

**ORGANISATIONAL CHANGES IN NEWSPAPER FIRMS
AND THEIR RELATIONSHIP TO PERFORMANCE**

ALDO VAN WEEZEL

Jönköping International Business School
Media Management and Transformation Centre

P.O. Box 1026

55612 Jönköping

Sweden

Tel: +46-36-101734

Fax: +46-36-165069

email: aldo.van.weezel@ihh.hj.se

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Abstract

It is generally accepted that newspaper firms are passing through hard times. Readers and advertisers –their two main income sources– seem to be turning to other media thus negatively affecting newspaper financial performance. In order to respond to these challenges, newspapers are changing the way they organise their activities. This study looks at a sample of newspapers to investigate extent to which two of these organisational changes, i.e. integration and outsourcing, are affecting performance. The study shows that the higher the degree of integration within the firm, the more positive the performance. Outsourcing is found to have a negative impact. These effects are over and above those of the environment.

1. INTRODUCTION

It is generally accepted that newspaper firms are facing increased competition and lower profitability. Newspapers have customarily operated in a dual market combining the revenues coming from readers and advertisers (Picard, 1989). However, the position of newspapers in both markets has been jeopardised. On the one hand, circulation figures are falling down in the Americas and Europe (Table 1). For instance, daily newspapers in North America have steadily reduced their total circulation from 61.3 million in 2001 to 58.6 million in 2005 (World Press Trends, 2006). On the other hand, advertising expenditure has not grown (Table 2). The total advertising money spent in print media in Europe in 2005 was \$51.7 billion, compared with \$51.9 billion spent in 1996 (World Advertising Trends, 2006). Furthermore, the business model for newspapers is also being questioned (Picard, 2002).

Table 1: Circulation of dailies (in thousand copies)

	2001	2002	2003	2004	2005	Change (%) 2005/01
<i>Africa</i>	1,724	1,705	1,861	1,994	1,997	15.8
<i>North America</i>	61,324	60,739	60,657	60,074	58,559	-4.5
<i>South America</i>	8,388	7,697	7,210	7,291	7,560	-9.9
<i>Asia</i>	214,769	219,154	223,556	236,044	235,216	9.5
<i>Australia & Oceania</i>	3,792	3,773	3,768	3,751	3,676	-3.1
<i>Europe</i>	96,786	95,200	93,177	91,260	90,654	-6.3
<i>Total</i>	386,783	388,268	390,229	400,414	397,662	2.8

Source: World Press Trends 2006

Table 2: Worldwide advertising expenditure by medium (billion of dollars; constant 2000 prices)

<i>Year</i>	<i>Total</i>	<i>Print</i>		<i>TV</i>		<i>Internet</i>	
			% share		% share		% share
<i>1996</i>	296	145	49.1	112	38.0	0	0.1
<i>1997</i>	299	146	49.0	113	38.0	1	0.4
<i>1998</i>	307	149	48.6	117	38.2	2	0.7

1999	318	150	47.2	120	37.9	5	1.7
2000	342	152	44.6	132	38.8	9	2.8
2001	310	134	43.3	125	40.4	8	2.7
2002	311	130	42.0	130	42.1	7	2.5
2003	340	139	41.1	145	42.8	9	2.9
2004	379	151	40.0	165	43.8	13	3.6
2005	398	153	38.5	177	44.5	18	4.6

Source: World Advertising Trends 2006

Although newspapers have been worrying about their business since they were challenged by the surge of other media, i.e. radio, television, it was not until the appearance of the Internet that the situation got problematic (Dimmick, 2003). But the Internet is not the only threat to the newspaper business model. The wide presence of free newspapers in metropolitan areas, the changes in consumption patterns promoted by the appearance of new digital and mobile technologies, and the excess in supply of content have all contributed to a fragmentation of consumers and advertisers (Aris and Bughin, 2005; Picard, 2002). On the one hand, newspaper publishers have been reluctant to recognize a new and different kind of rivalry. On the other hand, most of them have failed to quickly react in order to take advantage of the new opportunities the Internet has brought, and are still struggling to do so. Furthermore, many newspapers have seen the advent of the Internet and other new technologies as a threat rather than an opportunity, thus influencing the allocation of resources and ultimately influencing the outcome of the new “online ventures” (Gilbert, 2001).

This study looks at two of the main significant changes taking place in newspapers regarding the way they organise their activities and processes to face these challenges. One is the increasing level of integration within the newspaper organisation. This integration mainly affects the separation between the print and the online newsrooms. Oftentimes newspapers have had these newsrooms operating as different entities, with each vying for resources, scoops and readers. But integrating the two operations has been creating problems of another kind, this time affecting the relationship between the organization’s newsroom and the business side. These two aspects of the organisation are now required to align their goals in a way that allows the firm to improve its performance while hopefully taking care of not hurting the journalists’

ethical principles. The overall goal of integration is usually to offer a better service to readers and advertisers.

