a more fair and competitive industry environment.

China Telecom has been also exploring global market in recent years. It expanded its Asian-European services in 2008, aiming to increase its market share in Europe. In May 2011, China Telecom formed a strategic partnership with German software group SAP to offer a cloud-based version of SAP's business software to small and medium companies in China. China Telecom is also one of the bidders of the newly opened Myanmar Mobile licence call for tender.

9.2 New Business Venturing in the China Telecom

As one the biggest telecommunications company in China, China Telecom hosts huge infrastructure and resource capacities. However, the technological, regulatory and market environment has changed at an exponential rate in the telecommunications sector, especially after the emergence and development of Internet business. To sustain its leading position, China Telecom has been seeking new business opportunities.

In recent years, the company has been exploring directory publishing business, online gaming business, and starting from 2003, it ventured into webcasting business, with its newly established venturing sector: ChinaVnet. Webcasting is an emerging media business that provides video and audio content to web users. As the major telecommunications company in China, China Telecom holds great advantages of network connection, particularly the broadband connection. To fully utilize these advantages, the company has ventured into webcasting business, and started to offer entertainment webcasting products for free and for pay.

The company aims to create a new revenue scheme from its Internet services through the new venture: ChinaVnet, and provide customers an integrated platform for information and media programs. Till now, the new webcasting business has helped the company to promote the development of its internet business and enrich content experiences for customers.

9.3 Case of Webcasting Business Venturing

The webcasting initiative started at the end of 2003 in the China Telecom. However, the online content distribution business is subject to strict government control in China. It is stipulated that all the webcasting operators in China must apply for a "License to Broadcast Audiovisual Programs via Internet" (SARFT, 2005, Article 6). And to get that license, webcasters should meet some basic criteria, for example, the webcaster must have adequate funds, equipment, and premises to engage in the broadcasting business, and the webcaster must have adequate audiovisual program resources.

After 1 year's preparation, China Telecom obtained the government approval for webcasting business in 2004. ChinaVnet was formed as a venture unit inside the organization to initiate webcasting business. In late 2004, China Telecom acquired Tiantianzaixian, a large Internet portal to reinforce its distribution capabilities; meanwhile they also developed some content generation capabilities inside the organization.

With the rising broadband usage in China, the market potential of webcasting business has been fast increasing. Since the beginning of 2006, China Telecom has started to negotiate with more ICPs, planning for further acquisitions to establish a theme park (Wu, 2006), in order to provide theme series games, video and audio programs to their users.

9.4 Analysis

9.4.1 The 'Economics Conditions'

"When the company started the Webcasting Venturing initiative, how were the general 'economics conditions' associated with the venturing business? Here, 'economics conditions' refer to factors derived from some economics theories, for example, the level of uncertainties for the new business, the specificity of investment and the level of agency costs…."

> *When we started to develop the webcasting business, the level of uncertainty was high. In China, a company needs to get government approval in order to conduct a business providing Internet content. We need to meet certain criteria in content production and infrastructure conditions. The issuing of this approval is subject to high uncertainty. Actually, till now, only a few media companies have obtained the approval given by the state government.*

The Webcasting Business Venturing was associated with a high level of uncertainty. The legal restrictions for webcasting business largely affected the development of the new business. Meanwhile, the ongoing reconstruction and consolidation in Chinese media industries brought more dynamics to the market. These changes in regulatory environment and industry environment added more uncertainties to the new business.

> *The specificity of investment was also high for webcasting business, as we are currently developing some content part on our own, this required large investments.*

> *The level of costs was medium, as the company would share its existing human and infrastructure capacities with the new business development.*

Originated as a telecom operator, the company aimed to expand to the content production with their efforts to developing the webcasting content on its own. Thus, a high level of specific investment for webcasting content production was raised.

Though collaborations in the organization would help to reduce some costs, the agency costs would still increase. Considering these, the general level of the 'economics conditions' was relatively high for the new webcasting business development.

9.4.2 The 'Resource Conditions'

"When the company started the Webcasting Venturing initiative, how were the general 'resource conditions' associated with the venturing business? Here, 'resource conditions', refer to factors derived from strategic management theories, for example, the managerial capabilities for resource recombination, the production capabilities for new business and distribution capabilities for new business …."

> *The managerial capabilities for resource recombination are high in the company. We are the largest Telecom company in China, and we enjoy experience for new business creation and resource recombination. We also have high capabilities for resource acquisition and allocation …*

From the resource aspect, China Telecom is the largest Telecom company in China. The company has a strong resource base and a management team with rich experiences for new business creation and resource recombination.

> *As a telecommunications company that boasts big Internet infrastructure business, we have high capacity of content delivery. However, we are less experienced in content programming and producing. So, to compensate that, we acquired some content providers…*

Powered by its Internet service providing capabilities, the company had high capacity for webcasting content delivery. Recently, it had acquired some content providers to strength their capabilities for content programming and producing. All of these had made the level of the 'resource conditions' relatively high for the company to develop new webcasting business.

9.4.3 *Incentives*

"What were the major incentives for your company to venture for webcasting businesses?"

> *The early incentives for the webcasting business were to fully utilize our network capabilities. Later, with the growth of Internet technology and broadband market, we expect the webcasting business may generate future revenue, as consumers are increasingly changing their viewing habits …*

The respondents indicated that the early incentive for webcasting business was to fully utilize the company's network capabilities. Later, with the growth of Internet technology and broadband market, the company expected that the webcasting business might generate strong future revenue.

9.4.4 *Factors Influencing Venturing Organizational Modes*

"Do you think the above 'economics conditions' and 'resource conditions' influenced your venturing choice of organizational mode?" "Are there any specific factors you would also mention that had an impact on the choice of venturing organizational mode?

> *Specific factor influencing this organizational decision include legal environment and social economic conditions. The fast growing economic conditions in China provide more opportunities for future webcasting business. In addition, the regulatory environment is also important to consider.*

The respondents agreed that the 'resource conditions and economics conditions' affected the venturing organizational decisions. And it was added that other factors that influenced the choice of venturing organizational mode include legal environment and social economic conditions.

9.5 Summary

To sum up, for China Telecom's webcasting business venturing, the overall 'economics conditions' that include the 'level of uncertainty, the specificity of investment, the level of agency costs' were relatively high, due to the high level of uncertainties brought by legal restrictions on webcasting business, and market dynamics in the currently restructuring Chinese media industries. Meanwhile, the level of specificity of investment for the new business development raised as the company invested largely to acquire specific content providers to produce content on its own.

Table 9.1 Conditions for webcasting business venturing

Economics conditions	The level of environment uncertainty was relatively high due to the legal restrictions on webcasting business and market dynamics in the currently restructuring Chinese media industries
	The level of specificity of investment for the new business development was also high, as the company intended to develop some content capabilities internally
	Though collaborations in the organization would help to overcome some barriers, the agency costs would still increase
	Therefore, the general level of 'economics conditions' was relatively high
Resource conditions	As the largest telecom provider in China, the company had a strong resource base and a management team with rich experiences for new business creation and resource recombination
	It also had high capacity for webcasting content delivery, supported by its strong Internet service providing capabilities
	The company acquired some content providers to strength their content producing and programming capabilities
	Therefore, the general level of 'resource conditions' was relatively high
Incentives	To fully utilize the existing resources and to increase market share and revenue
Specific factors	Legal environment and social economic conditions

In addition, the level of 'resource conditions' that include the 'managerial capabilities for resource recombination, new media production capabilities and new media distribution capabilities' were also relatively high. The company, as the largest telecom provider in China, had a strong resource base and a management team with rich experiences for new business creation and resource recombination. It also had high capacity for webcasting content delivery, supported by its strong Internet service providing capabilities. For the content production, it acquired some content providers more recently to strength their capabilities. Therefore, the general level of 'resource conditions' was relatively high for the company to develop new webcasting business (see from Table 9.1).

