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Stakeholder ownership as a governance practice in Dutch news media

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Summary

Disruptive innovation and market circumstances force news media firms to reconsider their business models. This puts the value they create for both paying news consumers and the general public under pressure. This report explores how corporate governance practices can enhance the newsroom's ability to create value for news consumers. Besides traditional practices such as editorial rules typical of Dutch news media firms, alternative forms of ownership identity, such as customer cooperatives, associations or nonprofit foundations, might make a difference for business model innovation in the news media industry.

For this exploratory qualitative research a cross sectional case study of 15 Dutch news media firms using mixed methods was chosen. Primary data from 23 interviews were triangulated with secondary data from annual reports and editorial statutes. The results indicate that serving the news consumer by providing content created with 'independent' journalism has always been the basis of value creation in the news media business model. An advertiser buys a news consumer audience, not vice versa. This rule of thumb seems to gain importance as a result of the disruptive innovation effects of new technologies.

An editor-in-chief is however not free to focus on serving the audience of news consumers, as he must also please other stakeholders, such as the owner, advertisers and newsroom employees. The results indicate that these stakeholders have the following typical diverging interests: 1) **Customer versus customer** (advertiser's pressure on Chinese Walls newsroom), 2) **Employee versus customer** (journalists' interests versus demand news consumers), 3) **Profit maximizing owner versus customer** (negative growth spiral: cost reduction reduces value added for news consumers), and 4) **Nonprofit-owner versus customer** (idealistic mission versus demand news consumers).

The data indicate that ownership is an intermediate variable, which at the firm level moderates the impact of technology and consolidation on the ability of the newsroom to create value for its audience. Ownership identity determines what 'resources' are available for the newsroom. It also has consequences for how accountability and decision-making 'rules on paper' are implemented in practice. Different 'stakeholders' as owners of a firm have different objectives that are translated into board nominations, corporate values and strategies. This has consequences for the ability of a newsroom to create value for news consumers, because it determines if Chinese Walls and the identity of news publications are strengthened or weakened. Two broad strategy categories were discerned from the data: 1) supply versus demand driven, and 2) portfolio versus niche. Supply driven niche strategies create most value for news consumers and are found mostly in firms that are not owned by investors.

From the results a classification of four owner identities was developed that may also have general implications for other sectors. Customer owners were found to add most value for news consumers, and investor owners with a public listing the least. Employee and nonprofit owners are in between both extremes. Future research might explore if certain owner identities are more suitable for particular customer groups than others. It might also investigate whether the ideal ownership identity varies with phases of innovation.

Preface

Hereby I would like to thank all sponsors and donors who enabled me to write this report. I am very grateful for the financial support and trust granted to me by the Stimuleringsfonds voor de Pers, Lucas-Ooms Fonds/LOF Stichting, Nederlandse Vereniging van Journalisten (NVJ) and the Van Balkom and Sanders family. I am just as grateful for all the valuable support and advice given by Hans van Oosterhout, professor in Corporate Governance at the Rotterdam School of Management of the Erasmus University. Last but not least; also a very big thank you for the help of Femke Deen, Dolf Rogmans, Pushpika Vishwanathan, Pursey Heugens and Joy Kearney.

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1. Introduction

News is comparable to a public good because it has so called 'high externalities'. When one person 'consumes' news this does not exclude others from doing the same without paying for it. This externality problem has always made it relatively difficult for media firms to capture all the value created by the news they produce. Internet and smart phones have aggravated this appropriation problem, because these new technologies ended the dominant market power of traditional news media firms.

In addition to these 'disruptive innovations', two financial crises have also forced news media to seriously reconsider their business models. Declining revenues from both advertising and news consumption have resulted in attempts to raise circulation numbers of news publications and major cost reductions both of which affect the quality of content produced.

New online players increasingly capture the value of the content created by traditional news media firms. The number of jobs at new online media firms keeps growing, while the main providers of most news content are still the newsrooms of newspapers and press agencies whose size continues to shrink. As a result, the value created for both paying news consumers and the general public is being undermined.

This report explores how corporate governance practices can counter this reduced value creation. It investigates the effects of accountability and decision-making practices, such as editorial statutes and councils that are common in the Dutch news media sector. It also considers how the 'stakeholder identity of ownership' as a governance practice has consequences for the newsroom's ability to create value for news consumers. In other words: which stakeholders are the owners of news media and what difference does this make?

More concretely, this report explores the typical diverging interests of stakeholders that most newsrooms have to deal with on a daily basis. Their capacity to serve news consumers might be reduced by pressures exerted by internal or external stakeholders, such as advertisers, publishers or owners of the firm. As owners of the firm, certain stakeholders may be able to defend their interests more effectively. For example: a firm owned by an NGO that has the protection of the democratic role of the press as its primary objective can be considered a governance practice that serves to secure the interests of the general public. Employee ownership may ensure that the interests of journalists receive priority.

In the Dutch media landscape several forms of ownership exist, such as private and public equity, foundations, families, associations, cooperatives or governments. All these types of owners of Dutch newspapers, press agencies and websites were studied here. This report concentrates primarily on 'written' news media, but several television broadcasters and magazine publishers that have news websites, were also included.

Concentration of press ownership has traditionally been the concern of both academics and regulators. The identity of news media ownership has, however, received far less attention. Like in many other sectors investor ownership is also dominant in the news media industry. Nonprofits have, in some countries, such as the Netherlands for example, been important owners of the written press, but customer and newsroom employee ownership of large media firms is rare.

The effects of four owner identities – investors, employees, customers and nonprofits - will be compared in this report. More specifically, their effects on the ability of the newsroom to create value for customers will be explored. The purpose of this study is to develop a classification of the typical characteristics of these four ownership identities.

As little knowledge exists on customer, employee and nonprofit ownership, a multiple case study and grounded theory approach with a mix of qualitative methods and sources was chosen here. Secondary data from annual reports and editorial statutes were triangulated with primary data from 23 semi-structured interviews. The primary and secondary data were collected for a total of 15 cases that are Dutch and Flemish news media firms with four types of owner identity (investor, employee, customer and nonprofit), either in their pure form or as a mix. The data were collected in three phases that were alternated with rounds of data-analysis and coding.

One of the main findings of this report is that almost all respondents agreed that providing reliable and independently produced content to news consumers is the main driver or value creator in the business model of a news media firm. When a newsroom creates good value for money for readers or website visitors, this will attract news consumers, which in turn attracts advertisers and other business interested in this audience. This dynamic does not work in the reverse direction, because news consumers' trust and fidelity is easily broken once they discover that content has not been produced independently.

Market circumstances and the disruptive effects of Internet and smartphones have not changed this basic 'rule' that Dutch journalist typically describe as 'do not slaughter the chicken that lays the golden eggs'. The disruptive market and technology forces have made it much harder to abide by this rule, while simultaneously this has become more urgent than ever.

The results of this report illustrate how owner identity can moderate the effects of technology and market circumstances on value creation by the newsroom in several ways. First, ownership identity determines what 'resources' are available for the newsroom. Second, it also has consequences for the support of internal 'rules' in the firm as, for example, stipulated in editorial statutes. Third, through the appointment of the board, owners greatly influence the values and strategies chosen by news media firms. Values and strategy in turn also shape accountability and decision-making practices, and vice versa. In sum, this report will answer the following research question:

> *How do owner identity, decision-making and accountability practices moderate the impact of disruptive innovation and market circumstances on the ability of the newsroom to create value for news consumers?*

The next chapter will briefly summarize some of the literature and key concepts used in this study. Chapter three explains what research methods were chosen for which reasons. It also describes what sources were used for data collection and how the data analysis was done. In chapters four, five and six the main results of this qualitative study are presented. Each chapter addresses one of the three sub-questions that help to answer the main research question.

Chapter four describes the external context that all news media firms have to operate in, regardless of who owns these firms. It answers the sub-question: what is the impact of technology and market circumstances on the newsroom's ability to serve news consumers? In addition, it describes four typical diverging interests of important stakeholders of the news media firm that the editors-in-chief and their newsrooms are confronted with.

Chapter five answers the second sub-question: how do decision-making and accountability practices safeguard the newsroom's ability to create value for news consumers? It describes how owner identity can have an influence on how these 'rules on paper' are followed in practice.

Chapter six elaborates on this by answering the third sub-question: how does the internalization of stakeholder identity in ownership moderate the impact of technology and market circumstances? In this chapter the 'ideal owner' as seen by respondents is described. The 'resources' provided to newsrooms by this ideal owner are linked to the characteristics that are typical of investor, employee, customer and nonprofit ownership.

Chapter seven presents a classification of the four owner identities that summarizes the results and discusses the limitations of this study. It also answers to the main research question and sub-questions, explains what the general implications may be, and what recommendations can possibly be drawn from them.

2. Literature review

This report aims to contribute to both the media and management literatures. Media scholars have extensively studied press ownership and governance practices in the news media industry. They have, however, seldom approached these topics from the perspective of 'owner identity' that is chosen for this study. The general focus of media scholars has been on a comparison of 'chain' and 'independently' owned papers (Compaine & Gomery, 2000, p. 18). The findings of media scholars underline that family or independent owners (usually without a public listing) exert greater control over editorial process and have more focus on the ideological agenda than group-owned newspapers (usually with a public listing). The latter tend to focus more on profits and stock markets and care little for public service (Bagdikian, 1992; Beam, 1993; Busterna, 1989; Compaine & Gomery, 2000; Coulson, 1994; Demers, 1991; Lacy & Blanchard, 2003; Matthews, 1996, Stamm & Underwood, 1993).

Some media scholars, such as Napoli (1997), Fengler & Ruβ-Mohl (2008) and Blankenburg & Ozanich (1993), proposed to study the press from the corporate governance perspective of the agency theory. The news media sector has, however, only recently begun to attract the attention of economists, business and management scholars. Some have studied how the media as external stakeholders influence corporate governance (Dyck & Zingales, 2003 & 2013). Others explored the management of the 'duality' that is typical of news media firms (Achtenhagen & Raviola, 2006 & 2009). Several business scholars such as Thomsen and Greenwood have researched owner identity, but not in the news media sector. According to Van Oosterhout (2008) too much corporate governance research is focused on publicly listed firms with investors as owners. He proposes that alternative structures deserve further scientific attention.

In the first section of this chapter some of the literature on the impact of technology and market circumstances on value creation by the newsroom will be reviewed. How corporate governance practices, including owner identity, can moderate this impact is discussed in section 2.2. In section 2.3 the four main categories of owner identity studied here are defined.

2.1 Technology, consolidation and value creation

The pursuit of an audience lies at the core of the business model of a news media firm. The news consuming audience of a newsroom is not a homogeneous group, however, but can be divided into two categories that explain the dual nature of news media firms. The first category of news consumers is group of news consumers that either pays for news content or is sold as an audience to advertisers. The second group of news consumers is 'the general public' or 'society' that enjoys news and its benefits as a 'public good', but does not pay for this. In this report the term 'news consumers' is defined as including both categories.

The first category of news consumers is much smaller than the 'general public'. This group pays for content and hereby directly creates value for the owners of a news media firm. In spite of extensive market research, it remains somewhat unclear regarding what content this group expects from newsrooms. De Wolff (2012) found that more than three quarters of newspaper subscribers do not have preferences or consider themselves unable to put those preferences into words. In addition, the uncertainty of news leaves considerable room for influence from organizational politics on the selection of content by the newsroom (Shoemaker & Reese, 1996).

It is assumed that value is created for the 'general public' group of news consumers when newsrooms adequately perform their democratic tasks. McQuail described several tasks of the press, such as its 'monitorial role' of informing the public, its 'radical role' of being a watchdog that questions injustice, or its 'facilitative role' of providing a platform for civic engagement and debate (Christians et al, 2009, p. 116). To monitor how the press fulfills these tasks several indicators were developed (Trappel et al., 2011). Some of these (see appendix E) were used in this study as general indicators of 'resources' and 'rules' that enable the newsroom to create value for news consumers.

Indirectly, both paying and non-paying news consumers create value for owners of news media firms, because they are 'commodified' as audiences and sold to advertisers who pay for their size and quality or propensity to consume (Mosco, 2009, p.12). According to Cooper media do not serve the needs of members of society equally; they serve the members of the audience most valued by advertisers best, and deliver content that the advertisers think will generate sales (Cooper, 2011, p. 332). As a result the autonomy of the newsroom or 'objectivity' of news - free from advertiser influences - have been under pressure since the eighties.

The global trend towards the concentration of media ownership and the rise of new technologies such as the Internet, have damaged the 'Chinese Walls' that are meant to protect the newsroom from external influences. Cooper (2007) argues that the news industry became highly concentrated and vertically integrated which led to a dramatic reduction in competition, making the industry less responsive to consumer demand. The industry used its market power to influence this demand. This situation created "perverse incentives squeezing out profits by cutting quality rather than investing in productivity" (Cooper, 2007, p.137). Baker (2006) claims that "the perverse incentive that advertising introduces into the selection of content has long been identified as a problem in the media sector".

Hamilton describes how the rise of the Internet has reinforced these incentives. He argues that individuals are more likely to search the Internet for 'soft news' or information about product purchases than for details about government policies. "Advertisers are willing to pay much more for the association with search results about products or entertainment topics than about public affairs information" (Hamilton, 2004, p.5).

New technologies have also contributed to a general commodification process. According to Mosco (2009) the Internet has advanced opportunities for commodification in the media sector, because it offers opportunities to measure, monitor, package and repackage content. Mosco also describes how media labor is increasingly subject to commodification due to higher productivity demands in the newsroom. "In order to cut the labor bill and expand revenue, managers replaced mechanical with electronic systems to eliminate thousands of jobs in the printing industry – first by introducing electronic typesetting and later with digital systems. As a result print reporters increasingly serve in the combined roles of editor and page producer" (Mosco, 2009, p. 13). "Some argue that the current crisis in the news industry is not caused by a lack of public interest in news, but that huge layoffs of journalists at many papers have resulted in a degraded newspaper product that caused the decline of circulation together with the shift to online reading of news" (McChesney, 2011, p.129).

Convergence – or the coming together of technologies of media, telecommunications and computing – is drawing together the broadcasting, computing and IT sectors. This convergence has caused many media firms to adapt their business and corporate strategies accordingly (Doyle, 2002). The introduction of new technologies in the newsroom has increased the emphasis on "multiskilling" which leads to increasing pressure on production and higher stress levels. Power is moving away from journalists as gatekeepers over what the public knows. Citizens are assuming a more active role as assemblers, editors and even creators of their own news (Deuze, 2007, p.156).

Tabloidization, or the increasing trivialization of news ran parallel with ownership concentration, commodification and convergence. Celebrity news and gossip are seen to be crowding serious news, and 'human interest' stories receive more coverage than important international events. "There is a tension between tabloidization representing the desires and voice of the people and a vulgarization of public discourse" (Bird, 2009, p. 40). This popularization – or tabloidization - takes place in all sectors of society. "Marketers call this process 'repositioning the product' and adopt this strategy to enlarge the audience and increase sales and profits" (Gans, 2009, p.18).

2.2. Corporate governance practices

According to the stakeholder theory, management will need to balance the interests of all stakeholders, such as customers, employees, government, NGO's or creditors, to ensure survival of the firm (Freeman, 1984). How a firm manages its relationship with employees and customers can have a significant effect on financial performance (Berman et. al., 1999; Donaldson & Preston, 1995). In the case of a news media firm, a newsroom manager would need to balance the diverging interests of multiple stakeholders such as news consumers, advertisers, employees and shareholders.