The second organisational change taking place in newspapers is the increasing level of outsourcing. Although outsourcing has been a common practice in many newspapers, it has been usually limited to printing and distribution activities. Nowadays, outsourcing has gone beyond these activities. The outsourcing strategy is usually pursued in order to better focus on core activities and save costs on activities that the newspaper is not able to carry on efficiently.

The organisational changes assessed in this study cannot be investigated without considering the impact of the environment. As described above, two environmental conditions are of particular relevance to explain the determinants of performance. One of them is the level of competition for resources in a market, i.e. environmental munificence. The other is the extent of difficulty in predicting changes in the behaviour of consumers and competitors, i.e. environmental uncertainty. Both environmental dimensions are included in this study in order to better gauge the effect that the organisational changes have on performance over and above these environmental characteristics.

To summarise, this study asks the following questions: Do current organisational changes such as integration and outsourcing exercise an impact on newspaper performance? And if they do, is the significance of this impact over and above that of environmental conditions present in the newspaper markets, i.e. munificence and uncertainty?

This paper is organised as follows. First, it presents a literature review on the effects of organisational structure and environmental characteristics on performance, with a particular emphasis on the newspaper industry. Second, it describes the research method and analysis. Third, the hypotheses, presented in section two, are tested using hierarchical regression analysis. The paper ends with a discussion of the results and their implications for scholars and practitioners.

2. THEORETICAL BACKGROUND

The organisational structure of the firm and its environment are considered major determinants of its performance (cf. Miller, 1987). Several authors have explored these ideas elaborating on the different relationships and their effect on performance. For instance, Burns and Stalker (1961) argue that mechanistic organisations are more effective in stable environments, whilst the organic form is more effective in dynamic –i.e. uncertain- environments. Woodward (1965) contends that the best performers are those who follow the structural norms of their technology groups, while Lawrence and Lorsch (1967) argue that firms highly differentiated and highly integrated in dynamic environments, as well as those undifferentiated with low integration in stable environments, perform better. These seminal works give form to what is called contingency theory, where the main idea is that the environment poses challenges that must be dealt with structurally (Thompson, 1967; Perrow, 1970; Khandwalla, 1972 and 1973). This does not mean that there is only one way to organise a firm; the characteristics of the organisational context help to determine the success of a particular organisational form. Thus, even if it is possible to find a wide range of effective organisational forms, they are not random (Galbraith, 1973).

2.1 Environmental dimensions

Several theoretical approaches have been used to understand the effects of the environment on organisations including the discussion if the environment should be treated as an objective reality or a perceptual phenomenon (cf. Sharfman and Dean, 1991). Aldrich (1979) identifies six environmental dimensions, namely concentration, heterogeneity, stability, turbulence, capacity, and consensus. Dess and Beard (1984) reduce these six dimensions to three using factor analysis –complexity, dynamism, and munificence. This study will consider the last two of these dimensions.

Munificence refers to the capacity of the environment to carry a certain number of organisations. It has been defined more precisely as “the scarcity or abundance of critical resources needed by (one or more) firms operating within an environment”

(Castrogiovanni, 1991: 542). Scarce resources lead to tougher competition and lower profitability (Dess and Beard, 1984; Porter, 1980).

Dynamism refers to changes that are difficult to predict, causing uncertainty on the part of managers. The literature also refers to dynamism as environmental uncertainty. Miles and Snow (1978) define environmental uncertainty as “the predictability of conditions in the organisation’s environment” (p. 195). In their research they employ a questionnaire of 25 items to assess how managers perceive the predictability of the external environment with reference to the suppliers of raw materials, competitors’ behaviour, clients, financial/capital markets, government regulatory agency actions, and behaviour of labour unions (cf. Ireland, Hitt, Bettis, de Porras, 1987).

Munificence and uncertainty are perhaps the most germane environmental characteristics of this study. Newspaper firms need to vie for the available resources while considering the technological changes that can be turned into new business opportunities for markets that are difficult to predict. The availability of resources is captured by the concept of environmental munificence, while the ambiguities generated by a changing technology and demand unpredictability are captured by the concept of environmental uncertainty. At a time it is possible to contend that uncertainty has a negative impact on performance, munificence has the opposite effect. Therefore,

Hypothesis 1: The level of environmental uncertainty relates negatively to the performance of newspapers.

Hypothesis 2: The level of environmental munificence relates positively to the performance of newspapers.

2.2. Organisational structure of newspapers

A stagnant or even declining newspaper environment coupled with a more conscientious market attitude have spurred the adoption of different organisational changes and new practices affecting the core processes of newspaper firms. This

study takes a closer look at two of these changes: The reduction of internal organisational boundaries –integration– and second the decrease of external organisational boundaries –outsourcing.

2.2.1. Integration

Newspapers have traditionally been structured around the notion of “silos”. Therefore, high boundaries have been erected between the newsroom and the rest of the organisation. This practice has also produced a distinction between the traditional newsroom and the more recent online newsroom. Nevertheless, the increasing acceptance of the Internet for consuming news, its development as an advertising platform, and the need to restructure costs, have prompted newspaper managers to reconsider the separation between online and print newsrooms. One of the main transformations in the organisational structure of newspapers in recent years has been newsroom convergence. Quinn (2004) points out that convergence in the newsroom has been implemented with a twofold goal: to help reach an audience as wide as possible, and help managers cut costs by means of increased productivity.