In the case of webcasting business venturing in the China Telecom, with high 'economics conditions' and 'resource conditions', the company ventured into new business mostly with the hierarchical mode. It formed a venture division ChinaVnet inside its organization. To strengthen its network and content capabilities, the company conducted several acquisitions through venturing development. For the webcasting business venturing, the early incentives were to fully utilize the company's network capabilities. Later, with the growth of Internet technology and broadband market, the company expected that the webcasting business may generate strong future revenues. The high 'economics conditions' and high 'resource conditions' in this case have made the venturing activities primarily organized in a hierarchical structure, which can be related to the theories and approaches proposed in the theoretical part.

The general 'economics & resource conditions' do affect the organizational choices on the new business venturing. However, in the case of webcasting venturing in China Telecom, the regulatory and policy environment are crucial to consider as indicated in the empirical study. In China, companies need to obtain government approval in order to conduct webcasting business; and webcasting programs are also subject to some content controls (Hang, Min, & Yang 2007; Min & Yang, 2005). These uncertainties play significant roles in shaping the feature of the new webcasting business in China. Decision-makers in organizations thus need to properly deal with the regulatory issues.

Chapter 10
Greenhouse Venturing

10.1 Thomson Reuters: Company Information

Thomson Reuters is a worldwide electronic publisher of news and financial data. The current company is formed through merge and acquisition—Thomson Corporation acquired Reuters Group PLC to form Thomson Reuters in April, 2008. Despite of the merged business, this chapter still focuses on the original Reuters' operation, and traces back to the business venturing practices in Reuters.

Operating in 128 countries, Reuters provides information tailored for professionals in the financial services, media and corporate markets. Although Reuters is best known as the world's largest international multimedia news agency, more than 90 % of the revenue derives from the financial service business. Some 330,000 financial market professionals working in equities, fixed income, foreign exchange, money, commodities and energy markets around the world use products of Reuters.

For more than 150 years, Reuters has embraced technological changes to grow its business. In 1850, Paul Julius Reuters used carrier pigeons to transport stock market news between Berlin and Paris. Once a complete telegraph link was established, Reuters moved from the pigeon business to the underwater cable business, using the cable wire under the English Channel to transfer information between London Stock Exchange and continental exchanges.

During the second half of the nineteenth century, Reuters expanded its business from the telegraph-based international exchange of general news and financial information to private telegrams and financial remittances. Later, radio technology transformed Reuter's business, and the company started to broadcast commercial price quotations and exchange rates to financial professionals (Read, 1994). By the 1980s, Reuters owned the world's largest private communication network. Following the increase in profitability, Reuters was floated as a public company in 1984 on London Stock Exchange and on NASDAQ in the U.S.

Reuters provides a wide range of products, spanning from global reporting network for media, to financial and economic services. It operates mainly through four

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business divisions: Sales & Trading, Research & Asset Management, Enterprise, and Media.

The Sales & Trading division focuses on salespeople and traders who deal in foreign exchange (FX), fixed income, equities, commodities and energy and related markets. The Sales & Trading division is responsible for Reuters Xtra and Reuters Trader families of products.

The research & Asset Management Division focuses on supporting portfolio managers, wealth managers, brokers, investment bankers and research analysts who make financial decisions outside the core sales and trading environment. Research & Asset Management division is responsible for the Reuters Knowledge and Reuters Wealth Manager product families.

The Enterprise division provides solutions to institutions (as opposed to individual users), including data feeds (high-speed feeds of trading data in machine-readable formats), trading room systems and risk management systems. The Enterprise division delivers data in a range of formats for use throughout the company's clients' organizations.

And the Media division focuses on creating and delivering news to newspapers, television and cable networks, radio stations and Websites. It is also developing direct-to-consumer services, principally through the reuters.com family of websites. In venturing for new business, the Media division also takes responsibilities of initiating and developing minority new business of the company.

Dated from a text news service founded by Julius Reuters 150 years ago, Reuters has expanded to encompass diversified media business, and it has become increasingly prominent as a provider of real-time and archival financial information services, in competition with Dow Jones and Bloomberg. There have been a number of works reviewed the history of Reuter over the past century, for example, *The History of Reuters* by Donald Read (1994), *Breaking News*: *How the Wheels Came Off at Reuters* by Barry Simpson & Brain Mooney (2003), and *A Life in Reuters* by Roderick Jones (1951).

The news services of Reuters have been studied by publications such as *The International News Services* by Fenby (1986) and *The Information Process*: *World News Reporting to the Twentieth Century* by Desmond (1978). Reuters' development in recent years has also been analyzed in reports including *Reuters*' *Internet Strategy* by Brian Coleman (2000), *Reuters Holdings PLC* by Dhebar (1995), etc. Academic and analytic works have helped to trace the way Reuters' Growth and to record experiences and lessons from its development. Once a pigeon loft, now Reuters has become an established information giant.

10.2 New Business Venturing in Reuters

Through the process of growth and development, technology has always been a major driving force for Reuters. Organizational structure has been used as an architect to support the advancement of the new technology. Since the second half of the

1990s, Reuters embarked on a range of major initiatives to accelerate its use of web technologies, open new markets and migrate its core financial business to an Internet-based model (Coleman, 2000).

In 1996, Reuters appointed David Ure as an executive director at Board level to accelerate the company's plan to exploit Internet technology and networks. The aim of this appointment was to take full advantage of the opportunities presented by the e-commerce revolution. At the same year, Reuters formed a new division—Reuters Ventures to initiate new venturing activities in the Internet and e-commerce (Coleman, 2000). Through this venturing initiative, the company hoped to achieve further penetration in market outside its existing finance service.

Jeremy Penn became chief executive officer of the Reuters Venture. The new venture division was responsible for the relationship with Dow Jones Reuters Business Interactive LLC—a joint venture between Reuters and Dow Jones. Reuters Ventures covered traditional news and television agency business, new media services supplied to internet websites, new business developments and a venture capital unit of the company: Reuters Greenhouse Fund.

"The transition to the Internet is relevant to all parts of the Group, but will be given a push forward with the setting up of Reuters Ventures and the assignment of Jeremy Penn, a senior executive with all-round experience, is to work with Rob Rowley and David Ure in the development of new markets," said Peter Job, Reuters Chief Executive of that time (Reuters Archive, 1996).

The Reuters Venture was renamed to Reuterspace in 1999, which later expanded to include Reuters Media, a section that focused on developing and licensing content; Reuters Enterprise, a section that serviced the B2B market; and Reuters Greenhouse.

Reuters Greenhouse served as a strong venturing capital wing of the company to invest in technology start-ups. Founded in 1995, Reuters Greenhouse was making great success up to 1999, investing in a range of start-up companies (Kanter & Galvin, 2000). Unlike the previous chapters, which mainly focused on specific venturing cases, this chapter will look at the venture capital initiatives that organized through Reuters Greenhouse. The following sections will review the emergence and development of Reuters Greenhouse, and analyze changes of the organizational modes.

10.3 Case of Reuters Greenhouse Venturing

The initiative of Reuters Greenhouse started in the early 1990s, when Reuters senior management board considered setting up a new media unit to invest in Internet companies, and John Taysom was appointed to take the responsibilities of this new initiative. Reuters Greenhouse Fund was formally founded in 1995, and the aim of this venture capital entity was to take minority investments in a range of start-up technology companies. This venture capital fund was one of the first external investors in Yahoo.

At the beginning, Greenhouse Fund was set up in Reuters Venture, later renamed to Reuterspace. The strategy of Reuters Greenhouse was to make minority investments in fast-growing technology companies with an expectation of a public market exit after an IPO. Investments made by Greenhouse ranged from $5 million to less than 10 % of the fully diluted equity. Reuters usually requested a seat on the company's board, and observer rights would be guaranteed. More importantly, Reuters would make marketing agreements to secure "most favoured partner" rights to distribute content or license the company's new technology. In this way, Reuters developed proprietary products and explored new value propositions for its mainstream business.

By the end of 1998, Reuters Greenhouse had invested in ten U.S. companies, one European company, and one European general Fund. Five of the investments had already gone public on the NASDAQ. Reuters invested 27 million pounds and received back case of 45 million pound, held a portfolio of public stock with market values worth 40 million pounds, and had a realized return of 1.7 times its investment.