Conflicting interests of advertisers and news consumers, for example, are very typical of news media firms. Achtenhagen and Raviola (2006) described how this 'duality' is reflected in an organization that has two product managers, invisible walls, and a lack of communication or clash of cultures of two identities. Richards (2004) has described how journalists are increasingly seen as employees of large companies or corporations whose primary aim is to maximize returns to shareholders. Van Vree and Prenger (2004) also explained how editors have started thinking more commercially and take the wishes of advertisers and readers increasingly into consideration. "The daily struggle between editors and marketers is deeply affecting the company survival and it is urgent to actively manage these dualities, not reduce them" (Achtenhagen & Raviola, 2006). This study aims to discover whether such tensions can be reduced with corporate governance practices.

Three types of corporate governance practices can reduce or strengthen the diverging interests of stakeholders: decision making practices, accountability practices and ownership identity as a practice. Two very important decision-making and accountability practices typical of Dutch and some Flemish news media firms are the editorial statute and council (Schuijt, 1987; Groenhart, 2013; Evers & Groenhart, 2011; De Keyser, 2012). These practices are meant to protect the newsroom against external pressures from the advertiser or shareholder, and give the newsroom a say in matters such as the appointment of its editor-in-chief. Another typical practice concerns the financial responsibilities and commercial tasks of the editor-in-chief (Wijfjes & De Jong, 2011; Van Vree & Prenger, 2004). As the job of the editor-in-chief increasingly resembles that of a publisher or director, he becomes more accountable to owners than to news consumers.

A third governance practice that has received little attention is the 'stakeholder-identity' of ownership. As various stakeholders capture value from a firm, it is argued here that how this value is allocated among them may vary depending on which stakeholder group owns the firm. Along this line of reasoning, ownership could be considered a practice to safeguard the interest of particular stakeholder groups.

The standard assumption in economics and strategic management research is that owners want the company to maximize economic profits or shareholder value. Different stakeholder groups might however have different objectives as the owners of a firm. According to Thomsen and Pedersen (2000) the identity of owners not only has implications for their objectives, but also for the way they exercise their power, and this is reflected in company strategy with regard to profit goals, dividends, capital structure, and growth rates. Financial investor ownership is, for example, associated with higher shareholder value and profitability, but lower sales growth (Thomsen & Pedersen, 2000: 689).

Other types of owners might want to achieve alternative goals, such as control (families), network relations (business groups), social goals (governments) or a lower credit risk (banks) (Thomsen & Pedersen, 2000, p. 703). Institutional investors are relatively wealthy and have a relatively strong preference for shareholder value and portfolio diversification. Family owners are committed to the long-run survival of the company and so value liquidity more than shareholder value. Governments are likely to consider social consequences in terms of jobs and social welfare. Corporate owners are likely to emphasize business transactions and growth (Thomsen & Pedersen, 2000, p. 703).

Ownership structure and identity are a potential source of variance in corporate values, which are determined by corporate governance, because owners usually select members of the board of directors and stakeholder representatives to whom they delegate decision rights concerning corporate values (Thomsen, 2004, p. 40). Ownership concentration and form, which are also part of the identity, also have consequences. Larger owners have higher incentives to monitor managers and more power to enforce their interests. Private professional services firms (PSF's) outperform public PSF's (Greenwood, Deephouse & Xiao Li, 2007), and 'relational' owners have closer ties and higher growth than 'transactional owners' that are more distant and achieve higher profits. Relational owners facilitate greater value capture by stakeholders than other owners (David, O'Brien, Yoshikawa, Delios, 2010).

2.3 Four categories of owner identity

Hansmann (1996) explains why investor ownership - the owner identity that has been studied most - dominates in many sectors. He argues that there are usually strong efficiency reasons for assigning the ownership of a firm to a particular group of 'patrons' or stakeholders. This is because the costs of certain forms of ownership are weighed off against the costs of market contracting. The sum of both costs will determine which ownership identity is most suitable for a particular firm in a particular setting. All other things being equal, costs will be minimized if ownership is assigned to the class of patrons for whom the problems of market contracting – such as the costs of market power, lock-in, information asymmetries, alienation of workers or lack of access to capital – are most severe (see table 2.1).

According to Hansmann no form of ownership is superior, but each type has its own niche. In virtually all cases of ownership that are not in the hands of investors the group that owns a firm is extremely homogeneous in its interests. It is very rare to find a firm in control of individuals whose stake is dissimilar (Hansmann, 1996, p. 288). Hansmann divides ownership by 'patrons' or stakeholders of the firm into three major categories: 1) customer-owned, 2) producer-owned (investor and employee) and 3) nonprofit and mutual enterprise (Hansmann, 1996). His framework is taken here as a starting point in the comparison of different stakeholder ownership identities in the news media sector.

TABLE 2.1 Summary four owner identities and their primary objectives, costs of ownership and market contracting

OWNER	**OBJECTIVE**	**OWNERSHIP COSTS:**			**DECISIVE MARKET-CONTRACTING COST**
		Monitoring manager	***Decision-making***	***Risk bearing***	
Investor	Profit	High	Low	Low	Capital access
Employee	Control	Low	High	High	Alienation workers
Customer	Participation	High	High	Medium	Info asymmetries
Nonprofit	Public good	High	High	High	Info asymmetries

In this study the following four main types of ownership are compared: investor, employee, customer and nonprofit ownership. These largely overlap with Hansmann's blueprint, but differ slightly because 'employee ownership' is taken as a category that is separate from 'investor ownership'.

Investor owners are defined here as public or private firms where the largest shareholder is a bank, institutional investor, private or public equity. Families that own a minority share or controlling majority are also considered 'investor owners' here, although families are more than other investors usually also in control of the firm as managers. Families are also more likely to be risk averse, more capital rationed and long-term committed than other investors (Thomsen & Pedersen, 200, p. 693). In large-scale enterprise 'investor owners' are dominant because there are serious costs involved in obtaining all of a firm's capital on the market (Hansmann, 1996, p. 53). These costs can be reduced by assigning ownership of the firm to the capital lenders of the firm.

Employee ownership is most common in the professional services sectors, such as law, accounting, consultancy and medicine where partnerships are often found. Important advantages of this form of ownership are increased employee productivity, avoidance of opportunism and strategic bargaining behavior by employees, better communication of employee preferences and reduction of the alienation of workers (Hansmann, 1996, p. 75). Employee owned firms are not suitable for capital intense industries because employees are no strong risk bearers. Another disadvantage of employee ownership is that employees are far more likely than investors to differ among themselves about a firm's policies and that is why the costs of this form of ownership are relatively high.

The same is applicable to customer owned firms that - like employee firms - have as a disadvantage that the owners usually lack experience with the governance and management of a firm (Hansmann, 1996, p.115). Customer ownership is common in sectors such as retail, wholesale and supply firms, but also in utilities, clubs and associative organizations. When natural monopolies lead to price exploitation, customer cooperatives can be a solution for highly homogenous commodities such as electricity or telephone services that have few quality differences and a relatively constant consumer demand (Hansmann, 1996, p. 170). In clubs exclusivity of membership and participation in ownership is not a means, but an end in itself and collective decision-making might be an attractive excuse to socialize. Organizations that collect philanthropic contributions to finance public goods are often also member controlled because severe asymmetries of information are an important factor here. Via ownership donors will want to gain assurance that their contributions are used for the intended purpose (Hansmann, 1996, p. 183).

Nonprofit owners, such as foundations, associations or governments, play a prominent role in human services such as healthcare, education, the arts and high culture. A common role for nonprofit firms is the private production of public goods, such as listener supported radio or television broadcasting. Here the contributors are the beneficiaries of a service that can accurately judge the quality and quantity of the service provided and consumed (Hansmann, 1996, p. 230). Nonprofit firms are not barred form earning profits, but cannot distribute profits to the owners. Residual earnings must be retained and devoted to financing the services that the organization was formed to provide. Nonprofits usually serve a group of owners that is relatively heterogeneous and dispersed, and whose individual ownership is too small for customer ownership to be feasible. This form of ownership is also meant to prevent other stakeholders, such as investors, from owning and controlling the firm. Firms with nonprofit owners can operate with a fair degree of efficiency and compete effectively with, for example, investor owned enterprise. Nonprofit firms are usually operated by a self-perpetuating group of managers that are largely free of owner interference, and in that sense more resemble investor owners than employee owners (Hansmann, 1996, p.245).

3. Research methods and data collection

This chapter describes the research design of this qualitative multiple case study. A grounded theory approach and mix of methods and sources were chosen here because no mature theory exists on nonprofit and customer ownership in news media firms. Secondary data from annual reports and editorial statutes were triangulated with primary data from 23 semi-structured interviews. Primary and secondary data were collected for a total of 15 news media firms with four types of ownership identity: investor, employee, customer and nonprofit. Section 3.1 describes the choice of methods, 3.2 the selection of cases, 3.3 the data sources, and 3.4 the data analysis procedures.

3.1. Research methods

The aim of this study is to develop theory through explorative research. Theory on the effects of customer and nonprofit ownership is still nascent therefore a grounded theory approach was used to connect data to existing theory and to suggest new theory (Glaser & Straus, 1967). In the grounded theory approach data analysis cycles often alternate and iterate with the data collection process, which reveals recurring themes and issues that need further exploration. This is how theoretical categories emerge (Edmondson & McManus, 2007, p. 1163).

For a good methodological fit the collection of qualitative data that need to be interpreted for meaning is recommended to answer research questions that address nascent theory. Suitable methods for qualitative data collection are interviews, observations and the collection of documents (Edmondson & McManus, 2007, p.1160). In this study all three methods were used to develop new constructs and patterns that are described in subsequent chapters. Multiple methods were chosen to enable triangulation. Multiple methods provide better opportunities to answer the research question and allow better evaluation of the extent to which the research findings can be trusted and inferences can be made from them (Tashakkori & Teddlie, 2003).

Through the qualitative comparative case study method it can be established whether the findings of one case occur in other cases. The research objective here is to compare the impact of differential stakeholder identities. The cases were distributed over several categories, in order to approach the data from different dimensions and divergent ways (Eisenhardt, 1989, p. 540). Case studies were added or removed to probe new themes that might come up during the data collection process.

3.2. Case selection

In this study non-probability or non-random sampling was used, because this technique may be most practical in the exploratory stages of research projects (Saunders & Thornhill, 2009). In addition, the population chosen here is relatively small and does not allow for quantitative research with probability sampling. The sampling was done in three consecutive rounds that will now be described.

The population chosen for the first round of interviews consisted of 29 Dutch national and regional printed daily newspaper titles (excluding free newspapers) that also have a minimum circulation of 10,000 and an editorial staff of minimum ten full time employees (see appendix A). From this sampling frame eight cases were chosen using a 'most different systems' sampling design and non-random sampling with heterogeneous maximum variation. This design was used in order to maximize the variation of theoretically relevant attributes (Prezeworski & Teune, 1970). For this purpose the following sample selection criteria were used: 1) size of the circulation of the newspaper, 2) target group of readers: regional or national, 3) stakeholder owner type: employee, investor, customer or nonprofit, 4) concentration of ownership of stakeholder: percentage share, and 5) form of ownership: public, private or indirect public listing.

Via desk research, secondary data on the above characteristics for the chosen population were collected (see appendix A). From the 29 newspaper titles, eight were selected as cases for data collection. These cases represented at least one of the four stakeholder-ownership-identity categories: 1) investor, 2) employee, 3) customer and 4) non profit. When respondents declined to participate in interviews, new cases and respondents were selected to ensure all four categories were represented.

Some newspapers do not have their own newsroom for national and international news, but share one with several other papers. For that reason a new unit of analysis was chosen for the next interviews: the 'newsroom' instead of the ‘newspaper’. The population for these rounds was enlarged to include a total of 51 ‘newsrooms’ (see appendix B). In addition to the 29 Dutch newspapers of the first round, the newsrooms of press agencies, news websites and news broadcasters, were included for a greater variety of medium types, newsroom and firm sizes. To explore possible effects of foreign ownership and national or cultural differences, Flemish news media were also included in the population for the next round of interviews. Once again, cases and respondents were selected using a ‘most different systems’ sampling design and non-random sampling with heterogeneous maximum variation.

3.3. Data sources

Data were collected in three ways. First, through desk research secondary archival data were collected for both case selection and case specific data. Secondly, semi-structured interviews with case-specific informants were held to collect primary data. Thirdly, observations were made by some of these case-specific informants.

The secondary archival data that were collected in the desk research phase were the financial annual reports of Dutch news media firms of the year 2012. If the 2012 version was not available, the reports of 2011 were studied. Most of these annual reports were obtained from the Dutch Chamber of Commerce or websites of the firms studied. In addition to the annual reports, the editorial charters or ‘statutes’ of the newsrooms of these firms were also collected. These statutes are usually in-company documents that are not published or made accessible to the general public.

Secondary data were also collected for the selection of the population and cases. On the websites of news media firms basic facts and figures on the ownership structure and identity of these firms were found and collected. If these data were not available on the website, requests were made at the organization to provide missing information. In addition, the websites of Mediamonitor, NDP, STIR, Genootschap van Hoofdredacteuren, Vlaamse Regulator Media and CIM were also sources of relevant data on, for example, ownership structures. The HOI-website was used to provide data on the circulation size of news publications. Data that were not found in the annual reports or on websites included newsroom sizes, numbers of freelancers working for a newsroom, and revenues from advertising or subscriptions. Estimates of these were collected during the interviews.

To collect primary data via semi-structured interviews and observations, a total of 23 case specific informants were interviewed. Two interview rounds were held with three types of respondents: 13 editors-in-chief, 5 owners and 5 journalists. The majority of interviews were held with editors-in-chief because they occupy a crucial and central position within the news media firm. Editors-in-chief have insights into both the creative editorial and commercial sides of the news firm.

In the first round only editors-in-chief of daily newspapers were invited, but in the consecutive rounds new perspectives were added; those of editors-in-chief of non-newspaper newsrooms, owners of the firm and journalists working in the newsrooms. Three different interview protocols were developed and used for each type of respondent. The semi-structured interviews lasted approximately 1.5 hours on average. In some cases, basic background research was done and informal interviews were held to prepare for the interviews.

With some exceptions most of the 23 interviews were held at the office of the respondents and all interviews were recorded digitally and transcribed. In the transcripts the names of persons and organizations were omitted to safeguard the anonymity of the respondents. In appendix C an overview is provided of the 23 interviews of the first, second and third round and the stakeholder-identity ownership categories they represent. See appendix D for the list of all interviews, their duration and date and appendix G for the three interview protocols.

3.4 Data analysis

Three rounds of data collection alternated with data analysis. After each round of data collection, the analysis that followed resulted in new themes and cases or respondents for subsequent interviews.

In the first cycle the secondary data collected through desk research were analyzed to see if any correlation could be found between stakeholder identity of ownership on the one hand, and newsroom 'rules' and 'resources' on the other. All cases were grouped into four stakeholder identity categories that were based on an adjusted version of the theoretical framework of Hansmann. Not all cases had a perfect fit with these categories, as many had mixed shareholder ownership identities. Holderness (2003) pointed out that the ownership of the largest shareholder is an appropriate operationalization of ownership concentration and identity. For that reason the stakeholder identity of the largest shareholder was taken here to determine if a particular firm belongs to the category 'investor', 'employee', 'customer' or 'nonprofit'. Only two exceptions to this rule were made due to a lack of cases in some categories and uncertainty about exact percentages of shares owned.

It was expected that 'rules' and 'resources' would influence the effects of ownership concentration, form and identity on editorial autonomy and democracy. Newsroom autonomy and democracy influence the ability of the newsroom to create value for news consumers. To operationalize 'resources', two of Trappel's indicators (see appendix E) for measuring 'newsroom autonomy' were taken as a guideline: 1) journalist's job security and 2) financial resources for the watchdog function. To obtain an indication of the available 'resources' the data from the annual reports were analyzed to see if there were any correlations with ownership. Data that were studied included firms' financial results, advertising as a percentage of revenues, spending on staff (employee costs), dividend payments to shareholders, solvability, liquidity and cash flow from operations.

