

WHAT DRIVES INNOVATION IN THE MAGAZINE PUBLISHING INDUSTRY?

Abstract

The purpose of this research project was to explore the organizational factors driving innovation in the magazine publishing industry. The research project was carried out in two stages.

First stage was a qualitative study where we investigated four magazine publishing business units of a large media corporation situated in four different countries, namely Finland, the Netherlands, Hungary and Russia. The results imply that the dominant logics of the four units differed: The Finnish unit's dominant logic seemed to be the most print-oriented and conservative, while the Russian unit was more digitally and brand-oriented. Both the Hungarian and Dutch unit were change-oriented; for the Hungarian unit change was needed for them to survive and for the Dutch change and innovation were integral and valuable parts of the work in the "360 business". It is worth noting the four business units studied all belong to a single media corporation and as such are under the strategic guidance of the same parent company. In terms of dynamic capabilities, the sensing capabilities were found very similar among all units. This is in line with Jantunen et al.'s (2012) findings and provides more support for their argument when firms face similar industry conditions they have to develop capabilities to perform similar types of functions; Sensing activity as such does not depend as much on the internal context in which it functions, and hence it is logical that it does not vary that much depending on the dominant logic. However, there were some changes in the seizing capabilities.

Second stage was a quantitative study, where we developed a quantitative questionnaire, which was used to collect survey data from Finland, Sweden, and Russia. According to the results of this quantitative survey the channels used to reach the readers have some differences between the three countries. In Finland and Sweden the traditional printed magazine is the most important channel, followed closely by website, whereas in Russia the website has taken the leading position from printed magazine. It seems that Finnish and Swedish editors mainly value the traditional business models, whereas Russian editors consider the new digital channels and their interactivity as the most important way to compete in magazine publishing industry.

The respondents were also asked to rank a set of extra-organizational factors on the basis of their importance in their strategic decision-making. The majority of Finnish and Swedish editors ranked consumers as the most important factor. After that Finnish editors highlighted the importance of competitors within the industry, whereas Swedish editors focused on advertisers. Finnish and Swedish editors agreed that technological development is the third important factor. They also both considered that competition arising outside from media business is the least important factor in their strategic decision-making. Again, Russian sample was clearly different from Finnish and Swedish sample. Russian editors ranked the advertisers as the most important factor to consider in strategic decision-making. The second important

was competition arising outside of media business, which is interesting because Russian magazines seem to have broadened their offering to e.g. TV and Services more than Finnish and Swedish magazines.

In the survey we also assessed the innovation activities carried out during last years. In Finland, the most frequent renewals were related to product (first printed magazine and then websites), followed by renewals related to practices, organization and leadership. In Sweden the pattern of renewals was similar, the most frequent renewals were related to product (first websites, then printed magazine, also mobile was fairly frequently renewed), then practices and organization. Also in Russia, the product-related renewals were the most frequent (order was website, mobile, printed magazine). This was followed by organizational structure and customer/market –related renewals.

Finnish respondents reported the generally positive scores in changes in business performance. The mostly improved performance indicators were market share for printed magazine, advertisement revenue from printed magazine, overall profitability, number of website visitors and advertisement revenue from web. Advertisement revenue from mobile applications had gone clearly worse, and also circulation had slightly gone worse. In Sweden, the results were mixed. The most improved performance indicators on average were number of mobile users, number of website visitors, market share in web, and customer satisfaction. However, many financial indicators, such as overall profitability, advertisement revenue from printed magazine, and sales from newest products had gone worse. Also the circulation had clearly gone into worse direction. Russian respondents reported the most positive changes in business performance, and the mostly improved performance indicators were market share in web, number of website visitors, advertisement revenue from web, and customer satisfaction.