The fast growing of Reuters Greenhouse made the executive board decide in early 1999 to establish a formal organizational unit for Greenhouse, and this new venture would be managed outside the core business but report within Reuterspace division. The plan was that the Greenhouse fund would be given full reign to invest 41 million pounds per year in each of the next 3 years. Thus Greenhouse opened an office in Paris, hired skilled professional staff, and set up an advisory and executive board.

The Reuters Greenhouse made significant returns in 1999. The first half of 1999 brought as much as the full year 1998s profits, and by first half of 2000, the Greenhouse had brought in 17 % of Reuters' total operating profit—more than the whole of the Greenhouse's 1999 realized profits. The 79 portfolio companies in October 2000 included 18 IPOs, six trade scales and one write-off.

The Greenhouse's technology strategy focused on how to improve Internet technology standards and transform the Internet into a platform on which online businesses better predict and manage transactions. The Greenhouse invested in companies that shared with Internet vision, and allowed the power of the network to grow, led the technological changes, and expanded the capabilities of the Internet.

In 1999, Reuters CEO Peter Job announced that "Buy, Don't Build" became Reuters new strategy. The idea was to stimulate even greater use of technologies on which Reuters had an option. Instead of doing everything themselves, Reuters would partner with cutting-edge technology firms.

By 2000, the Internet moved to the center of Reuters (Coleman, 2000). In early 2000, Job announced that Reuters would "make the Internet work for the financial services industry". The Greenhouse, which had already helped spawn two new Reuters business, Reuterspace and TIBCO, would accelerate efforts to help the rest of Reuters utilize portfolio companies' technologies.

"The whole Group is looking at how the Internet is changing Reuters, and how Reuters can move into new areas," Taysom explained. "What the Greenhouse has done has given us a clear insight into how the Internet infrastructure is evolving, and what it is going to be capable of. The Internet is a massive new distribution system, changing the shape of commerce, and so the Greenhouse has also given us a good insight into what is happening around e-commerce and the retail business area," Taysom added.

The Greenhouse has proven itself in its short history to be a significant and influential corporate venture player, adding value to Reuters' businesses and products, building a growing, dynamic network, and putting Reuters in a favourable position moving into the future. But by 2000, the Greenhouse had grown too large for Reuters to continue to finance at the rate that Taysom expected it to grow. Reuters was willing to fund $100 or $200 million for the Greenhouse's growing portfolio, but outside financing would be needed for more than that.

Moreover, the Internet bubble burst in 2000, and Reuters had to start an organizational change. The company continued to regard the Greenhouse Fund as an important relationship. However, it also believed that it had reached a stage where its size and investment capacity exceeded the company's strategic needs. Therefore, the Greenhouse was restructured into an independent management company—RVC—which was seeking third-party investors.

In 2001, Reuters announced a strategy of refocusing on its core activities and moving away from venture technology investments. The consequence was that RVC became independent from Reuters in September 2001. Now RVC is wholly owned by its investment partners and chairman. Today, RVC has 11 staff located in London and the Silicon Valley.

10.4 Analysis

The Reuters Greenhouse case indicated the organizational change of a venture capital entity, moving from the internal to external organization. To collect data for the empirical study, site observation was made in Reuters' office in New York. Interviews were conducted, and the following presents questions and answers from the interview.

10.4.1 The 'Economics Conditions'

"When the company started the Reuters Greenhouse initiative, how were the general 'economics conditions' associated with the venturing business?

> *The level of uncertainties from the industry environment was high. Many other media or information companies were competing in the same market…*
>
> *The* [*specificity of*] *investment was high, the development of this venture capital entity required large investment.*

In the Reuters Greenhouse Venturing case, the level of uncertainty from the industry environment was high. Usually, the venturing capital investments targeted those opportunities with high future business potentials, but on the other hand, they were also associated with high risks and high market & technological uncertainties. In addition, the development of venture capital entity required large financial inputs that were sometimes specific to the firm, thus raised the level of specificity of investment.

> *The level of cost was high too… The coordination between Greenhouse and the company's mainstream business was hard. The strategic planning of the Greenhouse did not coincide with the planning of the core business technology and strategy division… For example, the Greenhouse worked on long-term transformational horizons that were probably on a 10 or 15 year basis, but the main business sectors expected shorted time frames. Time frames were the differences between the Greenhouse and the mainstream organization…*[*these might bring high costs.*]

There were some different expectations between the Greenhouse venturing unit and the company's mainstream business: the time frames for the Greenhouse planning often did not coincide with the strategic planning of the company's core business; the conflicting expectations would raise the level of agency costs. Therefore, the cost challenges faced by the new venturing initiative were high, and the overall 'economics conditions' were considered to be relatively high for the new business development.

10.4.2 The 'Resource Conditions'

"When the company started the Reuters Greenhouse initiative, how were the general 'resource conditions' associated with the venturing business?

> *The Greenhouse invested in different business and technological initiatives. In most cases we did not need to power certain production or distribution capabilities…*

From the resource perspective, though there was an innovative and competent management team leading this venturing initiative, the overall capabilities were relatively low. The Greenhouse invested in different business and technological initiatives, in most cases the company did not possess deep knowledge on the specific new business; and the company also did not need to power certain production or distribution capabilities. Thus, the low level of new business self-producing capabilities and distributing capabilities put the general 'resource conditions' at a relative low level.

10.4.3 Incentives

"What were the major incentives for your company to venture for Greenhouse, and how did the incentives change over time?"

> *The incentives were to find new business opportunities and to stay ahead of technological progresses… and of course, to make more profits. Later, we realized that we need to move back to focus more on our core business.*

It was indicated that the incentives of the new business venturing changed from finding new opportunities and increasing company's revenue and profits (the direct incentives) to being focused more on the company's core business (the indirect incentives).

10.4.4 Factors Influencing Venturing Organizational Modes

"Do you think the above 'economics conditions' and 'resource conditions' influenced your venturing choice of organizational mode?" "Are there any specific factors you would also mention that had an impact on the choice of venturing organizational mode?

> *Yes.* [*The specific*] *factors include the general industry environment, for example, the increase and decline of Internet markets*, etc.

The respondents agreed that these 'economics & resource conditions' affected the venturing decisions on the organizational mode, adding that the specific factors that were also influencing their venturing decisions include the general industry environment, for example, the increase and decline of the Internet market, etc.

10.5 Summary

For the Reuters Greenhouse venturing, the overall 'economics conditions' that include the 'level of uncertainty, the specificity of investment, the level of agency costs' were relatively high, due to the high uncertainties associated with various venture capital initiatives, intensive competition in the industry environment, the specificity of investments required by different venturing businesses, and agency costs raised by conflicting expectations between the venturing unit and the mainstream organization.

On the other hand, the level of 'resource conditions' that include the 'managerial capabilities for resource recombination, new media production capabilities and new media distribution capabilities' was relatively low though, since Greenhouse invested in different business and technological initiatives, and in most cases they did not need to have deep knowledge on the specific new business. The company

Table 10.1 Conditions for the reuters greenhouse venturing

Economics conditions	The venture capital initiatives were associated with high technological and market uncertainties
	The development of venture capital entity required large investment, sometimes specific to the firm
	Conflicting expectations between the Greenhouse and the company's mainstream business raised the level of agency costs
	Therefore, the general level of 'economics conditions' was relatively high
Resource conditions	Greenhouse invested in different business and technological initiatives. In most cases they did not need to have deep knowledge on the specific new business, and the company also did not need to power certain production or distribution capabilities
	Therefore, despite an innovative and competent management team leading this venturing initiative, the general level of 'resource conditions' was relatively low
Incentives	The incentives of the new business venturing changed from the direct incentives (finding new opportunities and increasing company's revenue and profits) to the indirect incentives (being focused more on the core businesses)
Specific factors	General industry environment, for example, the increase and decline of the Internet market, etc.

also did not need to possess certain production or distribution capabilities. Therefore, despite an innovative and competent management team leading this venturing initiative, the overall 'resource condition' are still considered to be relatively low (Table 10.1 summarizes the above conditions).

As to the incentives, the primary incentives for the new business venturing changed from the direct incentives (finding new opportunities and increasing company's revenue and profits) to the indirect incentives (being focused more on the core businesses).