To measure the 'rules', four of Trappel's indicators of 'newsroom democracy' were taken as a guideline: 1) newsroom democracy rules, 2) company rules against internal influence on the newsroom, 3) the newsrooms mission statement and 4) procedures for news selection and processing. Editorial statutes were analyzed and coded with a particular focus on the passages or paragraphs on the identity and appointment procedures of the editor in chief. Primary data on rules were triangulated with these secondary data, because what is said on paper is not always practiced in reality.

The second cycle interviews with editors-in-chief provided insight into which practices help or hinder them to manage any 'dualities' they might experience. They also explained what ownership identity they felt would be ideal to counter these dualities. These nine interviews were transcribed, summarized and analyzed which resulted in a new list of cases and respondents for new interviews.

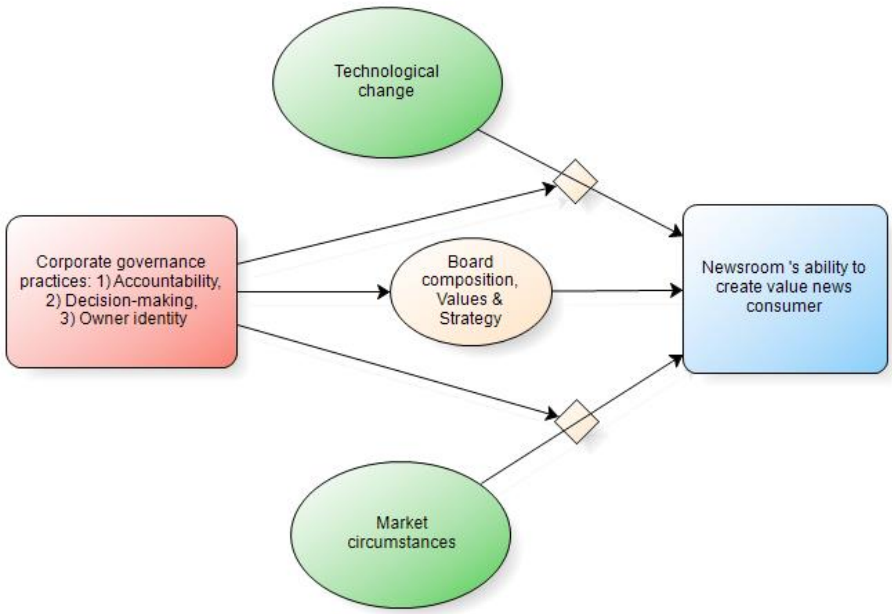
In the third cycle the same protocol was used for four additional interviews with editors-in-chief of non-newspaper newsrooms. For the other types of respondents – five owners and five journalists - two new protocols were developed (see appendix G). The owners of news media firms were asked why they decided to invest in a particular news media firm, how their investment objectives were realized and what corporate governance practices helped or hindered the realization of their goals. The journalists with newsroom careers of a minimum of ten years, were asked to describe their observations of any changes in their daily routines that might have resulted from a change in the stakeholder-identity of the ownership of the firm for which they work.

The primary data of 23 interviews were analyzed using computer aided qualitative data analysis software. The primary data and some secondary data were all coded using Nvivo 10 software. This resulted in a coding scheme (see appendix F) of approximately 140 nodes that were divided up into three main categories: 1) practices affecting the newsroom (ownership, accountability and decision-making practices), 2) the ability of newsroom to create value (tabloidization, commodification, newsroom autonomy and democracy) and 3) the external context (time, technology, consolidation, government policy and the stakeholder's diverging interests). The results for these categories will now be addressed in the following three chapters.

4. External context

The primary data revealed that the main driver of value creation by the news media firm is the ability of the newsroom to serve news consumers by providing reliable and independently produced content. This ability might, however, be reduced if the newsroom too much serves the interests of other stakeholders, such as owners, employees or advertisers. Other variables, such as technology and market circumstances, also influence the ability of the newsroom to add value for news consumers, as is shown in the conceptual model (figure 4.1). This model summarizes the results of the data analysis.

FIGURE 4.1 Conceptual model of context (market & technology) and firm variables



The results seem to indicate that ownership identity is a moderating variable that can weaken or strengthen the impact of technology and consolidation on the newsroom's ability to create value for news consumers. Other corporate governance practices for internal decision-making and accountability also affect this ability.

This chapter will describe the external context within which all news media firms must operate. These can broadly be summarized as the impact of technological change and market circumstances that are described in section 4.1, and the diverging interests of stakeholders described in section 4.2. Subsequently, chapters five and six will deal with the internal context of news media firms. Chapter five explores how accountability and decision-making practices, such as editorial statutes and councils, moderate the external effects described in this chapter, and how this may vary with differential owner identities. Chapter six deals with how the owner identity has consequences for board composition, corporate values and strategy. It also explores which ownership characteristics are regarded as 'ideal' for the reduction of tensions resulting from the diverging interests of stakeholders.

4.1. Technology and consolidation

The analysis of the primary data indicates that the global consolidation of the media sector and introduction of new technologies, such as the Internet and smart phones, had an impact on consumer value creation by the newsroom. Other external effects described in the interviews can be summarized as 'market circumstances', such as global trends of consolidation, economic crisis and governments' competition policies and regulation (see table 4.1). The frequency with which these effects were mentioned in the interviews and statutes is listed in appendix F. In the column 'sources' the number of interviews that refer to a particular topic or theme is stipulated. The column 'references' indicates how many times this topic or theme was coded or labeled in all interviews and statutes combined.

TABLE 4.1 Context (industry level) - effects 'market circumstances'

Privatization: entry non-media owners (venture capital) ignorant of newsroom culture
Shareholder's high dividends and overhead reduce quality content -> reduce demand news consumers -> reduce advertiser demand (negative growth spiral)
Financial crises aggravate this spiral effect -> advertising budget cuts in downward business cycle, lower consumer spending
Public broadcasting distorts online market
Paradox: to ensure quality journalism, government must finance its own watchdog
Competition regulators (NMA) blocking ownership concentration in the name of pluralism may also hinder cooperation and synergies needed for firm survival

From the eighties onward, new venture capital entered the global media market. In a market climate of 'eat or be eaten' only firms with access to capital could overtake their competitors. To obtain access to capital, double-digit results were needed. Realizing high profits, however, became more challenging once old media firms lost their privileged position as distributors of content due to the disruptive innovation effects of the Internet.

Firms aiming for double-digit results risked getting caught in a 'negative growth spiral' where cost reductions reduced the quality of content and subsequently the demand for it. The financial crises of 2000 and 2008 aggravated this spiral effect. The following quote describes how this downward spiral had an effect on the added value for consumers by newsrooms.

> Q1: *The enormous profits that are possible in the media market are now turning against themselves… Once you are past break-even, each new subscriber results in profit margins up to 80 percent … when circulation size falls, the opposite happens…. So how do you correct such major losses? ... By going downwards in the pyramid… where most readers are… And they want lifestyle, more lifestyle… The entry of new capital and going down the pyramid to reverse falling circulation size, have resulted in propositions that are not compelling enough.*

A paradoxical situation seems to emerge in which the government must finance its own watchdog, because the market does not provide for it. This is considered as worrying by some.

> Q2: *I observe the tendency of governments trying to control the free professions, such as lawyers and journalists and that is a dubious tendency… Well, I mean, more controls such as the NSA-misery, the wiretapping and monitoring operations… Yes, in that sense we are in a cupboard filled with porcelain [fragile situation].*

Some respondents consider the presence of a public broadcaster in the online media landscape a factor that puts additional pressure on the business model and ability of the newsroom to create value for consumers. Some respondents also feel that direct competition online with the public broadcaster distorts the level playing field.

> Q3*: The government should withdraw itself completely from the market. But that's not what happens now, because indirectly the government is destroying the newspaper… Competition regulators decided two of our papers were not allowed to merge their newsrooms, but economically that is impossible.*

The most important technology effects that were mentioned in the interviews are listed in table 4.2. These findings generally corroborate the literature on commodification, convergence and tabloidization reviewed in chapter two. Disruptive innovation has put profit margins under pressure and has increased competition with new online players. The ‘Chinese walls’ that guard the ability of the newsroom to create content without any external interference are under pressure as a result and the editor-in-chief acquires new commercial and financial responsibilities. Advertisers who have stronger negotiating power because online the dominant market power of traditional news media firms is broken, are getting more of a say in the topic selection by the newsroom. Technology also provided new insights into the demands of news consumers, which has changed the production process in the newsroom. The DNA or identity of the newsroom and editorial product becomes diluted as tabloidization increases. There is also less room for editorial debate and more production of content is outsourced to press agencies or freelance journalists.

TABLE 4.2 Context (industry level) – technology effects

1. Lower profit margins online – pressure on business model
2. Competition with non-journalistic online players / stakeholder media
3. Editor-in-chief receives more commercial tasks + financial responsibilities
4. Porous Chinese walls: sponsored, branded content, advertorials
5. More demand driven newsroom -> more insight into news consumption
6. Tabloidization -> identity diluted
7. Increased outsourcing of content production -> identity diluted
8. More inter-company and newsroom content sharing –> identity diluted
9. Multitasking journalist due to media convergence
10. Speed receives priority over quality online
11. More copy-paste, less research and fact checking
12. Speed online requires more controls and hierarchy
13. Less editorial debate and more centralization of news selection
14. Privacy issues: journalists feels ‘spied’ upon (e.g. NSA activities)

Most respondents underline that - despite technology and market circumstances - the core of value creation in the business model of a news media firm has not changed. Content is still the basis of the model as this attracts news consumers, which in turn attracts advertisers. This rule does not work in the reverse direction because most news consumers will feel overcharged or fooled when they must pay for ads. Disruptive innovation seems to strengthen the effect of this basic rule, as the income from advertising is declining more rapidly than the decline in the demand for content. Online demand for content is growing, and although hard to monetize, this avenue seems more promising than a focus on advertising.

> Q4: *Commercial ads are only a quarter of the total of approximately 20 percent of our revenues coming from advertising. Nice to have, but is it really important? I don't know… The number of hours people spend on news consumption is increasing. So in that sense the news market is also a growing market, depending on the definition.*

As many consumers now read news on mobile devices, newsrooms that are highly dependent on revenues from advertising revenues have a major problem, as the mobile market for advertising is practically non-existent. The introduction of the smart phone has increased pressure on Chinese walls because they leave little room for banners. As a result, the pressure to incorporate the messages of advertisers in content will increase. These concessions or blurring of lines between the editorial and commercial by publishing advertorials, product placement, sponsored or branded content are, however, not necessarily what all advertisers desire.

> Q5: *Nine out of ten advertisers very much appreciate a strict division between commerce and the editorial.*

A focus on serving the news consumer before all other stakeholders, however, seems to be less common than expected. Such a focus does, however, seem to explain the success of news media firms that perform well financially.

> Q6: *One of the big surprises for us when we arrived was that the newsrooms asked us: why don't you talk about the ads? And we said… passion for the reader is our most important value... It has always revolved around that… even when advertising revenues were still very important.*

4.2 Diverging interests stakeholders

The primary data indicate that the ability of a newsroom to add value for news consumers can be hindered by the need for an editor-in-chief to serve his owner or other 'psychological owners' of the newsroom, such as advertisers or newsroom employees. Four types of diverging interests of the stakeholders of news media firms were discerned from the primary data and these are summarized in figure and table 4.3.

Figure 4.3 Diverging interests of stakeholders news media firm

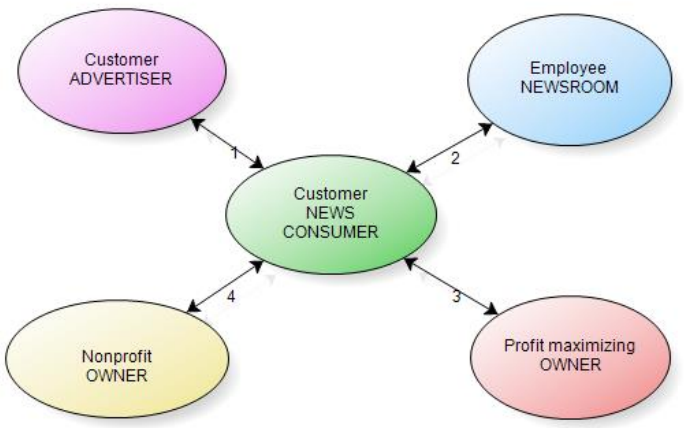


TABLE 4.3 Four typical diverging interests of stakeholders of news media firms

1.	Customer **advertiser** versus customer **news consumer** (Chinese walls under pressure)
2.	Employee **newsroom** versus customer **news consumer** (Journalist versus consumer)
3.	**Profit maximizing owner** versus customer **news consumer** (Negative growth spiral)
4.	**Nonprofit owner** versus customer **news consumer** (Identity versus demand masses)

Customer advertiser versus customer news consumer

The first divergence of interests is between the two typical customer groups of a news media firm: the advertisers and the news consumers. Both may want different types of content, and balancing their demands is a challenge.

> Q7: *More advertising means earning more, but that might irritate readers. When you advertise less, you earn less and that also means less value is added for readers.*

Pleasing advertisers will put the newsroom's Chinese walls and identity under pressure. The owner or publisher of a news media firm might, for example, want to attract certain advertisers by publishing life style supplements that news consumers might not appreciate. Advertisers might also pressure the editor-in-chief by lobbying, spinning or threatening to withdraw their ad spending or halt a campaign.

Advertisers' demands might also limit the range of news topics that a newsroom covers, because a content environment is created that is suitable for ads. An advertiser might, for example, not want to be associated with particular themes, such as teenage drinking or the death of a celebrity, that might be very relevant for the general public or may attract many news consumers. The pressure on Chinese walls seems to be experienced more in small local or regional papers than in the larger national papers. Local newsrooms operate in small regions where their news consumers are often the same people as their advertisers and sources for articles.

> Q8: *Our relation to the topics we write about is very intense. We know all our advertisers by name and face, and also nearly all readers... There is a real tension there because journalists do not always write positively about what entrepreneurs do... we try to stay on speaking terms with them, because they give us the right to exist.*

News consumer will consciously or unconsciously notice it when they are fooled with advertorials or content that is meant to please advertisers. Their trust can easily be broken and is very hard to repair. Supplements that are sponsored by advertisers also reduce the added value for news consumers, because they limit the ability of the newsroom to provide a 'helicopter' view based on contrasting views of several sources. Some experts might refuse to be quoted in publications that are sponsored by their competitors.

> Q9: *Yes, it becomes more difficult, for example, to quote competitors of [name sponsor of supplement] in that supplement because they will say: [name sponsor] will show off with this, so I do not want to be quoted. I can imagine that indeed.*

Employee newsroom versus customer news consumer

The second divergence of interests is between newsroom employees and their audience of news consumers. Journalists want to keep their jobs and preserve professional traditions, while the majority of news consumers might not be willing to pay for that. The journalist might also be more focused on recognition by peers than on the wishes of news consumers. The latter might appreciate articles that the newsroom staff regards as irrelevant, or vice versa.

> Q10: *Reaching an audience occupies us, but it is not the only thing we steer on because I feel that a journalistic organization has the duty to inform people about what happens in the world; Syria for example. We see very clearly that no one clicks on that news, nobody is really interested.*

This conflict between the 'professionalism' of journalists and the demand of the majority of news consumers does not confine itself to firms that have a profit motive. A public broadcaster must reach all Dutch citizens, which is a much broader audience than what most other commercial news media focus on.

How journalists perceive the execution of their profession does not always overlap with demand. Readers might not want 'paternalistic' journalists communicating in one direction, but prefer to judge independently and to have a dialogue. An older generation of journalist seems to be well represented in newspaper newsrooms, and their perception may differ from what younger audience of news consumers wants.

> Q11: *When your customer target group is 50-year olds, you will by definition become uninteresting for 20-year olds. It is like with pubs.*

Profit maximizing owner versus customer news consumer

The third divergence is the 'negative growth spiral' that was also discussed in the previous section. It occurs where owners try to maximize profitability by reducing investments in content up to a point where value creation for the news consumer is reduced. Cutting costs drastically is a short term solution that might have terrible consequences in the long run.

> Q12: *The great danger for a newspaper is to decide to cut spending because the number of readers is declining. This will reduce quality, and result in further decline in readers. That is really horrible.*

Profit-maximizing owners might also push for increasing revenues from advertisers. This puts Chinese walls under pressure. A push for a growth in circulation size - which is nearly a mission impossible nowadays - will result in the dilution of the identity of a news publication. As a result, news consumers might feel overcharged or alienated.

> Q13: *The paper is thinner now and the balance between advertising and content is under pressure… the number of ads in the paper increased while the revenue from ads declined... so the added value for the reader is undermined.*

Nonprofit owner versus customer news consumer

The fourth divergence of interests is between the conservation of the identity of a news publication through nonprofit ownership and the demands of the majority of the news consumers. This divergence resembles that of the diverging interests of newsroom employees and the news consumer if the owners mission is in line with the mission of journalists to preserve professional traditions, for example. Religious, social or idealistic missions of nonprofit owners can reduce value added for the audience when their mission conflicts with independence of journalists.

> Q14: *You are not truly independent when the government can turn the money tap… if you want sound governance and a healthy distance, the distance to politics should be greater and the financial dependency lower… and politicians should not discuss content.*

In the Dutch news media sector some nonprofit owners such as foundations, NGO's, governments or associations, have the explicit mission of protecting the democratic tasks of the press or a particular religious or social outlook. The pursuit of this mission might hinder the ability of the newsroom to serve the demands news consumers.

> Q15: *I do take my subscribers into consideration, but I also have a mission that might sometimes determine that I prominently present things that readers might not like… commercial relevance becomes more important in the digital paper… On Monday we get the numbers of [online visitors] but to be honest I seldom look at them.*

In name of their mission nonprofit owners might even interfere in editorial decisions such as the political stance taken or the use of language.

> Q16: *Well, the foundation stated that the paper should be subservient to the ideal that we want to propagate to our readers. For the same reason we had a discussion with the foundation about the use of vulgar or understandable language.*

5. Rules in practice

The newsroom's ability to create value for news consumers is affected by several accountability and decision-making practices that will be described in this chapter. Some of these practices are typical for Dutch firms, and have been designed to protect Chinese Walls and the identity of news publications. These two objectives seem vital for the newsroom's ability to create value for news consumers.

The analysis of the editorial statutes does not indicate great differences between the 'rules on paper' at investor, employee, customer or nonprofit owned news media firms. No significant ownership patterns or causal relationships concerning the practices listed in tables 5.1 and 5.2 were found. However, the primary data do indicate that ownership influences how these 'rules on paper' are followed in practice. This chapter will review practices such as the ombudsman and advisory boards in section 5.1, the editorial statute and council in section 5.2 and the responsibilities of the editor-in-chief in section 5.3.

5.1. Ombudsman and advisory council

Two practices that concern the newsroom's accountability toward its news consumers - both the general public and particular niches - are the ombudsman and advisory council. These are not very common accountability practices; only three out of the fifteen firms studied here have an ombudsman and only two out of fifteen have an advisory council. As tables 5.1 and 5.2 show these practices that tend to be associated mostly with ownership by nonprofits or government.

Some respondents view the ombudsman as important because he enables the newsroom to communicate directly, not only with customers, but also with other stakeholders such as the owners, advertisers or sales departments of the firm. When the editor-in-chief or editorial council is unable to express the newsroom's concerns or opinions, the ombudsman can do so publicly.

> Q17*: Many of the conversations that journalist have over lunch are used by the ombudsman as input for his judgments… These show our limitations…. and can help the sales department understand the DNA of the paper and the hidden weak spots that may also irritate readers.*

Some respondents feel that social media have made the ombudsman redundant, because readers now have direct links with journalists via social media. Other respondents feel that an ombudsman is too costly and an editorial council is sufficient for them.

TABLE 5.1 Practices investor owned firms that are privately held (1, 2 & 7) or have a public listing (3, 4, 5 & 6)

CASE (firm)	1	2	3	4	5	6	7
Statute	yes	yes	np	np	yes	yes	Yes
Council	yes	yes	yes	yes	yes	yes	Yes
Voting appointment	yes	yes	no	no	no	no	No
Commercial identity	yes	yes	yes	yes	no	no	No
Editor in chief = director	yes	no	yes	no	no	no	No
Ombudsman	yes	no	no	no	no	no	No
Advisory board/council	no	no	no	no	no	no	No

***np=not public**

TABLE 5.2 Practices nonprofit (8, 9 & 10), customer (11, 12 & 13) and employee (14 & 15) owned firms

CASE (firm)	8	9	10	11	12	13	14	15
Statute	yes	yes	yes	np	yes	no	yes	yes
Council	yes	yes	yes	no	yes	no	no	no
Voting appointment	yes	no	no	no	no	no	no	no
Commercial identity	no	no	no	no	no	no	yes	no
Editor in chief = director	no	no	yes	no	yes	no	no	yes
Ombudsman	no	yes	yes	no	no	no	no	no
Advisory board/council	no	yes	yes	no	no	no	no	no

***np=not public**

A small minority of the firms studied here has an advisory board that is meant to represent the interests of news consumers or protect the identity of the news publication. An advisory board has fewer formal powers than the supervisory board and is not the same as the board of foundations or associations that might be owners.

> Q18: *We have an advisory board that discusses the content of the paper with the editor-in-chief. So there is a 'duality' here, because the supervisory board concentrates on the financial supervision while the advisory council is more like a group of 'wise' readers that gives non-binding advice and comments on articles in the paper.*

Instead of creating a separate board, duality can also be incorporated into the supervisory board via nominations, as will be discussed in chapter six. Some respondents however, feel that the supervisory board should focus exclusively on the financial performance or the continuation of the firm and not on any idealistic, religious or social mission. Several respondents prefer non-activist or interventionist ownership by nonprofit owners.

> Q19: *With regard to money there is a very different type of governance than with regard to the ideal mission of a foundation. This means that if you want to actively promote a social vision or engagement there should be some sort of membrane function… you can compare it [our ownership] to a dike grave of a water board district that guards a dike, but does not become hyperactive as long as it is clear that the dikes are solid and all is well.*

> Q20: *I can miss a foundation as an additional governance body like a toothache [hole in the head]. Having it only means more meetings, more bureaucracy and more deliberation. I do not see which powers I would need to give a foundation if there is already a supervisory board.*

5.2. Editorial statute and councils

Two other practices that are intended to ensure accountability toward news consumers are the editorial statute and editorial council. The use of these practices is common among all forms of ownership identity. All newsrooms - with the exception of one - have an editorial statute, and eleven out of fifteen firms also have an editorial council (see tables 5.1 and 5.2). Three newsrooms – owned by large investor owned firms with a public listing and one small online player - did not provide their editorial statute, so those documents could not be included in this study. Ethical or behavioral codes of conduct for journalists are also used and sometimes part of the editorial statute, but these codes were not collected for this study.

The identity of the news product and the protection of the 'Chinese Walls' or 'independence' of the newsroom are stipulated in the editorial statute, which is basically a contract between the editorial staff and the publisher or owner. The editorial statute is usually also linked to the individual labor contract of newsroom employees. Many editorial statutes were written under previous ownership and have not been adjusted since. Any possible causal relationships between ownership identity and the content of editorial statutes might therefore date back to a period of former ownership that is not part of this study. Many newsrooms have a statute that is outdated, but they do not change it because they fear that publishers or owners will then deprive them of some of their rights.

> Q21: *It [the editorial statute] gives the newsroom power… I know there have been attempts to update the document because it was untidy, but in the end we decided not to because it gave us many rights.*

Concerning the identity of news titles many editorial statutes explicitly refer to the freedom of speech, expression or gathering of information as stipulated in article 7 of the constitution or to article 10 of the European Convention on Human Rights (treaty of Rome). Democratic roles of the press or Dutch media law are also mentioned. Only a few statutes refer to profit making and the continuity of the firm as the objectives or identity principles. The latter seems most common in investor and employee owned firms.

Firms with nonprofit or customer owners are more likely to link their identity to an idealistic, religious or social mission. Often the nonprofit owner that guards this mission is also referred to in the statute. The editorial statute will also describe any special rights that this nonprofit owner may have, for example concerning takeovers of the firm or the appointment or discharge of the editor-in-chief.

> Q22: *[the one priority share that our foundation owns] is very important, because it ensures that we are at the table when the firm is sold. This is partly symbolic, but important indeed... it is very tricky business to overtake a newspaper against the will of the newsroom staff…*

To protect the identity of a news publication, a foundation might decide to block mergers of news titles or newsrooms even if these might be interesting from a business perspective or necessary for firm survival.

> Q23: *A foundation can tell the supervisory board and management: you want to buy a paper that has a different identity, but we must be careful not to dilute our own identity…*

The primary data indicate however that not all foundations, even when they own a large share of the firm, will prevent newsroom mergers and content sharing by newsrooms. The articles in the editorial statute that define the identity are, however, of no use if the owner does not support them.

> Q24: *The editorial statute must be supported by the editor-in-chief, newsroom, owner and publisher… if one of these parties does not support it, there really is a problem. I would fire an editor-in-chief if he would breach the editorial statute… but if another owner wanting to maximize profits does not explain how this should be done, I can imagine that the editors-in-chief will behave more like publishers…in that case the editor-in-chief will risk losing his job, if he takes a fundamental stance on the statute.*

An editor-in-chief will breach the rules of the statute if his employer expects him to. Journalists might also care more about their own job than newsroom identity.

> Q25: *All that protects me now is the statute… I can say this works well, because its protection was not needed yet. It is however unclear what happens if one day we have an owner like Murdoch who might want to change the identity of the paper.*

When their focus is primarily on serving a news consumer niche, investor and employee owners can also be protectors of strong editorial identity if that matches the demands of news consumers.

The editorial statute can be used not only to serve the interests of news consumers, but also the interests of newsroom employees, which is not necessarily the same.

> Q26: *Many newsrooms abuse the editorial statute by using it in every labor conflict and claim that it forbids lay-offs. But that's not true. Interference in content is not allowed… but the publisher and owner decide how much capital is invested in what.*

> Q27: *When you read existing editorial statutes in detail, you will very much get the feeling that these go beyond just the protection of editorial independence, because they also concern appointments, for example.*

Most editorial statutes describe the rights of the so-called 'editorial council'. This body represents newsroom staff and is usually elected by a majority of all permanent newsroom employees. The editorial council gives advice concerning matters such as the editorial budget and policymaking, and is also involved in the procedure for the appointment of the editor-in-chief.

> Q28: *We do not have a true democracy in this firm of course. The editorial council can give advice but if the editors-in-chief wish to ignore this, they can.*

All investor and nonprofit owned newsrooms have an editorial council. Remarkably, some employee and customer owned newsrooms do not have a council. Apparently the purpose of the council is to constrain the owners, and this might be needed more in investor and nonprofit owned firms.

Some owners view the editorial council as an additional works council that makes journalists 'special' employees that have more rights than other non-newsroom employees. In the case of conflict with the owner it is possible for the editorial council to cooperate and even merge with the worker's council. A cooperation or merger with the works council that has the law behind it, can be the last stronghold in a situation where the owners interests conflict with the interests of newsroom staff or news consumers.

> Q29: *The fundamental debate about the values of our newspaper and about the quality of journalism in this country will be held in the editorial council… and if I am [as an editor-in-chief] put under too much pressure and fall over as a result, this will be where this fundamental debate occurs.*

Some respondents feel that the editorial council should only be consulted concerning matters that have to do with the protection of Chinese walls and identity, but not human resource affairs. Often newsrooms have another separate body - the 'editorial commission' – that deals with labor and employment issues instead of the council. Investor and employee owned firms seem more likely to ignore the input of editorial councils than nonprofit or customer owners.

Q30: *When we made a reorganization plan I was requested to involve the newsroom more. There was however a conflict of interests there, because my assignment was to reduce personnel... How could I involve my colleagues in that? By asking them how to make their own jobs redundant?*

It is harder to ignore the editorial council when the foundation that is linked to the statute is also an owner. A respondent described the effect that the exit of the foundation as an owner had on the involvement of the editorial council.

Q31: *The foundation was always our true friend and was close to the paper. Every year the editorial council had a meeting with the foundation. That hasn't happened for years now… now they just find the council troublesome, instead of using it what it's for - as a watchdog of the content of the paper… People join the editorial council voluntarily, so you might as well benefit from that, as they devote their heart and soul to it… it is a shame that is not utilized.*

5.3. Editor-in-chief

One of the practices that respondents mentioned in nearly all interviews concerns the responsibilities of the editor-in-chief. As the 'master chef' his taste and mood have a major impact on the protection of the identity and Chinese walls. Which editor-in-chief is appointed seems vital for the ability of the newsroom to create value for news consumers. This is why foundations as owners usually have a say in the appointment or firing of the editors-in-chief. Editorial councils often also have advisory rights concerning the appointment or firing of their editor-in-chief. In a small minority of three out of fifteen firms the official approval of a majority of newsroom employees is required for this appointment (see tables 5.1 and 5.2). It is very unusual and maybe even controversial if an editor-in-chief from outside the newsroom is appointed. Only a few newsrooms that are mainly investor owned seem to have done this.

The commercial and financial responsibilities of the editor-in-chief make him more accountable to the owner and less so to news consumers. Twenty years ago the average editor-in-chief had few financial or commercial targets to meet and the combination of the position of editor-in-chief and director was unheard of. Of the fifteen newsrooms studied here, five now use this practice of incorporating the 'duality' in the job of editor-in-chief. This combination is found in all forms of ownership identity, so no apparent relations were detected there (see tables 5.1 and 5.2). Some respondents experience the duality of their job as a very uncomfortable split, which worsens with increasing demands for higher profit margins.

> Q32: *This firm is run by a shareholder who wants a certain return on investment at the end of the year… As an editor-in-chief and director you must either 'shut up or leave'. So I will try to get that return on investment while at the same time fiercely defending the newsroom's position...*

Giving an editor-in-chief statutory responsibility as a director puts him in a situation where he can have more of a say in the decisions made by the board of directors, but it also reduces his freedom to block decisions.

> Q33: *Because I was not a director I could always block decisions without risk. That is not possible now. The editor-in-chief of today is involved more in commercial decisions and is 100 percent liable, so he will hang.*

Many editors-in-chief prefer to be held accountable only concerning content, not financial matters. Several respondents also consider bonuses for the editor-in-chief a controversial practice. So these might not work well as an incentive to align the interest of the newsroom manager with those of the owner of the firm. Some respondents even compare these rewards for editors to bribery with the 'inevitable consequence that journalistic integrity is affected'. Some editors-in-chief decline the offer of a bonus or equity plan, because as journalists they want to be free to write critically about these types of rewards. Extreme bonuses for managers of news firms can greatly demotivate newsroom staff.

> Q34: *We achieved profit margins of 10 percent and were perfectly happy with that, but it was not enough, so we had to economize… then we heard on the news that our CEO and his small team of managers had received XXX million euros as their yearly bonuses…. I know several people then decided to quit their job due to idealistic motives. They no longer wanted to work there.*

If bonuses or other rewards are based on the number of scoops, circulation or page views this might be a more effective incentive for editors-in-chief than being monitored for sound financial results.