Therefore, the modes of organizing the venture capital entity Reuters Greenhouse changed from the hierarchical mode to the market mode. At the beginning, the venturing activities were driven by the pursuit of opportunities and profits, thus the hierarchical mode was built—Greenhouse was set up inside the company. Later, the company decided to focus more on their core businesses, and also Greenhouse itself grew quickly, both these changes made this venturing division totally spin off from the organization.

These developments can be linked to the theoretical framework proposed in the earlier part that both the 'economics' and 'resource' conditions affect the mode of venturing. In the circumstances when the 'economics conditions' were high and 'resource conditions' were low, Reuters conducted venturing with a more hierarchical-oriented mode while it was mainly driven by the direct incentives, and with a more market-oriented mode while it was mainly driven by the indirect incentives.

Now, Reuters Greenhouse is restructured into an independent management company: RVC, wholly owned by its investment partners and chairmen. This organizational move was influenced by the ‘economics & resource conditions’ associated with this venture capital entity, and on the other hand, it is also affected by the changing incentives for the new business venturing.

Part VI
Conclusion and Media Specific Implications

Chapter 11
Understanding Media Corporate Entrepreneurship from Economics and Resource Perspectives

This final part contains two chapters. The first chapter is a conclusion, summarizing how media venturing organizational decisions are explained from economics and resource perspective. The second chapter presents media specific implications from the current study. Theories for new media studies in the specific context of media management are examined, and managerial implications for media practitioners are discussed. This part also proposes future research issues and an agenda for further study.

11.1 Corporate Entrepreneurship from the Economics and Resource Perspectives

This book examines corporate entrepreneurship in the media industries. In a dynamic environment characterized by technological, regulatory and market changes, innovation and new business creation is critical for media companies to sustain their developments. Among the issues associated with the new business creation, organizational mode for venturing are important to consider: how to organize the new business venturing activities and what architecture to develop in order to accommodate new business are questions this researcher has sought to answer in this book.

Studies concerning the new business creation are in the domain of entrepreneurship. The concept of entrepreneurship has different interpretations in the literatures. For the sake of the concept clarity, the author defines entrepreneurship as 'encompasses acts of organizational creation, renewal, or innovation that occur within or outside an existing organization'. New business creation of an existing organization is the focus of the study, which is under the branch of corporate entrepreneurship in the terrain of entrepreneurship. Corporate entrepreneurship in this study is understood as 'the process whereby an individual or a group of individuals, in association

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M. Hang, *Media Corporate Entrepreneurship*, Media Business and Innovation,
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with an existing organization, create a new organization of instigated renewal or innovation with that organization'. The corporate entrepreneurial efforts that lead to the creation of new business within the corporate organization are usually referred to as corporate venturing. Corporate venturing may follow from or lead to innovation that exploits new markets or new product offerings. The venturing efforts may or may not lead to the formation of new organizational units that are distinct from existing organizational units.

From the organizational structural perspective, corporate venturing can be generally divided into two types: internal venturing and external venturing. The former refers to venturing activities that are organized in the *hierarchical modes*, such as direct integration, new venture division and M&As (mainly the majority stake M&As); while the latter refers to venturing organized through the *market modes*, such as strategic alliances (joint ventures) and venture spin-offs. Firms differ in the way to organize their venturing activities, and the challenge is how to make appropriate choices in selecting the potentially suitable organizational structure for the new business creation.

Therefore, this book presents a theoretical framework for the choice of venturing organizational mode. The framework is constructed by integrating and reconciling the economics and resource-based theories. From the economics perspective, the Industrial Organizational (IO) theories explain the organizational choice based on cost minimization and profits & performance maximization. According to the IO, if the level of 'economics conditions' (*the level of uncertainty*, *the specificity of investment* and *the level of agency costs*) is high, it is more likely the hierarchical modes to be chosen for the new business venturing; otherwise, if the level of 'economics conditions' is low, more likely the market modes to be preferred.

Whilst in the resource perspective, the Resource-based View (RBV) predicts the venturing organizational choice on the basis of resource exploitation, competence development, learning, etc. According to the RBV, if the level of 'resource conditions' (*the managerial capabilities for resource recombination*, *the production capabilities for the new business*, and *the distribution capabilities for the new business*) is high, it is more likely the hierarchical modes to be chosen for the new business venturing; otherwise, if the level of 'resource conditions' is low, more likely the market modes to be preferred.

Explanations given by these two sets of theories may complement each other as each provides unique insights, either from the economics points of view, or from the resource point of view. However, explanations from the two theories can also be conflictive, and managers may be confronted with a dilemma when resource constrains point them towards the market option, whereas cooperation is not an efficient response from the economics perspective.

Both the complementariness and contradiction of the two theories are evident in the specific cases of new media business venturing. As discussed in Chap. 3, when the level of 'economics conditions' and the level of 'resource conditions" are both low or both high, the IO and RBV predict similar directions; so there is an integrated effect between the two theories and the choice of venturing organizational mode. However, when either the level of 'economics conditions' is low and the level of 'resource conditions' is high, or the level of 'resource conditions' is low and the level of 'economics conditions' is high, directions pointed by the two theories may conflict with each other; a reconciliation of the two theories is thus needed under such circumstances.

Therefore, theoretically, this book has explained how to understand the relations between the economics theories and the resource-base strategic management theories; and practically, the book has made an effort to provide implications to media managers for their new business venturing endeavors.

When the two sets of theories conflict with each other, the current study suggests a contingent factor: venture incentives to explain the quandary. The theoretical framework proposes that when the predictions given by the economics theories and resource theories diverge, the venture incentives—whether the venturing activities are driven by the direct incentives with expectations of market growth, cost minimization, profits, etc.; or by the indirect incentives with expectations such as competence development, technological success and learning—are important factors to consider. If the venturing activities are primarily direct incentives driven, it is more likely to follow the direction predicted by the economics theories; or otherwise, if the venturing activities are primarily indirect incentives driven, it is more likely to follow the direction predicted by the resource-based theories.

11.2 Case Study in Media Firms

A case study method is applied as the research strategy in this book, due to the type of research questions and the nature of the phenomena to study. A triangulation principle has been followed: data are collected through multiple sources including documentation, archival records, interviews and direct observations, the investigator applied different approaches in data analysis, and six propositions are developed from the theoretical framework. In addition, two case study techniques: logic model and rival explanations are applied.

To further explain the propositions, this book included eight new media venturing cases from six media companies. The eight venturing cases have predicted 'economics & resource conditions' that fit in the characteristics of target categories suggested by the theoretical model; where in category 1, the level of 'resource conditions' is high, and the level of 'economics conditions' is low; in category 2, both levels of 'resource conditions' and 'economics conditions' are low; in category 3, both levels of 'resource conditions' and 'economics conditions' are high, and in category 4, the level of 'resource conditions' is low and the level of 'economics conditions' is high.

Following replication logic, two cases are selected for each of the categories to improve the validity of the study. Meanwhile, the construct validity of the case study is improved by using multiple sources of evidence, such as documentation, archival records, interviews, and site observation; the reliability of the study is enhanced by using case study protocols and techniques, such as rival explanations and logic model.

The eight venturing cases are presented in the empirical part. The presenting of the cases follows a linear-analytic structure: each case starts with a general review, and then the focused issues are examined and analyzed with the same protocol. Case analysis is composed using the question-and-answer approach, and each case ends by a short summary, concluding whether the 'economics & resource conditions' influence the venturing organizational modes in the specific media cases.

As noted previously, while selecting the eight cases, the level of high or low 'resource & economics conditions' is relative to the situation of each firm. And the allocation of each case along the category is based on data from empirical studies, as well as multiple sources. Meanwhile, the findings with regard to the venturing organizational modes basically refer to the likelihood of choosing among alternative venturing options. For instance, when the level of 'economics conditions' and 'resource conditions' are both high, it is more *likely* that firms will organize venturing activities with the hierarchical modes; and when the 'economic conditions' and 'resource conditions' are both low, it is more *likely* that firms will organize venturing with the market modes. The next section presents findings in more details.