Q35: *I am first of all responsible for the core or the journalistic values that our paper propagates. I am approachable for the profit margin results and circulation size of our title and committed to that, but it is not my responsibility… the circulation size is affected not only by the quality of the paper or journalistic sharpness, but also by effective marketing, a good price level for our subscriptions etcetera…. So if you make me responsible for the circulation size, I also want to be in charge of marketing.*

6. Owner resources

The stakeholder identity of ownership seems to be a moderating variable that weakens or strengthens the impact of technology and market circumstances on the newsroom's ability to add value for news consumers. This chapter will review the effects of owner identity on this ability, whilst exploring the most important characteristics of the 'ideal owner' as described by respondents in the interviews (see table 6.1).

TABLE 6.1 Characteristics of 'ideal owner' as described by newsroom managers

a) Duality or diversity boards
b) Values: Chinese walls & identity
c) Supply-driven strategy
d) No portfolio strategy
e) Investor in newsroom size
f) Not too many management layers
g) Low degree of 'profit extraction'
h) Relational owner from region
i) Long run investment horizon
j) Business and financial expertise

The secondary data suggest that some of these characteristics vary with owner identity and the available 'resources' for the newsroom's ability to create value for news consumers. The analysis of primary data also shed light on how owner identity as a practice may affect this ability via board composition, corporate values, and strategy. This will be discussed in section 6.1. Subsequently, the effects of owner identity on the newsroom size as a percentage of total staff, gross revenue per newsroom employee and 'profit extraction' are explored in section 6.2. Lastly, section 6.3 addresses the vicinity, investment horizon, and business expertise of the ideal owner and how these relate to ownership identity.

6.1 Board composition, strategy and values

Owner identity has consequences for the composition of the supervisory board and the board of directors, simply because shareholders usually have an important say in the appointment of board members. The composition of these boards will determine which corporate values are central in the firm and which strategy is chosen. The primary data indicated that two important corporate values in a news media firm are the degree of support for Chinese walls and identity of the news publication. These values also have consequences for the strategies chosen by news media firms and vice versa. Two broad strategy categories were discerned from the data: 1) supply versus demand driven, and 2) portfolio versus niche.

Duality or diversity in board composition

Many respondents underline the importance of diversity in the supervisory board and board of directors. The duality of the commercial and idealistic goals of a news media firm and the diverging interests of its stakeholders should be reflected in its board composition. Editors-in-chief feel their job is easier when former-journalists or members with a 'heart' for the news media product are represented in the boards.

> Q36: *There must be 'media blood' and preferably also journalistic blood running through the veins [of the boards], because this is the creative sector... Of course you need very intelligent financial and legal experts, but in our statutory board of directors there is no journalistic blood and that's difficult… It is very nice to be part of a board of directors that understands what excites the newsroom or what upsets it.*

It is recognized that a lack of board members with financial expertise can also be problematic. The latter tend to be over represented in investor owned firms and under represented in nonprofit or customer owned firms.

> Q37: *[with a nonprofit owner] there is no more supervision and the corporate governance is dead, because the board members will appoint their friends and they will all pat each other on the back whilst sinking into the swamp… Haven't you noticed how bad journalists and board members of foundations are at reading annual reports? How can one ever take the responsibility [of ownership] in such a case?*

Corporate values: support Chinese Walls and identity

Board composition will determine which corporate values and strategy are chosen in news media firms. As described in chapter four the data seem to indicate that the protection of Chinese Walls and identity are very important corporate values for strengthening the ability of the newsroom to create value for news consumers. In chapter five, some of the consequences of ownership identity for practices that protect Chinese walls and identity were described. Nonprofit ownership by NGO's, foundations or governments and customer ownership seems to be associated less with a 'commercial identity' or 'diluted DNA' than investor or employee ownership. Some nonprofit owners, through their mission, fulfill a special role as protector of identity and often have a say in the appointment of the editor-in-chief, which greatly affects editorial identity.

The degree of support for the preservation of identity and Chinese Walls might be related to how much revenue comes from advertising. How the percentage of income from ads relates to that generated from news consumers, gives an indication of the advertising dependency of news media firms and hence the priority that the newsroom might give to the advertiser over the news consumer. If the advertising dependency is relatively high, preserving Chinese Walls and identity might be less important as corporate values. As described in previous chapters porous Chinese walls and diluted identity could help to attract advertisers, but this will ultimately have negative consequences for the ability of the newsroom to create value for news consumers.

TABLE 6.2 Investor owned privately held (1, 2 & 7) and publicly listed (3, 4, 5 & 6): estimates of ratio revenue ads to news consumers, numbers of newsrooms and titles

CASE (firm)	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Ads-consumer (% revenue)	18:79	50:50	25:75	100:0	25:75	100:0	20:80
Number of 'central' newsrooms	1	2	2	1	1	1	2
Number of news titles	2	2	7	1	9	1	4

TABLE 6.3 Nonprofit (8, 9 & 10), customer (11, 12 & 13) and employee (14 & 15) owned: estimates of ratio revenue ads to news consumer, numbers of newsrooms and titles

CASE (firm)	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Ads-consumer (% revenue)	50:50	25:75	50:50	55:45	0:100	0:100	65:35	0:100
Number of 'central' newsrooms	1	1	1	1	1	1	1	1
Number of news titles	3	1	1	1	1	1	4	1

Estimates of the 'ads to news consumer ratios' of the firms studied here are given in table 6.2 and 6.3. These ratios are somewhat related to owner identity. Cases where all revenues are generated from the news consumers and none from advertisers are found only among the customer and employee owned firms. Cases where all revenues come from advertising are only found only among the investor firms. Remarkably, firms that publish for a particular regional or religious niche have ratios near 50 to 50. The large publicly listed investor owned firms with portfolios of regional titles are exceptions to this 'niche' rule. Like government owned newsrooms, these firms receive approximately 25% of revenues from advertising as do some larger investor owned news media firms with portfolios. A possible diluted identity of portfolio titles may explain their relatively low advertising revenues.

Supply-driven strategy

If little revenue comes from advertising, it may be more likely that a news media firm chooses a 'supply-driven strategy'. A newsroom is 'supply driven', when individual journalists decide what content they supply without taking stakeholder demands into consideration. Here news consumers buy the selection of content by a newsroom that is free from influences exerted by for example spin-doctors, marketers, advertisers, publishers, owners and even readers.

> Q38: *A trend, also in politics, is that leaders have become more demand driven than supply driven. In the past leaders used to walk ahead following their own strategy. Nowadays politicians will ask voters and citizens: what do you want? That's also what news media and women magazines do…. But we should decide what our customers want, not vice versa. We write what we find important – if you don't want it, go elsewhere, that is part of the proposition.*

Exclusive news or scoops tend to be 'supply driven' because they come bottom-up from individual journalists and their sources.

> Q39: *The editor-in-chief doesn't know more than most media citizens or than what is also known by competitors. So all papers will publish the same content if only the editors-in-chief select the news.*

In theory, a newsroom cannot be ‘demand driven’ because news can’t be planned or predicted, but the selection of topics is indeed adjusted to meet demands. When a firm chooses a ‘demand-driven strategy’ the demands of advertisers might also influence the content selection. If a firm is very dependent on advertisers as a source of revenues, the selection of news topics by the newsroom might be adjusted to their demand more than to the demands of news consumers.

> Q40: *The ideal situation for me is a media firm where the newsroom has authority, because the firm will then be run from the question ‘what is ideal for the reader?’ more than by asking ‘what is ideal for the advertiser?’*

Advertiser demands might have more impact in newsrooms that lack an editorial statute, council and owner supporting these practices.

Portfolio versus niche strategy

News media firms can choose to pursue a strategy where they hold a portfolio of titles to achieve synergies. A portfolio or ‘chain’ of titles might have consequences for the identity of the newsroom and publication. In portfolios mergers of newsrooms and sharing of content by newsrooms is more likely because newsroom size is ‘leveraged’ over several titles. This leveraging dilutes the identity and can be measured by looking at the number of news titles relative to the number of ‘central’ newsrooms that produce international and national news content that is published by several titles at once (see table 6.2 and 6.3).

In nonprofit and customer ownership, this ratio of the number of newsrooms to the number of titles is one to one for all but two cases. Customer owned firms have no portfolios at all. The opposite is true for investor and employee firms where all but two cases have a portfolio of titles served by only one or two newsrooms that cover national news centrally for several news publications that share this content. Firm size might also be an explanation here. Large firms might be more likely to have a portfolio, while smaller firms - that often have nonprofit or customer owners - tend to have one newsroom for one title serving a niche.

In a portfolio strategy, cross subsidization is possible, which may also be advantageous to newsrooms. Cross subsidization enables niche titles that could never achieve double-digit profit margins, to survive because they are supported by more profitable titles with a higher circulation size. However, cross subsidization will not work well if newsrooms demand equal treatment for all titles in the portfolio.

> Q41: *For the whole firm or per medium type we never have one similar target for returns… Per title, channel or website we will take the market position and international benchmark to determine which yield is possible when managed well…. We have media that realize 50 percent and … they don't feel it is unfair if other titles achieve only 7 percent. Our people know we do not mind and that we realize that it's a characteristic of a brand or medium type.*

The above strategy can be problematic when the news titles for some newsrooms in a portfolio have a foundation as an owner while other newsrooms do not.

> Q42: *It was complicated that the two papers I had to compete with were also shareholders [via their foundations]. They had two entries to the board of directors: via the functional channel but also as a shareholder. They took advantage of that, and this made it an extremely complex environment.*

6.2. Newsroom size, overhead and 'profit extraction'

The triangulation of some primary data and secondary data from the annual reports revealed some possible patterns that will now be discussed. The budgets for editorial production are usually confidential and not stipulated in annual reports. Therefore other indicators were chosen. The willingness of an owner to invest in newsroom size, the degree of overhead and 'profit extraction' by shareholders, provide an indication of the 'resources' available for the newsroom to create value for news consumers.

Newsroom staff, overhead and revenues

The estimates of all newsroom staff as a percentage of total staff, the number of newsroom staff per 1000 'news consumers' and the revenue of the firm divided by total number of newsroom staff (see table 6.4 and 6.5) are possible indicators of the ability of the newsroom to add value for news consumers. If the number of full time employees (fte) of the newsroom is reduced beyond a certain point this may have consequences for the identity of the newsroom and publication. The larger the newsroom, the more resources are available for the creation of original content. A larger newsroom will have more means for investigative journalism and will be less dependent on content from spin-doctors, press agencies or freelance journalists and this strengthens the identity of a news publication.

TABLE 6.4 Investor owned privately held (1, 2 & 7) and publicly listed (3, 4, 5 & 6) estimate newsroom staff indicators

CASE (firm)	1	2	3	4	5	6	7
All newsroom as % total staff	58	53	16	0.5	28	24	46
Fte newsroom per 1000	0.8	1.8	0.9	0.1	0.1	1.1	0.6
Revenue/fte all staff/1000 (€)	344	220	196	205	175	657	279
Revenue/fte newsroom/1000 (€)	590	415	1205	42760	620	2690	609

TABLE 6.5 Nonprofit (8,9 & 10), customer (11, 12 & 13) and employee (14 & 15) owned estimate newsroom staff indicators

CASE (firm)	8	9	10	11	12	13	14	15
All newsroom as % total staff	12	59	50	50	30	100	11	75
Fte newsroom per 1000	0.9	2.5	1.6	1.9	0.006	7.1	1	0.3
Revenue/fte all staff /1000 (€)	187	294	119	131	151	-	202	-
Revenue/fte newsrooms/1000 (€)	1530	497	256	260	500	-	1840	-

Estimates of all newsroom staff as a percentage of total staff provides an indication of the overhead or resources spent on employees that are not newsroom staff. The higher the (non-newsroom) overhead as a fraction of total employment financing, the fewer the resources are used for value creation for the news consumers. With two extreme exceptions all the nonprofit, customer and employee owned firms all have percentages of newsroom staff that are 30 percent and above of all staff.

Remarkably, the investor owned firms that are privately held (case 1, 2 and 7) all have percentages of 46 percent or higher. The publicly listed investor owned firms, however, all have percentages of 28 percent or below. As with the portfolio strategies, it needs to be noted here that the firm size may also be an explanation for how these percentages vary. Other non-news activities of the firm, such as printing or non-news publications or services, could also have consequences for these percentages.

Another indicator of the ability to create value for news consumers is the number of full time newsroom employees per one thousand 'news consumers'. For this indicator the estimate number of newsroom staff (fte) of one news title (not of all newsrooms staff combined) was divided by its circulation size (also see appendix C) divided by 1000. For the news websites the number of newsroom staff (fte) was divided by the daily number of visitors which had been divided by 1000. The average number of fte per 1000 readers or website visitors was approximately 0.8 for the investor owned firms. This is relatively low compared to the 1.9 average for all non-investor owned firms. The customer and nonprofit owned firms score relatively well concerning number of newsroom fte per 1000, while the employee and investor owned perform less well in this respect. The gross revenue of the firm divided by total number of all staff and estimates of newsroom staff give an indication of the capital and labor intensity of the firm that also affects value creation. The investor owned firms have a relatively high capital intensity compared to all the non-investor owned firms that have higher labor intensities. This trend seems even stronger when revenue is divided by estimate numbers of newsroom employees.

Profit extraction: dividends, liquidity and solvability

Dividend payments are an indicator of the degree of 'profit extraction' by shareholders (see tables 6.6 and 6.7). The investor owned firms nearly all paid out dividend. In publicly listed investor firms, this was done in spite of negative results. The privately held investor owned firms also paid dividends but did not have negative results.

TABLE 6.6 Financial results of investor owned privately held (1, 2 & 7), publicly listed (3, 4, 5&6) firms.

CASE (firm)	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Solvability % (balance/equity)	29	8	53	71	13	62	43
Liquidity mln € (current assets - liabilities)	-30	-16	- 137	-159	-233	1205	44
Dividend (mln €)	0	1.1	22	45	1.6	880	20
Nett result (mln €)	5.5	4.8	-16	-46	-261	33	22

TABLE 6.7 Financial results of nonprofit (8, 9 & 10), customer (11, 12 & 13) and employee owned (14 & 15) firms.

CASE (firm)	8	9	10	11	12	13	14	15
Solvability % (balance/equity)	-48	17	50	53	29	-	36	-
Liquidity mln € (current assets - liabilities)	-203	-25	0	2	-4.2	-	-1	-
Dividend (mln €)	0	0	0	0.16	0	0	0.4	-
Nett result (mln €)	-27		0.25	0.3	0.8	-0.3	0.04	-

Most of the customer, nonprofit and employee owed firms did not pay dividends in spite of profits. Like some nonprofit firms, publicly listed investor owned firms were poor performers regarding their solvability and liquidity. Solvability is the percentage of the total balance sheet that represents 'equity'. Liquidity is measured by subtracting current liabilities from current assets. Both give an indication of a firm's financial reserves. Investor owned firms where a family is a major shareholder seem to perform better regarding liquidity and solvability, than most investor, customer and nonprofit owned firms.

6.3 Vicinity, investment horizon and expertise

Several respondents expressed their preference for a relational owner that comes from the same region and country as the news media firm. Unlike transactional owners who are more distant and just in it for shareholder value, a relational owner will be more likely to understand cultural sensitivities and might have connections in the region that the firm serves.

> Q43: *We know quite well what we do not want: we are very apprehensive of foreign private equity…. which will pay a high price that will need to be compensated by a high return on investment.*

Concentration of ownership, or rather the lack of mixed ownership, is also preferred by some respondents. If no shareholder holds a majority and their objectives are conflicting, this might lead to political compromises and deadlocks that hinder the formulation of a clear strategy.

> Q44: *When the shareholders disagree about the long run or short run strategy, the supervisory board will have a hard time… I do think that is what you can see at [name publisher with no majority owner] in the past years.*

A public listing seems to have less impact than the concentration of ownership, but does make owners more distant and focused on short run results. Owners with long run investment horizons are preferred in the current transition phase to digital media. Investor owners, such as private or public equity, seem more likely to have short run investment horizons than other ownership identities. Governments as 'owners' seem more focused on the short run because of the economic crisis and the need for budget cuts. Other nonprofit owners such as foundations, associations and cooperatives are more likely to be in it for the long run. Investor owned firms have deep pockets but want return on investments, while other owners do not have the means but may not demand lower returns or no returns at all.