11.3 Findings

11.3.1 Findings from the Empirical Study

Findings from the empirical study are summarized as follows:

In the News Corporation Internet Business Venturing case, the low level of 'economics conditions' and high level of 'resource conditions' made the company to organize its venturing activities in a hierarchical mode at the beginning, driven by the indirect incentives of business complementary: the company established the venturing division *News Digital Media* and its venture capital entity: *News Digital Ventures* inside its organizational hierarchy. When there was a shift for direct incentives to strive for more profits, the company started to invest outside; it made strategic partnerships and formed *e-Partner* and *e-Ventures*. By doing so, the organizing of Internet venturing shifted away from a hierarchical mode to a more market-oriented mode. After the Internet bubble burst, complementing its different businesses and building an integrated media platform became strategically important for the company. Thus, when the company restarted to venture into the Internet business, the Fox Interactive Media (FIM) was created; and for the development of FIM, the most used approach was acquisition—the venturing activities were mainly organized inside the organizational boundaries through the unit of FIM.

Therefore, when the level of 'economics conditions' was low and the level of 'resource conditions' was high, it was more likely that News Corp organized its Internet business venturing activities with the hierarchical modes while primarily driven by the indirect incentives, and with the market modes while primarily driven by the direct incentives.

In the News Corporation Mobile Business Venturing case, with the high level of ‘economics conditions’ and low level of ‘resource conditions’, News Corporation organized its mobile media venturing activities inside its organizational boundary, driven by the direct incentives to increase market share. Later, a speedy response to the market became crucial, thus a market-oriented mode of venturing was selected, and a joint venture between the company’s Mobile Media Entertainment division and VeriSign was formed.

Therefore, when the level of ‘economics conditions’ was high and the level of ‘resource conditions’ was low, it was more likely that News Corp organized its mobile business venturing activities with the hierarchical modes while primarily driven by the direct incentives, and with the market modes while primarily driven by the indirect incentives.

In the New York Times Internet Business Venturing case, the low level of ‘economics conditions’ and high level of ‘resource conditions’ affected the venturing organizational modes. Therein, the Internet venturing activities were organized in a hierarchical mode in the beginning, driven by a more competence-development incentive. Then the venturing activities moved to become market oriented, striving for more value from the Internet business. The consequence was that the NYTD sought for the track in stock in 1999, intending to operate as a separate venturing entity. However, the registration statement was withdrawn due to Internet market changes. Recently, the trend of media convergence made another organizational shift in the NYTC: the company started to consolidate its Internet business venturing, binding it more closely with its core business; therefore, the company dropped the NYTD as a reportable segment, instead, combining NYTD’s digital operation with their related businesses.

Therefore, when the level of ‘economics conditions’ was low and the level of ‘resource conditions’ was high, it was more likely that the New York Times Company organized its Internet venturing activities with the hierarchical modes while primarily driven by the indirect incentives, and with the market modes while primarily driven by the direct incentives.

In the case of Verizion FiOS TV venturing, with the high level of ‘economics conditions’ and high level of ‘resource conditions’, the business venturing of FiOS TV has been mostly organized inside its organizational boundary with the hierarchical modes. Therefore, when both the level of ‘economics conditions’ and the level of ‘resource conditions’ were high, it was more likely that Verizon organized the FiOS Broadband TV venturing activities with the hierarchical modes.

In the case of Verizon Online Gaming venturing, the low level of ‘economics & resource conditions’ made the company move to the market while venturing for the online gaming business. Verizon conducted a number of partnership alliances with gaming content production companies, and it also acquired stakes in other companies in order to strength their online gaming abilities. Therefore, when the level of ‘economics conditions’ and the level of ‘resource conditions’ were both low, it was

Fig. 11.1 Summaries of case studies

more likely that Verizon organized its Online Gaming venturing activities primarily with the market modes.

In the case of YouTube Mobile Distributing Consumer Media venturing, constrained by the low level of 'economics & resource conditions', the venturing organizational mode for YouTube's new business was basically to ally with external partners. Therefore, when the level of 'economics conditions' and the level of 'resource conditions' were both low, it was more likely that YouTube organized its Mobile Distributing Consumer Media venturing activities primarily with the market modes.

In the case of Reuters, the organizational modes for the venture capital entity *Reuters Greenhouse* changed from hierarchy to market. At the beginning, the venturing activities were driven mostly by the pursuit for opportunities and profits, thus a hierarchical mode was selected, and the Greenhouse was set up inside the organization. Later, with market transformation, the company decided to focus more on their core businesses. Meanwhile, the venturing division itself grew quickly, both these changes made the venturing division being totally spin-off from the organization.

Therefore, when the level of 'economics conditions' was high and the level of 'resource conditions' was low, it was more likely that Reuters organized its Greenhouse venture capital entity with the hierarchical modes while primarily driven by the direct incentives, and with the market modes while primarily driven by the indirect incentives (Fig. 11.1 summaries these findings).

In view of these,

Proposition 1: *when the level of* ‘*economics conditions*’ *and the level of* ‘*resource conditions*’ *are both high*, *the hierarchical modes will be preferred by media companies while venturing for new business*, is explained by the Verizon FiOS TV Venturing case and the China Telecom Webcasting Venturing case, with replication logic by duplicating case studies.

Proposition 2: *when the level of* ‘*economics conditions*’ *and the level of* ‘*resource conditions*’ *are both low*, *the more market-oriented modes will be preferred by media companies while venturing for new business*, is explained by the Verizon Online Gaming Business Venturing case and the YouTube Mobile Distributing Consumer Media Venturing case, with replication logic by duplicating case studies.

Proposition 3: *when the level of* ‘*economics conditions*’ *is high and the level of* ‘*resource conditions*’ *is low*, *the hierarchical modes will be preferred by media companies while venturing for new business*, *if the venturing activities are primarily driven by the direct incentives*, and

Proposition 4: *when the level of* ‘*economics conditions*’ *is high and the level of* ‘*resource conditions*’ *is low*, *the market-oriented modes will be preferred by media companies while venturing for new business*, *if the venturing activities are primarily driven by the indirect incentives*, are explained by the News Corp Mobile Media Business Venturing case and the Reuters Greenhouse Venture Capital case, with replication logic by duplicating case studies.

Proposition 5: *when the level of* ‘*economics conditions*’ *is low and the level of* ‘*resource conditions*’ *is high*, *the hierarchical modes will be preferred by media companies while venturing for new business*, *if the venturing activities are primarily driven by the indirect incentives*, and

Proposition 6: *when the level of* ‘*economics conditions*’ *is low and the level of* ‘*resource conditions*’ *is high*, *the market-oriented modes will be preferred by media companies while venturing for new business*, *if the venturing activities are primarily driven by the direct incentives*, are explained by the News Corporation Internet Business Venturing case and the New York Times Company Internet Business Venturing case, with replication logic by duplicating case studies.

11.3.2 The Cross-Case Analysis: Specific Factors Influencing the Choice of Venturing Organizational Mode

In addition to the individual case analyses, this study also conducted a cross-case analysis with the findings from eight new media business venturing cases. In the empirical study for each case, questions were asked concerning the specific factors that had impact on the structural choice for the new business venturing. Answers were given by media managers, and some specific factors indicated by them are summarized below:

Table 11.1 Specific factors influencing the choice of venturing organizational mode

	Venturing cases	Specific factors
1	News Corp. internet business venturing case	How to leverage the company's competences to create an integrated destination for consumers
2	News Corp. mobile media venturing case	The speed to enter into the market
3	NYTC internet business venturing case	A trend for media convergence, changes of regulatory environment and changes in the industry
4	Verizon FiOS TV venturing case	The regulatory environment and the competition in the industry
5	Verizon online gaming business venturing case	How to best generate value from the company's strong network
6	YouTube mobile distributing consumer media venturing case	How to best use the company's advantages, for example, the value from their brand, etc., and how to best respond to market changes
7	China telecom webcasting business venturing case	The legal environment and social economic conditions.
8	Reuters greenhouse venturing case	The general industrial environment, the changes of competition in the industries

For the News Corporation Internet Business venturing, managers indicated that while making venturing choices, to a large extent, the company considered how to leverage their competences to create an integrated destination for consumers. And in the News Corporation Mobile Media venturing, the respondents pointed that the speed to enter into the market was an important factor to consider.

In New York Times Company, managers referred to specific factors that include a trend for media convergence, changes of regulatory environment and changes in the industry, influencing the venturing organizational choices.

In the Verizon FiOS TV venturing, the venturing organizational choice was affected by the regulatory environment and the competition in the industry. And in the Verizon Online Gaming business venturing, managers mentioned how to best generate value from the company's strong network capability was among the major factors considered when the venturing decisions were made.

For YouTube's Mobile Distributing Consumer Media venturing, respondents indicated that how to best use the company's advantages, for example, the value from their brand, etc., and how to best respond to the market changes, are important to consider.

For China Telecom's Webcasting venturing, the legal environment and social economic conditions are crucial to bear in mind. And in the Reuters Greenhouse venturing case, general industrial environment and changes of competition in the industries have impacts on the choice of venturing organizational mode (see from Table 11.1).

To cross-analyze these factors, three categories can be seen. The first is a category of macro-environment factors, comprising factors concerning the regulatory and policy environment and the social economic conditions. The second is a media

Table 11.2 Cross-case analysis of factors

	Categories	Specific factors
1	Macro-environmental factors	The regulatory and policy environment
		The social economic conditions
2	Media industry and market specific factors	The speed to enter into the market
		The competition in the industry
		A trend of media convergence
3	Media company specific factors	To leverage competences and to create an integrated media destination
		How best to generate value from the company's current resources and competences

industry and market specific category, including factors such as the speed to enter into the market, competition in the industry and a trend of media convergence. The third is a category of media company specific factors, consisting of factors such as leveraging company's competences, and how best to generate value from the company's current resources and competences (see from Table 11.2).

The indication and emphasis of these factors in the case study may bring specific media implications, and these implications will be further discussed in the next chapter, where specific media related issues are presented.

11.4 Conclusions

In this book, the author examined the choice of organizational mode for corporate entrepreneurship venturing activities. To seek answers for the research questions of why and how media companies organize their venturing activities with certain organizational options, a case study strategy was applied by analyzing eight new media venturing cases. The findings from the empirical study indicate that the choices of organizational mode for venturing are influenced by the 'economics and resource conditions' associated with the venturing initiatives: whether the level of 'economics conditions' that include 'the level of uncertainty, the specificity of investment, and the level of agency costs', and the level of 'resource conditions' that include 'the managerial capabilities for resource recombination, the production capabilities for the new business, and the distribution capabilities for the new business' are high or low affect the choice of venturing organizational modes. Meanwhile, the changes in the venturing organizational modes are also affected by the shifts in incentives for venturing. These findings from the empirical study echo what proposed in the theoretical model, developed in the Chap. 3.

In addition to constructing a theoretical model for the choice of venturing organizational modes, another purpose of the current study is to find out the relationship between the IO and the RBV in the specific context of corporate venturing. Findings from the empirical study indicated that the IO and RBV theories provide similar explanations to the choice of venturing organizational mode, under the circumstances while both the 'economics conditions' and 'resource conditions' are either high or low for the venturing. So, their relationship can be complementary in such a context.

However, when the 'economics conditions' are low and 'resource conditions' are high, or the 'resource conditions' are low and 'resource conditions' are high, the explanations given by the two sets of theories are conflicting with each other, as found in the cases of News Corp's Internet business venturing, mobile business venturing, Reuters Greenhouse venturing, etc. In such cases, it is important to consider other factors, i.e. as suggested by the current study: the incentives for venturing—whether the venturing activities were mostly driven by the indirect incentives or direct incentives would decide greatly to which direction managers should follow.

Due to the changes in the circumstances for venturing, there is hardly a best way to structure venturing. However, given certain conditions and circumstances, superior ways exist for organizational practices. For instance, when the general levels of the 'economic conditions' and 'resource conditions' are high, more likely firms may organize venturing activities internally, by setting up venturing units inside organization or by conducting mergers and acquisitions. While when the 'economics conditions' and 'resource conditions' are low, more likely firms may organize venturing activities externally, by allying with external partners or spinning off the venturing units.

Therefore, in order to organize their venturing activities, firms need to examine the 'economics' and 'resource conditions' associated with the venturing initiatives. They also need to analyze the major incentives driving their venturing activities—when the venturing activities are primarily driven by costs and profits, it is more likely to follow the predictions given by the economics theories; or when the venturing activities are primarily driven by the development of resources and competences, it is more likely to apply the resource-based theories.

These assumptions may align with some major concepts derived from the contingency theory. The contingency approach to management assumes that "the best way to organize depends on the nature of the environment to which the organization relates" (Scott, 1981, p. 89). Thus, the right thing to do depends on a complex variety of critical environmental and internal contingencies (Chandler, 1962; Lawrence & Lorsch, 1969). Researchers adopting this theoretical model posited a number of associations between the dimensions of organizational structure and contextual factors, including environment (Burns & Stalker, 1971; Lawrence & Lorsh, 1967), technology (Woodward, 1970; Perrow, 1967) or scale of operation (Blau, 1970; Blau & Schoenherr, 1971). In all of these studies, the choice of organizational forms was seen as being dependant upon the specific circumstances the organization faces.

This study has taken some contingency stances by proposing that there are some conditional factors for companies to consider. However, the contingency approach has been criticized by some scholars as (1) being static (Donaldson, 2006), (2) too rationalistic (Kieser, 1999) and (3) neglecting the aspects of decision-makers (Child, 1972). Therefore, in this study, the researcher examined the changes of 'economics and resources conditions' associated with venturing, as well as changes of incentives through the process of venturing, thus the critic of being a static model could be largely overcome. Also, the fact that decision-making processes are dominated by bounded rationality does not imply that rational concepts are inappropriate. On the contrary, contingency oriented reasoning can help to identify context adequate organizational structures and therefore to increase rationality with decision process. With regard to the non-involvement of decision-makers, this choice has been made in order to shift more focus to the decisions and choices made individually or collectively, so as to give the results more clarity.

To conclude, this book suggests that both integration and reconciliation between the IO and the RBV theories are needed to understand the choice of venturing organizational mode. The integrated effect exists when explanations given by the two theories are complementing, and the reconciled effect exists while predictions from the theories are conflictive—thus, the venturing incentive is considered as a contingent factor to reconcile the two theories.

The book also suggests that the choice of venturing organizational mode is highly relevant to the venturing conditions, ignoring the context of choice leaves out a critical variable in the decision situation. In reality, the choice for venturing is a trade-off between various factors. Firms have to balance a lot of criteria such as costs, speed to the market and the protection of knowledge and resources that gives them the advantage in the market places. Among all the factors, the 'economic and resource conditions' are crucial to consider, as found in the current study; and there are also a number of other changing conditions managers need to take into consideration, depending on different circumstances. Therefore, the choice for venturing is a fruitful area for research.

11.5 Theoretical Implications

This book has answered questions of how to organize new media business venturing in an organizational structural perspective and specified the reasons of why to organize in a certain way. The study has contributed a theoretical framework to understanding venturing organizational modes. By integrating and reconciling theories from both the economics and resource-based perspectives, the study contributed insights into identifying the relationship between these two sets of theories. In addition, contributions are also made to the management practices in media firms, by giving practitioners implications for their new media business creation and production. The theoretical implications of the study are summarized below:

Firstly, this book examined the organizing of new business in a structural perspective. In the domain of entrepreneurship research, to some extent, research on new business startups has ignored the structural and organizing issues; especially, such issues have been neglected largely in a corporate entrepreneurship context. Among a limited number of existing research (e.g. Tushman & O'Reilly, 1997; Roberts & Berry, 1985; Venkataraman & MacMillan, 1997), there are obvious gaps of knowledge, either because the theoretical framework is difficult to operationalize, or the studies are over-normative, lacking rich theoretical bases. Therefore, this book has constructed a theoretical framework based on multi-perspective theories, and it also provided robust empirical investigations to study the structural issues relating to the new business venturing in a corporate environment.