> Q45: *I think an idealistic owner would be ideal; [name of fund that owns British paper] for example… with the perverse consequence that they spend so much that they are nearly broke, so maybe that is not the right incentive either… yes, online they do everything, that's great. They are the greatest innovators in our profession, but all for free, that can't be sustainable.*

Nonprofits often lack vision and financial expertise and tend to be more conservative than investors or employee owners that usually have more business experience and expertise. There is, however, a clear difference between associations and foundations as owners. The latter seem more conservative and less responsive to demands by news consumers.

> Q46: *The founders [of our paper] felt that a foundation was the best governance form to guarantee the conservation of our identity. In an association members who disagree can try to get a majority by making their friends members to influence the course… You also see this at schools, for example, where parents become members of the school association to influence policy.*

Associations as owners are more accountable to news consumers than foundations. The divergence of the interests of employees and nonprofit owners on the one hand, and news consumers on the other, can be reduced by giving news consumers a say in the firms' strategy through their membership of the association that owns the firm.

Q47: *an association ensures a special engagement of readers that are ‘members’… It will also prevent journalists from having the haughty air of presenting their own truth as the only truth… the composition of the self-electing board of a foundation is usually very random. The board of an association, however, is more accountable to its members… One of the main problems in the newspaper business is the relationship with readers. This bond can be strengthened through ownership by an association.*

7. Conclusion

This report describes how the stakeholder identity of ownership and other governance practices moderate the impact of disruptive innovation and market circumstances on the ability of the newsroom to create value for news consumers. The findings corroborate the literature on investor ownership, and provided new insights into the effects of nonprofit, customer and employee ownership.

Table 7.1 summarizes all the results discussed in the previous chapters. It proposes a classification of four owner identities and their characteristics. The validity of this classification will in future need to be tested with quantitative research in a much larger population than that of Dutch news media firms.

TABLE 7.1 Classification stakeholder-identity ownership

Owner identity	**Investor**	**Employee**	**Customer**	**Nonprofit**
Mission owner	Profit maxim	Firm survival	Content quality	Ideal mission
Duality boards	Low	Medium	Medium	Low
Horizon investment	Short term	Long term	Long term	Long term
Portfolio titles	Yes	Yes	No	Yes
Support Chinese walls	Medium	Medium	High	Medium
Support DNA identity	Low	Low	High	High
Profit extraction	High	Medium	Low	None
Resources newsroom	Low	Medium	High	High
Value added consumer	Low	Medium	High	Medium

The results seem to indicate that added value for news consumers is highest in the most rare form of customer ownership and lowest in the most common form of investor ownership. Employee and nonprofit owners are in between both extremes. The 'ideal' owner of a news media firm as viewed by respondents would extract little or no profits and would have a long-term investment horizon. A 'relational' owner with a 'heart' or understanding of the dual nature of news media firma is also viewed as ideal. A foreign transactional investor owner with a public listing is the black scenario. The ideal owner would be a strong supporter of the identity of the news publication and Chinese Walls protecting the newsroom's independence. A small firm that has a supply driven niche strategy seems more suitable for this than a large firm with a demand driven portfolio strategy.

As chapter four describes the basis of value creation in the business model of a news media firm is reliable content provision by independent journalists. This content attracts an audience that in turn attracts advertisers and other business. To create value for news consumers the newsrooms must give priority to serving their interests. Advertisers and employees, however, have interests that may conflict with the interests of news consumers. In addition, the interests of two types of owners might also conflict with the demands of news consumers. These two types of owners are conservative nonprofit owners and profit maximizing investor owners. The management of the diverging interests of all these stakeholders can be helped or hindered by corporate governance practices.

Chapter five describes some of the most important accountability and decision-making practices such as the ombudsman, councils and editorial statutes. Many of these practices protect the newsroom's Chinese Walls and identity of news publications that are vital for value creation for news consumers. On paper these 'rules' do not differ significantly, but in practice they will, however, only be effective if the owners of news media firms support them. Investor and employee owners seem to support these practices less than nonprofit or customer owners, whose missions are often linked to the identity of the news publication or mission of the newsroom.

The tasks and responsibilities of the editor-in-chief also have consequences for the value creation for news consumers. Appointing an editor-in-chief as statutory director places him in a very uncomfortable split position that worsens with increasing demands for higher profit margins. Ownership identity also has consequences for the type of editor-in-chief that is appointed, and this has a major impact on the identity of the news publication. A foundation as an owner has different objectives, and will therefore have different selection criteria for the editor-in-chief than, for example, an investor owner. The latter might be more inclined to provide the editor-in-chief with incentives to create more value for shareholders, which results in less value appropriation by news consumers.

Chapter six explains how ownership identity has consequences for board composition, strategies and corporate values that determine the degree of support for Chinese walls and the identity of the newsroom and news publications. It appears to be very important that boards have media experts and members who are passionate about the news product. Boards may choose a portfolio or niche strategy. Portfolio strategies were found mostly in investor owned firms. Almost none of the nonprofit, customer and employee owned firms has a portfolio strategy. Most of these firms only have one newsroom that serves one niche title. A portfolio strategy seems more likely to lead to a dilution of newsroom identity than a niche strategy.

A 'supply driven' strategy, which adds more value for news consumers than a 'demand driven' strategy, seems most suitable for news media firms that have no revenues from advertising. Such firms were found only among the cases of customer or employee ownership. Newsrooms that receive no revenues from news consumers were only found among the cases of investor owned firms with a public listing. The newsrooms of such firms are more likely to be driven by the demands of advertisers. Advertiser demands are also expected to have more impact on newsrooms that lack an editorial statute, council and owner supporting these practices.

The support for these practices depends on the primary objective of the owner (see table 2.1 and 7.1). Customer and nonprofit ownership usually exist in situations of so-called 'information asymmetries' where the beneficiaries of a service want to be able to judge the quality of the service provided and consumed. Investor and employee owners have other primary objectives such as shareholder value, growth and continuation of the firm that may conflict more with practices for accountability towards news consumers.

Concerning the resources that are available for the newsroom to create value for news consumers, it was found that most nonprofit, customer and employee owned firms did not pay out dividends in spite of the profits that were made. The opposite occurred at investor owned firms that appropriate more value at the expense of news consumers than non-investors. Even in spite of negative results, the publicly listed investor owned firms paid out dividends to their shareholders. The percentages of newsroom staff as part of the total staff are relatively low at investor owned firms, while their revenue per employee is relatively high. Profit extraction was clearly found to be highest at publicly listed investor owned firms that also performed less well regarding solvability and liquidity. Families as investor owners do indeed pay out dividends, but also make sound profits and perform relatively well regarding their solvability and liquidity. In sum, it could be concluded that the 'negative growth spiral' described in chapter four manifests itself mostly in publicly listed investor owned firms. Audience and advertisers are lost as a result of high profit extraction, which in turn might lead to new cuts in investments in content and continuation of the downward spiral.

Non-family investor owners such as private or public equity are usually transactional owners with short run investment horizons, which can be considered a disadvantage for value creation by the newsrooms. The advantage of investor owners is that they – unlike the other three forms of owner identity – usually have access to capital and have relatively low decision-making costs. Investor owners are unlikely to disagree about their main objective of creating value for shareholders. When this form of ownership is mixed with other owner identities, such as nonprofit, customer or employee ownership, decision-making costs may increase due to conflicting objectives of the shareholders.

Investor owners are more likely than the other three owner identities to have expertise about non-media sectors. This can be an advantage, for example, when these owners introduce ICT knowledge. The lack of an investor owner's experience regarding the media sector can result in a poor understanding of and support for the duality typical of the news media firms. As a result, chances are higher that the board members of investor owned firms lack a 'heart' for the DNA of the newsroom and a thorough understanding of the nature of news products. Families as investor owners are, however, associated with more 'heart' or understanding of duality.

Similar to investor owners, employee owners do not seem to be fervent supporters of accountability and decision-making practices that may hinder the execution of their strategies. Employee ownership does not necessarily rule out mass lay-offs of newsroom staff either. Remarkably, the only newsrooms that have no editorial council are employee and customer owned firms. All investor and nonprofit firms researched here have editorial councils. The need to constrain the owners apparently seems higher in firms owned by nonprofits and investors, which corresponds with the conflict of interests that these two types of owners have with regard to the interests of news consumers.

Nonprofit ownership is often implemented to protect 'public goods' by preventing other stakeholders, such as investors, from exploiting them as owners. Firms with nonprofit owners do not experience the negative growth spiral, because their shareholders do not want dividends nor extract profits to the same extent as investors. Their lack of financial expertise and involvement may, however, also have negative consequences for the profitability and productivity of the firm. Nonprofit owners are fervent supporters and protectors of the identity of the newsroom. A very conservative stance of nonprofit owners can, however, also be problematic for value creation if the mission of the nonprofit owner no longer matches the demand of the audience of news consumers.

This conflict of interest between news consumers and 'conservative' owners is expected to be less prominent or even absent when the news consumers are the shareholders, either directly or via an association. Another advantage of customer ownership is that it usually combines profit making with an idealistic mission. Customer owners extract relatively low dividend compared to investor owners. A disadvantage of customer ownership is that customers usually lack experience in corporate governance. There are also limits to the amount of capital that can be raised by customers as owners. This may explain why none of the large Dutch news media firms is currently customer owned. Online media are however less capital intensive, which has created new opportunities for non-investor owners. Startups that serve a niche require much less investments than large publishers of newspapers or traditional television broadcasters. Crowd funding has also lowered the barriers to capital provision by news consumers.

The diffuse ownership by a large and diverse group of news consumers, however, can also be problematic, as this may involve high costs of decision-making. This decision-making can, however, also be enjoyed by news consumers who may like to have an excuse to socialize with other 'club members'. To reduce these costs, individual news consumers may need an association to collectively represent their interests. Furthermore, in this case, customer ownership probably works best when the newsroom serves a niche or particular 'community' of news consumers with a common identity or homogenous interests. If the interests of consumer owners diverge and no single identity has a majority share, this may have the same deadlock effect as a mix of stakeholder identities of ownership.

Unfortunately, pure customer and employee owned cases were under-represented in this study, while investor owned firms were overrepresented. In the Dutch news media sector, many firms have mixed forms of stakeholder identities of ownership and this may have distorted the results. One hundred percent ownership by one stakeholder in the cases selected is rare, so some cases fit in two or three categories. With two exceptions the owner identity of all cases was determined by the identity of the owner holding the largest percentage of shares.

The secondary data collected also had their limitations. Not all data were available and, as a result, rough estimates were made that are less reliable. Private firms disclose less financial data than public firms, and in the annual reports the accounting standards used often differ, which also limited the comparison of these data. It could also be argued that the point of view of the journalist is overrepresented in this study. For future research a recommendation could be made to interview more owners, publishers and other stakeholders such as news consumers and advertisers who might provide new insights.

Future research could also explore whether 'ideal' ownership depends on the identity of the customer audience targeted. For example: nonprofit, customer and employee ownership might be able to create more value for small niches of news consumers that are willing to pay for advertising free content with a very distinct identity and outlook. Alternatively, investor ownership might be more suitable for mass media that are mostly advertiser financed and that address a general public of news consumers. Small non-investor owned firms that publish for a particular niche, however, still have the highest revenues from advertising that are often still near to 50 percent of total revenues. Once again, this may underline the importance of a strong identity in creating value for both news consumers and advertisers.

In the Netherlands, no cases of large news media firms exist that are primarily owned by newsroom staff or customers, but many new startups indeed do have founding journalists or their news consumers as shareholders. Large investor owned firms, such as for example TMG, are eager to ‘incubate’ these small innovators that can achieve things which large firms seem incapable of. De Correspondent and Blendle are contemporary examples of small journalist owned firms that are very innovative.

Future research may explore whether different owner identities may be needed in different phases of innovation or product development. Christensen (1997) pointed out that the structure of an organization might affect the way in which new products can or cannot be designed. New technologies that reduce gross profit margins will be viewed as less attractive by the management of established firms and this explains their weakness in disruptive innovation (Christensen, 1997, p. 37). Different stakeholders as owners may, however, have different demands regarding gross profit margins, which may moderate the effects of technological changes on the business model.

To conclude, it should be remarked that Hunter and Van Wassenhove (2010) argue that the future of watchdog journalism lies with so-called ‘stakeholder media’ whose role is to serve, reflect and advance partisan or community interests to defend and build their communities. Stakeholder media increasingly fit the model of disruptive innovation by answering to the needs of niches. The key reason for the existence of stakeholder media is that they serve the interests, perspectives and objectives of groups that are not sufficiently represented in news media or official media (Hunter & Van Wassenhoven, 2010, p.9). As this report has shown, the owner identity of news media determines which stakeholder interests are internalized in the firm. In this respect, it may be expected that news media firms in future increasingly start to resemble exclusive ‘clubs’ that are owned by their news consumers or newsroom employees.

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APPENDIX
A. Population first round

Unit no	Sample type	Name Publication	Circulation Size		Stakeholder identity	% share	Public listing
1	national daily	**de Volkskrant**		260708	Investor	**58.5**	no
2	national daily	**Trouw**		104155	Nonprofit	**38.8**	
3	national daily	**AD**		420977	Nonprofit	**2**	
4	regional daily	**Het Parool**		71946	Nonprofit	**0.7**	
5	national daily	**Het Financieele Dagblad**		54678	Investor	**98.25**	indirect
					Employee	**1.75**	
6	national daily	**NRC Handelsblad**		199359	Investor	**91**	no
7	national daily	**NRC.Next**		79387	Investor	**9**	
8	national daily	**Nederlands Dagblad**		26039	Nonprofit	**100**	no
9	national daily	**Reformatorisch Dagblad**		50248	Nonprofit	**majority**	no
					Customer	**minority**	
10	national daily	**De Telegraaf**		582582	Investor	**30.5**	yes
11	regional daily	**Alphen.cc**		18478	Investor	**20.06**	
12	regional daily	**De Gooi- en Eemlander**		23959	Investor	**7.12**	
13	regional daily	**Haarlems Dagblad Kombinatie**		35393	Investor	**5**	
14	regional daily	**Leidsch Dagblad**		28732	Investor	**5.01**	
15	regional daily	**Noordhollands Dagblad**		125178		**35.3**	
16	regional daily	**IJmuider Courant**	unknown				
17	regional daily	**BN/DeStem**		101278	Investor	**99.7**	indirect
18	regional daily	**Brabants Dagblad**		118118	Nonprofit	**0.3**	
19	regional daily	**Provinciale Zeeuwse Courant**		50539			
20	regional daily	**De Gelderlander**		135710			
21	regional daily	**De Stentor**		119274			
22	regional daily	**De Twentsche Courant Tubantia**		106657			
23	regional daily	**Eindhovens Dagblad**		99703			
24	regional daily	**Limburgs Dagblad**		39567			
25	regional daily	**Dagblad De Limburger**		119031			
26	regional daily	**Leeuwarder Courant**		81407	Nonprofit	**49**	no
27	regional daily	**Dagblad van het Noorden**		123475	Investor	**33**	
					Nonprofit	**17**	
28	regional daily	**Barneveldse Krant**		11055	Employee	**31**	no
					Investor	**35**	
					Employee	**44**	
29	regional daily	**Friesch Dagblad**		15022	Customer	**100**	no

Appendix B - Population second and third round interviews

1. de Volkskrant
2. Trouw
3. AD
4. Het Parool
5. Het Financieele Dagblad
6. NRC Handelsblad
7. NRC.Next
8. Nederlands Dagblad
9. Reformatorisch Dagblad
10. HDC
11. DPD
12. De Telegraaf
13. Alphen.cc
14. De Gooi- en Eemlander
15. Haarlems Dagblad Kombinatie
16. Leidsch Dagblad
17. Noordhollands Dagblad
18. IJmuider Courant
19. BN/DeStem
20. Brabants Dagblad
21. Provinciale Zeeuwse Courant
22. De Gelderlander
23. De Stentor
24. De Twentsche Courant Tubantia
25. Eindhovens Dagblad
26. Limburgs Dagblad
27. Dagblad De Limburger
28. Leeuwarder Courant
29. Dagblad van het Noorden
30. Barneveldse Krant
31. RTLnl
32. nu.nl
33. nos.nl
34. Friesch Dagblad
35. Novum Nieuws
36. ANP
37. De Correspondent
38. Apache
39. De Morgen
40. De Tijd
41. deredactie.be
42. VTM nieuws
43. Het Laatste Nieuws
44. De Nieuwe Gazet
45. De Standaard
46. Het Nieuwsblad
47. De Gentenaar
48. Het Belang van Limburg
49. Gazet van Antwerpen
50. Krant West-Vlaanderen
51. Belga

APPENDIX C – Distribution interviews ownership categories

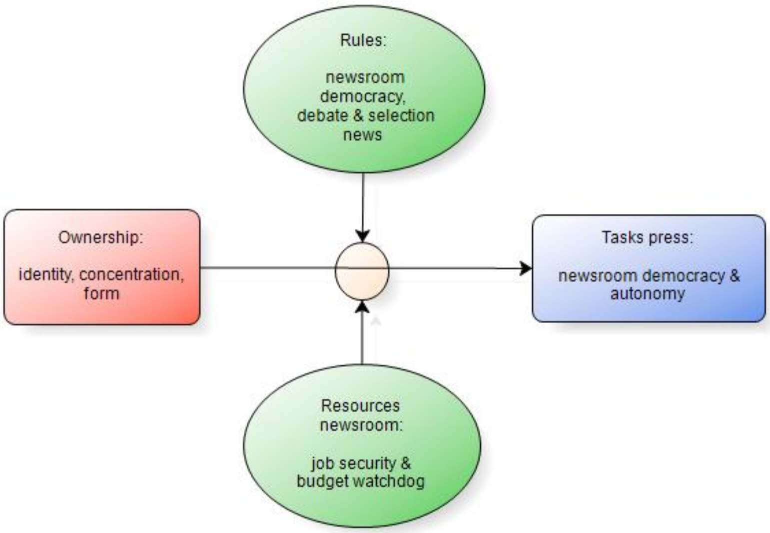
	1st round		2nd round		
	A		A	B	C
Investor	*1*	*8*	*10*	*14*	*19*
	2	*9*	*11*	*15*	*20*
	3				
Customer	*4*		*12*	*16*	*21*
Nonprofit	*5*		*13*	*17*	*22*
	6				
Employee	*7*			*18*	*23*

To protect anonymity of the respondents the numbers in the table above do not match with the numbers used for quotations and the numbers in the list with dates and duration of interviews. The columns A, B and C represent the three different types of respondents.

Appendix D – Duration and date of interviews

Interview no	File no.	Duration	Date
1	3	**1:30:45**	4/7/13
2	4	**1:34:54**	4/7/13
3	5	**1:04:41**	8/7/13
4	6	**0:59:01**	9/7/13
5	7	**1:16:38**	15/7/13
6	8	**1:55:15**	27/8/13
7	9	**0:33:02**	29/8/13
	10	**0:40:32**	29/8/13
8	11	**1:14:51**	5/9/13
9	12	**1:16:01**	12/9/13
10	13	**1:28:52**	1/10/13
11	14	**1:38:29**	8/10/13
12	15	**1:21:58**	9/10/13
13	16	**1:41:39**	14/10/13
14	17	**0:57:03**	16/10/13
15	18	**1:06:35**	1/11/13
16	19	**1:08:21**	4/11/13
17	20	**1:13:14**	7/11/13
18	21	**1:16:29**	14/11/13
19	22	**1:03:52**	15/11/13
20	23	**1:06:04**	19/11/13
21	24	**0:18:06**	26/11/13
	25	**1:00:36**	26/11/13
22	26	**1:24:52**	5/12/13
23	27	**0:59:05**	10/12/13

Appendix E – Initial conceptual model and MDM-indicators



Ownership:

1. Stakeholder identity + objectives

2. Concentration / dispersal

3. Form: public/ private / voting rights / residual earnings

Tasks press:

Newsroom democracy: MDM-freedom indicators F4, F5 & F6

Monitorial / facilitative role => freedom /information task of press => information provision by journalism to the general public and the promotion of active citizenship by way of debate and participation

Newsroom autonomy: MDM-control indicators C5, C7, C9 & F5

Monitorial /radical role = control /watchdog task of press => exposing abuses of power and raise popular consciousness of wrong doing, inequality and the potential for change

Resources:

- ***C5- Journalists' job security***
- ***C9- Watchdog function and financial resources***

Rules:

- ***F4- Internal rules for practice of democracy***
- ***F5- Company rules against internal influence on newsroom/editorial staff***
- ***F6- Procedures on news selection and news processing***
- ***C7 - Watchdog and media's mission statement***

Appendix F – List of all 141 coding labels

Name		Sources	References	Created On
Practices affecting newsroom		0	0	12/17/2013 12:26 PM
Ownership as practice		10	27	1/17/2014 9:38 AM
Nonprofit owned		7	71	12/17/2013 10:26 AM
Mix ownership - family and NGO		6	21	1/17/2014 9:31 AM
Government owner		8	35	1/10/2014 11:17 AM
Foundation		16	101	1/8/2014 9:59 AM
Association vs foundation		4	16	1/17/2014 10:40 AM
Association		6	30	1/8/2014 9:59 AM
Investor owned		9	34	1/3/2014 11:53 AM
Public listing		10	53	1/6/2014 1:51 PM
Private equity owner		14	58	1/17/2014 9:43 AM
Mix ownership - family and investor		4	14	1/6/2014 12:48 PM
Bank as owner		1	11	1/27/2014 5:31 PM
Ideal owner journalist		17	71	1/3/2014 1:23 PM
Foreign owner		10	26	1/21/2014 3:37 PM
Employee owned		11	45	12/19/2013 3:02 PM
Family owned		15	69	12/19/2013 3:06 PM
Customer owned		14	79	12/19/2013 9:57 AM
Board, strategy & values		9	29	12/17/2013 4:34 PM
Stakeholder media		7	23	1/23/2014 3:39 PM
Portfolio of titles		11	43	1/22/2014 3:36 PM
Returns revenue per title		7	11	1/30/2014 2:14 PM
Internal competition		4	22	1/6/2014 2:39 PM
Business culture effects		7	25	1/21/2014 4:00 PM
Overhead holding		4	11	1/22/2014 3:05 PM
Non-news activities		13	34	12/17/2013 9:38 AM
Matching add content online		1	11	1/21/2014 2:49 PM
Internal innovation		2	6	1/28/2014 5:31 PM
Community services		8	22	1/9/2014 10:58 AM
Niche vs general target group		11	47	1/8/2014 10:32 AM
Market readers		21	116	12/17/2013 4:32 PM
News activities		5	14	12/17/2013 9:35 AM
Ratio digital to print		2	3	1/13/2014 4:08 PM
Printed news activities		8	20	1/3/2014 2:52 PM
Digital first		8	30	12/19/2013 4:22 PM
B2B vs B2C		4	12	12/17/2013 12:54 PM
Mission organization and owner		23	120	12/16/2013 5:30 PM
Profit maximization		20	90	12/17/2013 9:30 AM
Dividend percentage		10	29	1/8/2014 9:51 AM
Non profit		16	77	12/17/2013 9:31 AM
Religious mission		3	20	12/17/2013 10:28 AM
Duality in mission NGO		1	1	1/17/2014 10:51 AM
Demand driven vs supply driven		10	46	1/22/2014 1:36 PM
Chinese walls		25	107	12/17/2013 10:30 AM
Ratio advertising to subscribers		20	57	12/19/2013 10:22 AM
Board composition		3	12	1/7/2014 7:31 PM
Non-media director		13	30	12/16/2013 6:00 PM
Leadership		12	50	1/7/2014 2:26 PM
Journalist as director		11	57	12/17/2013 10:22 AM
Duality in supervisory board		11	67	12/17/2013 4:50 PM

Duality in board of directors		10	40	12/17/2013 10:09 AM
Director as journalist		4	4	1/23/2014 10:30 AM
Decision making practices		0	0	1/8/2014 12:16 PM
Workers council		11	21	12/17/2013 3:55 PM
Editorial statute		19	115	12/17/2013 3:35 PM
Elections appointments		4	11	12/17/2013 3:37 PM
Editorial identity		24	112	12/17/2013 4:21 PM
Editorial democracy		23	131	12/17/2013 3:53 PM
Appointment procedure		9	33	3/4/2014 9:19 AM
Editorial council		24	82	12/17/2013 3:38 PM
Advocacy journalist		5	15	1/3/2014 1:53 PM
Accountability practices		2	7	1/8/2014 12:16 PM
Accountability monitoring shareholder		6	17	1/27/2014 1:19 PM
Good financial results		9	13	1/8/2014 10:23 AM
Financial responsibilities editor in chief		21	97	12/17/2013 9:59 AM
Editor-in-chief as director		24	100	12/16/2013 5:34 PM
Bonuses		6	15	1/21/2014 3:38 PM
Accountability audience news consumer		8	19	12/17/2013 4:19 PM
Ombudsman		5	10	1/23/2014 9:31 PM
Code of conduct		9	26	1/10/2014 10:39 AM
Advisory council		1	4	3/14/2014 2:50 PM
Newsroom's ability to create value		0	0	2/14/2014 11:13 AM
Value creation independent journalism		16	62	12/17/2013 2:58 PM
Philanthropic journalism		3	13	1/22/2014 2:15 PM
Paid content online		13	38	12/17/2013 4:37 PM
Journalism first		1	7	1/6/2014 12:16 PM
Investigative journalism		5	20	1/21/2014 4:55 PM
Definition editorial independence		8	30	1/30/2014 1:49 PM
Brand value		10	25	1/10/2014 10:35 AM
Value creation DEpendent add journalism		2	2	1/14/2014 11:05 AM
Supplements for advertiser		5	20	1/21/2014 3:12 PM
Reader = advertiser		4	7	12/19/2013 1:13 PM
Free newspapers		3	16	1/7/2014 10:25 AM
Branded content		11	37	12/17/2013 12:28 PM
Advertorials		12	26	12/19/2013 1:31 PM
Advertisers demands		18	90	1/8/2014 10:39 AM
Tabloidization		6	29	1/9/2014 3:47 PM
Sponsored content		7	25	1/21/2014 4:16 PM
Speed online vs professionalism		4	14	1/21/2014 4:40 PM
Daily routines journalist		13	61	1/9/2014 11:41 AM
Size newsroom - freelancers		19	88	12/19/2013 10:17 AM
Outsourcing of production - design - layout		3	12	1/3/2014 3:16 PM
Outsourcing of content production		11	88	12/17/2013 12:37 PM
Fusion and reduction staff newsrooms		10	47	12/17/2013 2:30 PM
Privacy issues		2	4	1/10/2014 11:23 AM
Multitasking journalist		4	16	1/9/2014 3:53 PM
Journalist entrepreneur		10	30	12/17/2013 1:16 PM
Intercompany cooperation		5	20	1/6/2014 2:19 PM
Editorial debate		11	62	1/10/2014 10:02 AM
Top-down-bottom-up news selection		14	100	1/3/2014 1:26 PM
Definition news editorial format		19	101	1/9/2014 11:36 AM
Chef-in-chef-out centralization		9	30	1/7/2014 1:58 PM
Commodification		4	27	1/9/2014 3:51 PM
External context		0	0	1/16/2014 9:26 PM
Time		1	1	1/7/2014 2:14 PM

2015-2020		2	3	2/4/2014 1:56 PM
2010-2014		10	38	1/7/2014 2:15 PM
2005-2010		12	31	1/7/2014 2:15 PM
2000-2005		8	27	1/7/2014 2:15 PM
1995-2000		7	17	1/7/2014 2:14 PM
1990-1995		10	28	1/7/2014 2:14 PM
Technology effects		5	33	12/17/2013 1:25 PM
Transition paper to digital		14	60	1/17/2014 9:50 AM
Creative destruction profession		14	95	12/17/2013 1:23 PM
Convergence online of rtv and papers		3	12	1/23/2014 2:06 PM
Stakeholder interests		0	0	12/17/2013 9:35 AM
Society general public		15	93	1/16/2014 7:57 PM
Government		5	27	12/19/2013 2:07 PM
Employee - journalist and manager		15	111	1/14/2014 11:25 AM
Clients - news consumer		19	106	1/7/2014 7:43 PM
Clients - advertiser		8	17	1/14/2014 11:19 AM
Governmental policy		8	40	12/19/2013 2:08 PM
Pluralism		11	37	12/17/2013 2:54 PM
pluralism		3	4	2/4/2014 3:53 PM
Paradox privatization need subsidies		1	1	1/23/2014 3:23 PM
Paradox market failure watchdog		1	1	1/23/2014 3:26 PM
Consolidation sector		9	29	1/22/2014 12:11 PM
Synergy through M&A		7	25	1/6/2014 2:16 PM
Negative growth spiral		6	21	1/22/2014 1:15 PM
Competitors - other publishers		8	18	1/21/2014 3:19 PM
Challenges - diverging interests stakeholders		0	0	12/16/2013 5:33 PM
4 - Nonprofit owner vs customer news consumer		7	29	1/9/2014 2:03 PM
Social = economic goal - big audience = quality		2	9	1/23/2014 2:41 PM
3 - Profit maxim owner vs customer news consumer		5	15	1/27/2014 2:29 PM
General public vs for profit owner		16	83	12/17/2013 9:28 AM
Duality staff reduction vs professionalism		9	49	1/3/2014 4:13 PM
2 - Employee vs customer news consumer		12	47	12/17/2013 4:40 PM
Duality in content - readers vs professionalism		7	24	12/17/2013 11:07 AM
1 - Customer advertiser vs customer news consumer		10	28	1/21/2014 12:40 PM
Duality in content - advertiser vs professionalism		13	72	12/17/2013 10:24 AM

Appendix G – interview protocols

1. Editors-in-chief

- An editor-in-chief has to manage two conflicting objectives: the commercial and social. Do you recognise this duality?
- Can you give examples?
- Which factors or corporate governance practices help or hinder the management of this duality?
- Can you give examples of how 'ownership' can improve or aggravate this duality?
- Can you give examples of how 'decision making practices' can improve or aggravate this?
- Can you give examples of how 'accountability practices' can improve or aggravate this?
- Can you describe your ideal news media firm with regard to ownership?
- Can you describe your ideal news media firm with regard to decision making and accountability practices?
- Are you a (statutory) director?
- What is the size of your newsroom and how many are freelancers?
- What is the ratio of income from advertising relative to revenues from content or subscriptions for your title?

2. Owners

- Why do you invest in this news media firm?
- How do you achieve these goals?
- What corporate governance practices help or hinder this achievement?

3. Journalists:

- Please give a brief description of your daily routines on a typical day at work
- What changes can you observe regarding these routines that might be the result of a change in the ownership of the firm you work for?
- How did new ownership change concerning:
    1. The definition of news?
    2. Written or unwritten rules about the selection of news?
    3. Who (and how many people) decide this news selection?
    4. How is the news selection discussed or debated?
    5. Is the advertiser discussed?
    6. Who determines the course of the paper (editorial format or policy)?
    7. Is there a definition (on paper) of what news is?
    8. Have there been any changes in the voice that the newsroom has in the firm?
    9. Have there been any changes in influences from outside the newsroom?
    10. Were there any changes in the resource that are available for the newsroom?