Secondly, the nature of the relationship between traditional economics theories such as the IO and more current resource-based theories is a long debating issue. Some hold that these two perspectives are complementary, while others maintain that they are independent or even conflict with each other. In the field of strategic management, prior to the 1990s, many research had strong roots in the transaction costs reasoning, and economics work and theories were heavily cited. But since the mid-1990s, many scholars in strategic management started to heavily criticize the IO theories and pointed that IO and RBV are rivals in the sense that they provide conflicting explanations of the same phenomenon. Though a new trend emerged very recently, attempting to integrate the economics and resource perspectives (e.g. Barney & Lee, 2000; Combs & Ketchen, 2005; Foss & Foss, 2004; Foss & Mahnke, 2000; Kay, 2000; Madhok, 2000; Pfaffmann, 2000), there is still no sufficient research, either incorporate robust empirical reality with an integrated theoretical framework, or explicitly explain how firms should resolve conflicts the two theories cause.

It is suggested that to better understand the sophistication of organizational activities, incorporating the economics and resource-based theories is needed. Therefore, the researcher constructed a model to integrate and reconcile the economics and resource perspectives, by proposing the new business venturing incentives as a contingent factor to consider while the explanations given by the two sets of theories diverge. Propositions were further illustrated and explained with eight new media business venturing cases. By doing so, this study has contributed a constructive approach to integrate and reconcile different theories and to interpret them with abundant empirical data. Such research efforts are significant, as indicated by Williamson (1999)—a commonly acknowledged source of scientific progress is indeed the reconciliation of theories that have hitherto been taken to be opposed or unrelated.

Thirdly, changes in the media environment, shifting demands of the media market and dynamics in the media organizations have made innovation and new business creation a critical strategy to sustain media companies' competitiveness and success. However, among current studies, how to organize new media creation is still an insufficiently addressed issue. Therefore, this book has provided managerial insights to media practitioners. Based on robust theoretical and empirical investigations, it provided implications for media firms to make choice among different venturing options and to select potentially appropriate organizational modes for their new business creation.

Chapter 12
Media Specific Implications

12.1 Media Managerial Implications

This book presents a study on new business venturing in the media industries. With the changes in the media terrain, new business opportunities emerge increasingly in different sectors. This book studied eight new media venturing cases, findings from the empirical study showed that, while venturing for new business, media firms need to be aware of the 'economics & resource conditions' associated with the venturing initiatives. Specific venturing circumstances may suggest certain venturing organizational modes that can better organize the venturing activities. In some cases, the venturing incentives may also need to be considered while making decisions for the venturing organizational architectures.

The 'economics & resource conditions' are decided by firms' external and internal factors. In the empirical study, some factors that influence the venturing decisions were emphasized by the respondents, and these factors are categorized into three groups:

– *The macro-environmental factors*

The empirical study indicated that some specific macro-environmental factors that include the regulatory environment and social economic conditions influence the venturing organizational decisions.

Changes in public policies and regulations have altered the media environment, and have created a much more deregulated condition for media industries. These changes have brought large amount of capital to media development. Also, deregulations have provided opportunities for many media companies to depart from their traditional areas and to create new businesses. For example, changes and deregulation in the telecommunications sectors have created opportunities for Telecom companies to move from their traditional and saturated voice business to the mobile business, and more recently, to the broadband TV and webcasting business, competing for the future market with the traditional cable and TV companies. However, the

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organizing of the new business creation is affected by the changing policy environment, for instance, as seen from the case of Verizon and China Telecom: though market has been largely liberalized, telecom companies still need to receive legal permissions from the government to engage in the new business. Meanwhile, their new businesses are facing challenges from local cable companies, and in some cases, cable companies may place pressures on the state and local governments to block TV services via telecommunications companies.

Social economic conditions also influence the venturing choice. The social economic wealth affects a country's adoption of new technologies (Rogers, 1995). Media spending by consumers and advertisers is determined by the general state of the economy. And a change in the level of the economy causes a parallel change in spending on mass media (McCombs, 1972). General economic conditions do matter in predicting the adoption of new media such as the Internet (Hargittai, 1999). Meanwhile, social and consumer characteristics of a nation also influence the nature of its media markets. Research has found that a country's human development level, as measured by variables such as literacy rate, education, and life expectancy, is correlated with its level of Internet connectivity (Hargittai, 1999). The level of adoption to the new media and market potentials of the new media are greatly relevant to social economic conditions, thus new media strategy makers need to take social economic conditions as important parameters to consider while organizing new business production.

– *The media industry & market -specific factors*

The empirical study also indicated that a trend for media convergence, the level of competition, changes in the industry, and the speed of entering the market influence the choice of venturing organizational mode.

A trend of media convergence has prevailed in recent years. Different media formats are merging with each other to create an integrated media solution. The advent of new communication technologies is creating more synthesis among all forms of media, and this trend of media convergence affects the organizing of new media in the way that it requires the new media business to closely coordinate and cooperate with the company's other media departments. For example, it is evident that in the case of the New York Times Company's Internet business venturing and News Corporation's Internet business venturing, the Internet has been evolved as a platform to integrate the companies' different businesses, including the print media and broadcasting media businesses. Organization thus is served as a mechanism to better combine different media forms in order to create more synergy.

The level of competition is critical to consider. In the media industries, reduced barriers to enter into the media market have increased the level of media competition, especially in broadcasting, cable and satellite operations. In recent years, the television industry has undergone one of the most wide-ranging and rapid market transformations. Newspaper publishing models are also migrating online, with increasing convergence and innovations (Friedrichsen & Mühl-Benninghaus 2012). The increased competition level and changes of industry largely impact general media development and the creation and production of new media.

New business creation changes in supply of channels and programs are evident, but the size and speed of the growth have been unprecedented (Picard, 2002). To meet the fast changing demands, speed in getting into the new media market is crucial. As in the case of News Corporation's mobile media business venturing, the first mover advantage is of strategic importance; thus in such circumstances, firms usually engage in new media development with more market-oriented options.

– *Media firm specific factors*

There are some media firm-specific factors mentioned by the respondents in the empirical study, and they indicated that the way to leverage the company's competences to create an integrated destination for consumers, and to better generate value from company's existing resources and competences also influence the organizing of the new media.

"Firm-specific influences are individual to firms and the result of the changing environment and markets developments as well as operations and choices in the firms." (Picard, 2002, p.10) Factors influencing media companies are specific to individual firms due to the internal resources the company possesses and external environment the company operates in. In the cases of the Verizon's Gaming Business Venturing and FiOS TV venturing, for example, the strong broadband network capabilities the firm possesses made it important for the firm to consider how to develop the new business in order to fully utilize its capabilities and consequently, to stretch its competitive advantages. In the case of YouTube's mobile distributing consumer media venturing, the brand value is a 'valuable, rare and hard-to-imitate' company resource, thus how to best use the value from its brand became a firm-specific factor that affected the company's venturing choice.

In general, the changing context of media has raised concerns about the sustainability of many media companies. Therefore, to stretch more competencies from firms' existing resource to create future competitive advantages are fundamental factors influencing media companies' new business strategy. This is also the basic concept suggested by the resource-based theories.

12.2 Media Theoretical Implications

This book has integrated and reconciled the resource-based theories and economics theories for the new media business studies. Though reconciliation is rare, the integration of these two theories is not new in the field of media management research. To develop a theoretical framework for strategic media management, some scholars (c.f. Chan-Olmsted, 2003, 2006) have put forward an analytical tool incorporating both the IO and RBV concepts. Historically, there has been an over-reliance on industrial organization studies in media economics (Picard, 2002), examination of the exogenous factors that influence firm conduct have been the primary focus of many media industry studies. The RBV approach has become more popular among strategic management scholars since the 1990s after the initial dominance of the IO approach. With regard to the study of media firms, the RBV approach provides more insight into explaining the different performance between individual media firms or various clusters of media firms. And there seems to be an interesting parallel in such a progression between the general studies of strategic management and strategy studies in the context of media economics (Chan-Olmsted, 2006). Through combining these two concepts, scholars proposed that both exogenous and endogenous variables can be integrated, and it can serve as a new point to stimulate more media strategy inquires.

The rationales to combine the IO and RBV for strategic media management research can be summarized as follows:

– Firstly, the integration of these two theories could be helpful in developing strategic frameworks that are specific to media industries and take into account both the exogenous and endogenous media variables that include the special economic, social, regulatory, organizational and resource conditions of media firms.
– Secondly, as pointed out by Picard (2002), the field of media economics and management research will benefit from more firm-based studies, while it moves beyond inquiries focused on gaining a fundamental understanding of media industries and markets and their policy implications. The industrial economics theories and resource-based theories offer rich insights about the nature of mass media as business entities at the firm level, complementing existing media economics research. For that purpose, the theoretical framework of IO and RBV provides a good point of departure for media studies, particularly for those who are interested in firm strategies, to empirically test the robustness of such concepts in the unique media industries (Chan-Olmsted, 2006).
– Thirdly, a multiplicity of theories is needed for media management and economics research, owing to the multidimensional nature of this discipline. The reconciliation of two theories—one more traditional economics-based and another more current resource and capability-focused—will provide tools from different angels for both practitioners and academicians to examine management and economic issues of media firms.

The move towards an integrated theoretical framework adopting the IO and RBV is a significant progress in the field of strategic media management research. Till now, applying the IO and RBV, scholars in the field of media management have contributed studies on the Market, Organizational, and Strategic Factors Affecting Media Entrepreneurs in Emerging Economies (Hollifield, Vlad & Lee, 2004), Internet Business Model for Broadcasters (Chan-Olmsted & Ha, 2002), etc.

Building an integrated theoretical framework for the media management study is nevertheless a critical move; whilst research for the next step should give more attention to examine how to reconcile these two theoretical perspectives—as indicated in this study, explanations given by the two sets of theories may conflict, rather than complement with each other in some circumstances. Thus, a proposal reconciling these two theories needs to be built upon a comprehensive and in-depth review of the two theories, an awareness of when and where these two sets of theories conflict, and an understanding of the appropriate circumstance in which these theories can be applied and reconciled.

Therefore, one major media-specific theoretical implication of this study is to set a starting point for scholars to build an integrated and reconciled theoretical framework that may meet the demands of media management studies and fit in the changing features of media research inquiries.

12.3 Future Agenda

Research on media economics has been developing fast in the past decades. However, whereas media economics as a field of study has flourished, a relatively limited amount of research has focused on the aspect of media firms (Picard, 2002). To complement that, strategic media management offers additional insights into the nature of mass media business at the firm level (Chan-Olmsted, 2006). Studies on strategic media management have contributed valuable insights into, for example, introducing the essential aspects in evaluating media firms (Picard, 2002), and applying strategic management concepts to access media firm strategies (Chan-Olmsted & Jung, 2001; Chan-Olmsted & Li 2002).

Issues in media management that have attracted large attention in recent years include different characteristics of media products, media human capital and leadership, media strategic networks, strategic entrepreneurship, etc. Among which, strategic entrepreneurship examines issues such as how media products evolve and develop over time, and how media companies offer new products and develop new markets.

Entrepreneurship is the research issue of this book. As a scientific field of research, entrepreneurship has strong relevance to media, and particularly to media management studies. A creative feature and an artistic process of content production differentiate media products and services from other industrial outputs, and the essential characteristics of the entrepreneurial activities such as creation, innovation and novel ways of thinking are critical in building media business success. Therefore, studies on entrepreneurship and media appear necessary and meaningful (Hang & van Weezel, 2007).

This book has focused on entrepreneurial initiatives in a corporate context and research attention has been paid to the organizing of new media venturing activities. Theoretically, the study contributed an integrated and reconciled model, incorporating economics theories and resource-based theories for the research of business venturing. Practically, the study provided managerial implications for media practitioners' decision-making on the venturing architectures.

The study fits into the existing research scheme to create integrated theoretical frameworks to understand complex organizational phenomena. It filled the gap of knowledge on the structural choice for new business creation, especially for the media companies. As discussed in the previous chapter, despite the contributions, this study also has limitations, thus a research agenda is firstly constructed based on how to improve the current study with more future efforts.

For research on the current topic, further work needs to be done on identifying how to select specific venturing organizational modes. This study has investigated the venturing choices on the hierarchical modes and market modes of venturing. There are still several more structural options included in both the hierarchical modes and market modes. For instance, among the hierarchical modes: there are direct integration, some intermediate designs and the creation of new internal venture divisions. Among the market modes, there are strategic alliances and spin-offs. How to make decisions in selecting these venturing options can be an issue for further investigation.

To strive for more media implications, venturing cases can be selected from different media systems. For example, as identified by Hallin & Mancini (2004), three major media systems existed globally, representing different political and social realities. Therefore, it is possible to make cross-case analysis between companies within these different media systems, in order to understand the relationship between media systems and the features and characteristics of their business activities.

Furthermore, more site observations in different types of media organizations need to be made and rich & longitudinal data need to be collected, in order to achieve media industry implications in depth and breath.

This study has indicated some specific factors that influence the organizing of new media business. However, it is not thoroughly examined in this study, for example, the way these factors influence the venturing organizing choices, and also, to which extent, they are influencing the choice of venturing organizational mode. So the future research agenda can be set by exploring in detail into how these factors influence the organizing choices and why do they impact in a certain way.

In addition to a future agenda on the current research issue, this book also provides implications to set an agenda for future studies in the general field of media management research.

Implications from this book suggest that the study on media management can be conducted by incorporating different theoretical perspectives. By nature, the research on media management is multidisciplinary, so a multiplicity of theories is needed. In fact, some management scholars have already begun to incorporate mass communication theoretical concepts into their application of management theories, for example, Deephouse (2000) integrated mass communication and resource-based theories by viewing media reputation as a strategic resource.

However, the review of media management literature still shows that the efforts to build an integrated theoretical framework are limited, and so far research in the field tends to be fragmented, lacking of consistency, and much of the research is of limited use in systematically developing and testing theory (Mierzjewska & Hollifield, 2006, Albarran, 2013; Hill, Jones & Schilling, 2014).

Therefore, a research agenda ahead is to bring joint efforts from scholars in different fields and to develop programmatic research in which they can replicate and extend each other's or their own work. For such an endeavor, *new business creation*, for example, can be chosen as a topic, and based on this, collaborations can be made. In fact, the new media is a current and emergent research field—it is a field with great potential to be studied in more depth—by so doing, it is possible to develop a multi-perspective framework incorporating theories from different fields, and to achieve in-depth understandings on how to appropriately apply respective theories in the dynamic context.

12.4 Further Remarks

This book has created new knowledge on media venturing that may benefit practitioners in the industries and academics in the field of research. The author believes that the creation of new knowledge is better promoted in an arena that is characterized by constant changes and continuous emergence of new challenging issues.

The media industries provide such a context for new knowledge creation. As media deregulation and consolidation undergoes, there has been increasing demand for a better understanding of media management, economics, products and media companies. In addition, with the changes of new technologies, regulations, and market conditions, the industry itself has also been seeking insights into effective management practices.

Such a context gives researchers enormous opportunities to conduct research and to strive for new understandings and new knowledge. While reviewing studies in the field of media management and economics, significant achievements have been made by scholars in the field, dedicating to numerous topics, spanning from industry level policy to firm level management.

Whilst the field of research is prosperous, this researcher still worries that much less attention has been paid to the theory-building, especially to constructing integrated theoretical frameworks specific to media studies. And moreover, even among a few efforts to develop integrated frameworks, rare study has been made to reconcile different theories that may be potentially conflictive, but on the other hand, bringing multi-angel understandings to the research subjects. Such a phenomenon is probably due to the fragmented interests of media management scholars, and lack of mastery of different theories. This is nevertheless an obstacle in the way ahead to the new knowledge creation.

As a field of research, media management has well passed its introduction and development stages. The field is mature for developing new theoretical frameworks, exploring new ways to incorporate different theories for media studies, and expanding new knowledge to reconcile different research approaches. The author has made an effort to contribute to the field of research by establishing an integrated and reconciled framework for the study of media corporate venturing, and by providing robust empirical analysis on the venturing practices in the global media companies. A research agenda is proposed to further the current study with depth and breath. The current study is only a starting point, and a future landscape of media management and economics research will be built through continuously exploring emerging research opportunities, through implementing, integrating and reconciling new approaches and theories, and through joint efforts from scholars in the field from all of the world.

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