Executive summary in Dutch

Ontwrichtende technologische innovaties en veranderende marktomstandigheden dwingen nieuwsmediabedrijven tot de herziening van hun verdienmodellen. Hierdoor komt de waarde die deze bedrijven creëren voor hun nieuwsconsumenten en de samenleving onder druk te staan. Dit rapport verkent hoe *corporate governance*-praktijken, ofwel gebruiken van goed ondernemings-bestuur, die waarde kunnen verhogen of verlagen.

Naast typische Nederlandse gebruiken, zoals redactiestatuten en redactieraden, zou ook de identiteit van de aandeelhouders van een firma hiervoor een verschil kunnen maken. Welke belanghebbenden – zoals klanten, werknemers kredietverschaffers, overheden of niet-gouvernementele organisaties - de eigenaren vertegenwoordigen, kan gevolgen hebben voor het verdienmodel van nieuwsmediabedrijven. Hoofdstuk 1 van dit rapport presenteert daarom de volgende onderzoeksvraag:

> *Hoe modereren eigendomsidentiteit, besluitvormings- en verantwoordingspraktijken de invloed van ontwrichtende technologie en marktomstandigheden op het vermogen van redacties om waarde te creëren voor nieuwsconsumenten?*

Deze onderzoeksvraag is opgesplitst in drie sub-vragen die hoofdstuk vier, vijf en zes beantwoorden.

Hoofdstuk twee geeft een kort overzicht van de academische literatuur over de kernbegrippen in deze probleemstelling. Door media- en communicatiewetenschappers is veel onderzoek gedaan naar de effecten van marktconsolidatie en technologie op de werkwijze van journalisten en redacties. Zij beschrijven onder meer trends van ‘commodificatie’, ‘convergentie’, ‘tabloidisering’ en ‘perverse prikkels’ van adverteerders. Deze trends verminderen de waarde die redacties kunnen toevoegen voor nieuwsconsumenten en de samenleving. Bedrijfskundigen besteedden tot op heden relatief weinig aandacht aan de perssector, maar zij onderzochten wel de effecten van de identiteit van eigendom en *corporate governance*-praktijken in andere sectoren. Net als het onderzoek van media-wetenschappers, beperkt dat van de meeste bedrijfskundigen zich vooral tot de meest voorkomende eigendomsidentiteit van investeerders als aandeelhouders.

Dit rapport levert een bijdrage aan dit onderzoek door ook andere eigendomsidentiteiten te bestuderen, zoals klantencoöperaties, overheden, stichtingen en verenigingen. Theorie over deze vormen van eigendom staat nog in kinderschoenen, dus kan nog niet worden getoetst met kwantitatief onderzoek. Daarom is hier gekozen voor kwalitatief onderzoek naar de typische eigenschappen van eigendom van klanten, ngo’s en overheden. Het doel van dit verkennende onderzoek is om een categorisering of classificatie van deze eigendomsidentiteiten te ontwikkelen.

Hoofdstuk drie beschrijft hoe voor deze verkennende studie kwalitatief onderzoek is gedaan in de Nederlandstalige nieuwsmediasector. Vijftien bedrijven die deel uitmaken van de Nederlandse en Vlaamse pers zijn bestudeerd. Hiervoor zijn onder andere jaarverslagen en redactiestatuten geanalyseerd en 23 interviews gehouden met leden van (hoofd)redacties en aandeelhouders of hun vertegenwoordigers.

Hoofdstuk vier beschrijft de resultaten van dit onderzoek, die allereerst uitwijzen dat de basis van waardecreatie in het verdienmodel van een nieuwsmediabedrijven nog steeds hetzelfde is. Die basis is de levering van betrouwbare informatie door 'onafhankelijke' journalisten. Deze journalistieke inhoud trekt een lezerspubliek dat vervolgens wordt verkocht aan adverteerders. Deze dynamiek werkt echter niet in de tegenovergestelde richting, omdat lezers minder bereid zijn te betalen voor reclame. Het vertrouwen van nieuwsconsumenten is snel geschaad en lastig te herstellen zodra zij ontdekken dat journalisten niet integer te werk gaan.

Door de ontwrichtende werking van nieuwe technologieën zoals de opkomst van internet en de *smartphone*, verloren nieuwsmediabedrijven hun dominante marktpositie. Hierdoor is het lastiger voor hen geworden om zich de waarde toe te eigenen die voortkomt uit hun investeringen in redactioneel werk. Door de neergaande conjunctuur, dalende oplages en advertentie-inkomsten zijn nieuwsmediabedrijven in de verleiding gekomen om steeds verdergaand tegemoet te komen aan de wensen van adverteerders die hun boodschappen wilden verpakken in journalistieke content, via bijvoorbeeld 'advertorials', gesponsorde bijlagen of product placement. Op *smartphones* is voor banners van adverteerders maar weinig ruimte en dit versterkt deze neiging tot een vermenging van commerciële en redactionele content.

Deze versmelting van advertenties met journalistieke content is echter een riskante strategie voor de toekomst. De adverteerder is namelijk minder trouw als klant dan de nieuwsconsument. Bij sommige krantenuitgevers is nog slechts 5 procent van omzet afkomstig van commerciële adverteerders, terwijl circa 80 procent van de omzet van de lezersmarkt komt. In een dergelijk verdienmodel is de bescherming van de zogenaamde 'kip met de gouden eieren' urgenter geworden. Hiervoor moet de redactie zich primair kunnen richten op het bedienen van één groep klanten: de nieuwsconsumenten.

Een hoofdredactie en redactie zijn echter niet volledig vrij om zich hierop te concentreren, omdat zij ook andere belanghebbenden, zoals adverteerders, uitgevers of aandeelhouders tevreden moeten stellen. Uit een analyse van de interviews die voor dit onderzoek zijn gehouden, kwamen vier vormen van tegenstrijdige belangen naar voren waarmee redacties worden geconfronteerd. Het gaat hierbij om:

1) de druk van adverteerders op de 'Chinese muren' die rond de redactie zijn opgeworpen om in onafhankelijkheid content te kunnen produceren voor nieuwsconsumenten,

2) de belangen van de werknemers van de redactie die eveneens kunnen conflicteren met de wensen van nieuwsconsumenten,

3) de belangen van nieuwsconsumenten zijn ook in strijd met die van een aandeelhouder die zijn winst maximaliseert, en;

4) de ideële missie van een non-profit aandeelhouder kan ook conflicteren met de wensen van nieuwsconsumenten.

Hoofdstuk vijf zet uiteen hoe deze vier belangentegenstellingen kunnen worden versterkt of gereduceerd met *corporate-governance*-praktijken. Zo zijn er bijvoorbeeld de ombudsfunctie en adviesraden. Dit zijn relatief dure en minder gebruikelijke verantwoordingspraktijken die vooral voorkomen bij redacties die in handen van non-profit-eigenaren. De meest voorkomende besluitvormings- en verantwoordingspraktijk is het redactiestatuut. Dit statuut dient ter bescherming van de identiteit van de nieuwspublicatie en de 'Chinese muren'. De inhoud van redactiestatuten dateert vaak nog uit tijden met andere eigenaren, dus verbanden tussen de inhoud hiervan en de eigendomsidentiteit zijn niet altijd goed te trekken. Wel lijken sommige van de huidige eigenaren – met name klanten en nonprofits - sterkere voorstanders van de naleving van het statuut dan investeerders en werknemers als eigenaren.

Sommige redactiestatuten dichten een bijzondere rol toe aan de stichtingen of verenigingen met ideële doelstellingen die vaak ook een (prioriteits-)aandeel bezitten. Deze non-profit-eigenaren zijn hoeder van de identiteit van de nieuwspublicatie en kunnen in theorie fusies van redacties tegenhouden, al gebeurt dit in de praktijk niet altijd. Soms kan de bescherming van de identiteit van de redactie ook in strijd zijn met de wensen van nieuwsconsumenten.

Vaak zijn in de redactiestatuten ook de benoemingsprocedure en bevoegdheden van redactieraden beschreven. Van de vijftien bestudeerde redacties hadden elf een redactieraad. Opvallend is dat alle redacties met investeerders of non-profit-eigenaren redactieraden hebben, terwijl dat niet het geval is bij alle redacties die eigendom zijn van klanten en werknemers. Wellicht heeft dit te maken met de belangentegenstellingen die kunnen bestaan tussen nieuwsconsumenten enerzijds, en eigenaren een maximale of helemaal geen winst nastreven anderzijds.

De redactieraad kan worden ingezet om de belangen van werknemers te verdedigen, bijvoorbeeld tijdens een ontslagronde. De belangen van journalisten kunnen echter ook conflicteren met de wensen van nieuwsconsumenten, die bijvoorbeeld minder conservatief zijn of andere artikelen willen lezen dan de redactie wil produceren.

De benoeming en functieomschrijving van hoofdredacteuren is ook een belangrijke praktijk die een verschil kan maken voor het vermogen van redacties om waarde te creëren voor nieuwsconsumenten. Eigenaren hebben meestal een belangrijke stem bij de selectie van deze 'chef-kok' die zeer bepalend is voor de identiteit van de nieuwspublicatie en het zogenaamde DNA van de redactie. Hoe meer commerciële en financiële verantwoordelijkheden de hoofdredacteur heeft, in het meest extreme geval als statutair directeur, hoe meer deze geneigd zal zijn om de aandeelhouder te dienen in plaats van de nieuwsconsument. Dit is ook de reden waarom prestatiebeloningen zoals bonussen, opties of aandelen, omstreden zijn onder journalisten.

Hoofdstuk zes illustreert hoe de identiteit van eigendom bepalend is voor de benoeming en samenstelling van raden van commissarissen en raden van bestuur en de bedrijfswaarden en strategie die zij voorstaan. De gekozen bestuurders, bedrijfswaarden en strategieën van nieuwsmediabedrijven hebben op hun beurt ook weer gevolgen voor de waarde die redacties kunnen creëren voor nieuwsconsumenten.

Bij bedrijven die in handen zijn van investeerders, zullen relatief weinig commissarissen en bestuursleden 'hart' of begrip hebben voor de aard van 'nieuwsproducten'. Het werk van hoofdredacties wordt vergemakkelijkt als ook oud-journalisten of media-experts met 'journalistiek bloed' zijn vertegenwoordigd in directies en raden van commissarissen. Een tekort aan financiële experts, dat kenmerkend is voor non-profit-eigenaren, is evenmin ideaal. Daarom is het belangrijk dat de ‘dualiteit’ die typisch is voor een journalistiek bedrijf met een commerciële en maatschappelijke taak, is weerspiegeld in het ondernemingsbestuur. Het ondernemingsbestuur formuleert de kernwaarden en strategie van het nieuwsmediabedrijf die van grote invloed zijn op de redactie, omdat deze bepalen in hoeverre de identiteit en Chinese muren van de redactie overeind blijven.

Het percentage van de omzet dat afkomstig is van nieuwsconsumenten zal naar alle waarschijnlijkheid ook gevolgen hebben voor de keuze van de bedrijfswaarden en strategie. Volledige afhankelijkheid van nieuwsconsumenten kwam in deze studie enkel voor bij redacties die in handen zijn van klanten en werknemers, niet van investeerders of non-profits. Alleen bij een paar van de hier bestudeerde redacties die in handen zijn van investeerders en werknemers komt de gehele omzet van adverteerders.

Bedrijven die volledig of grotendeels afhankelijk zijn van inkomsten uit advertenties zullen waarschijnlijk meer ‘vraag-gestuurde’ redacties hebben die meer gevoelig zijn voor de wensen van adverteerders. Als deze redacties ook geen redactiestatuut en redactieraad hebben die worden gesteund door de aandeelhouders, zullen deze nog meer ‘vraag-gestuurd’ zijn.

Een ‘aanbod-gedreven’ redactie is het andere uiterste van het spectrum, dat waarschijnlijk meer voorkomt bij bedrijven die volledig of grotendeels afhankelijk zijn van inkomsten van nieuwsconsumenten. Deze redactie zal veel minder rekening houden met wensen van adverteerders, maar meer haar eigen koers varen vanuit de eigen identiteit.

Er lijkt eveneens een verband te bestaan tussen eigendomsidentiteit en de keuze voor een portfolio of niche-strategie. Portfolio’s waarbij één redactie de inhoud verzorgt voor meer dan één nieuwspublicatie, werden in dit onderzoek voornamelijk gevonden bij de grotere bedrijven die meestal in handen zijn van investeerders.

Bijna alle bedrijven met non-profits, werknemers of klanten als eigenaren, hebben maar één redactie die één niche-titel bedient. Een portfolio-strategie zal de identiteit van sommige nieuwspublicaties die niet over een volledige eigen redactie beschikken, sneller aantasten, maar kan ook titels in leven houden die het zelfstandig waarschijnlijk niet zouden redden. De omvang van de onderneming zou overigens ook een verklaring kunnen zijn voor de keuze tussen een portfolio of niche-strategie. Grote bedrijven hebben relatief vaker investeerders als eigenaren.

Ook bij de omvang van de redacties ten opzichte van het totale personeelsbestand, is de omvang van de onderneming wellicht meer bepalend dan de eigendomsidentiteit. De onttrekking van vermogen uit de onderneming, daarentegen, lijkt wel gerelateerd aan de identiteit van de eigenaren. Deze is het hoogste bij investeerders die als aandeelhouders vaak dividend uitkeerden – ook als er sprake was van verliezen, zoals bij beursgenoteerde ondernemingen. Bijna geen enkele van de hier bestudeerde bedrijven in handen van non-profits, werknemers of klanten keerde dividend uit. Met name investeerders met een beursnotering presteerden slecht voor wat betreft de solvabiliteit en liquiditeit, terwijl private investeerders (waaronder families) hier betere resultaten boekten.

Tot slot blijkt de nabijheid, concentratie en expertise van aandeelhouders ook een rol te spelen. Respondenten geven de voorkeur aan ‘relationele’ aandeelhouders uit de regio, boven buitenlandse ‘transactionele’ aandeelhouders die zich minder verwant voelen met de nieuwspublicatie. Als geen van de aandeelhouders met uiteenlopende identiteiten een duidelijke meerderheid heeft kan dit problematisch zijn, omdat dit tot een zwalkende strategie leidt. Het gebrek aan financiële expertise en het conservatisme van stichtingen kan ook belemmerend werken, net als de puur financiële inslag van sommige ‘transactionele’ investeerders. Verenigingen of coöperaties van klanten zijn minder conservatieve eigenaren omdat zij verantwoordelijkheid moeten afleggen aan hun leden die kunnen kiezen voor koerswijzigingen. Stichtingen zijn minder geneigd om hun missie aan te passen aan de vraag van nieuwsconsumenten.

In hoofdstuk zeven worden alle resultaten samengevat in een classificatie waaruit blijkt dat klanten als eigenaren de meeste waarde toevoegen voor nieuwsconsumenten. Investeerders voegen de minste waarde toe voor nieuwsconsumenten, terwijl werknemers en non-profits zich als eigenaren bevinden tussen beide extremen.

Een nadeel van dit onderzoek is dat de meest ideale identiteit van eigendom door klanten ook meteen de meest schaarse vorm is, waardoor er relatief minder cases van bestudeerd konden worden. De meest dominante identiteit blijkt daarentegen de minst ideale vorm te zijn. Publieke investeerders als eigenaren hebben de beste toegang tot kapitaal en komen het meeste voor bij de grootste ondernemingen die nu de sector nog domineren.

Kleine start-ups die in handen zijn van (oud-)journalisten of nieuwsconsumenten, realiseerden de afgelopen jaren echter innovaties waartoe grote ondernemingen niet in staat bleken. Wellicht dat het nieuwsmediabedrijf van de toekomst eigendom zal zijn van een relatief kleine en exclusieve ‘club’ van klanten en werknemers.