The term convergence has different meanings, even when restricted to the newsroom (cf. Quinn, 2004; Wirth, 2006). This study adopts Jenkins’ (2001) definition of cultural convergence, which refers to the development of content across multiple channels. Other types of convergence are technological, referring to the digitisation of content; economic, referring to the integration of the media industry; social or organic, referring to a multitasking approach to consuming content; and global convergence, referring to the ‘global village’ effect where content is influenced by trends coming from other corners of the world (Jenkins, 2001). The notion of cultural convergence provides a better understanding of what takes place inside media organisations.

Cultural convergence is already happening in newspapers that try to convey their content on multiple platforms beyond the traditional print edition, such as the web, email, and mobile phones. By means of cultural convergence, particularly in the newsroom, the newspaper firm is able to reach its readers anytime and anyhow, thus competing in new markets. The traditional content needs to be modified in several

aspects ranging from the presentation itself to topics and themes. These changes are expected not only to retain current readers, but also to attract new ones.

While cultural convergence takes place in the newsroom, a different type of integration takes place between the *suits* and the *ponytails*. So far, these two groups have clashed because of their different perspective regarding the goals of the media firm. While managers are worried about *humdrum* issues, creative people produce *art for art's sake* (Caves, 2000). Even though this situation is more common in creative industries, such as motion pictures and recording companies, the *wall* between journalists and managers has also been a recurrent topic in news organisations where managers' meddling in newsroom affairs is seen as a sacrilege (Underwood, 1993; Bogart, 2005: 125). The down periods for media companies, particularly economic recessions, have changed these practices and cooperation is becoming a widespread activity.

The interaction between content and advertising is one of the characteristics that make the media business unique. The media sell content to the audience grabbing their attention, which in turn is sold to advertisers who are willing to reach their potential consumers (Albarran, 2002; Doyle, 2002; Hoskins, McFadyen, and Finn, 2004). This is the most basic logic behind commercial media. In Europe, for instance, income from newspaper sales is matched by the income obtained from advertisers; in the United States, the proportion of advertising is usually higher (cf. Picard, 2004; World Advertising Trends, 2006). Since an important component of the media business is selling the attention they get from the audiences, the undergoing process of media fragmentation makes this task more difficult. The surge in media outlets means a fragmentation of the media market, rendering the term mass audience an old fashioned concept. Hence, in order to secure the income streaming from advertisers, media are trying to implement two policies. On the one hand, media firms are trying to realign the content production to the advertisers' interests (cf. Picard, 2004). The wall between journalists and managers located in different compartments of the organisation is crumbling. On the other hand, media firms are trying to cooperate with other business units in the same media holding or even with other firms in order to sell advertising more effectively. Aris and Bughin (2005) suggest that media firms should sell "value propositions" to advertisers, such as cross-promotion packages (p.

214). Martin (2003), researching newspapers that actually share resources, finds that they improve their efficiency as in the case of clustered newspapers.

These new types of organisational structures, where the integration of the different units is part of the strategy, offer more flexibility as well as the possibility to transfer knowledge in an easier way (Dess et al., 1999). Hence, fewer barriers inside the organisation should help to achieve better integration, coordination, and communication inside the organisation, thus enhancing the ability of delivering a more profitable outcome. Based on these arguments it is possible to suggest that,

Hypothesis 3: The level of integration within a newspaper is positively related to its performance.

2.2.2. Outsourcing

Outsourcing can be understood as the substitution of external activities for internal activities leading to vertical disintegration (Gilley and Rasheed, 2000). A survey by the World Association of Newspapers shows that “outsourcing plays a major role in the newspaper industry today” (MacInnes and Adam, 2006: p.23). The trend is upwards and reasons vary from cost savings, focus on core competency, lack of in-house expertise, quality improvement to sharing costs. The reasons not to outsource are also varied, ranging from adequate in-house expertise, loss of control, too expensive, lack of outsourcing expertise, organisational resistance, to political sensitiveness (Maciness and Adams, 2006). This study considers four activities where outsourcing might take place, namely printing, distribution, content production, and advertising sales.

Newspaper printing and distribution changes combined with pressure for reducing costs have led many newspapers to outsource their printing and distribution activities –physical or virtual. “Getting people to read the newspaper is not just a matter of content and design; it depends on distribution” (Bogart, 2005: 81). The process involving content delivery, according to Aris and Bughin (2005) is one of the core processes of media firms, and includes the physical creation of the media product and

its distribution for commercialisation. Traditionally, newspaper firms have printed paper copies for later distribution to sales points (e.g., kiosks, supermarkets) or home distribution to subscribers. However, some readers are now accessing digital copies of newspapers available on the Internet or other alternative digital means of distribution. This implies that the physical copy is no longer necessary for a segment of the readers, who have instead turned to a virtual copy. Furthermore, distribution itself becomes a different activity since the content has to be available in a digital format and on several different platforms (e.g., web, mobile phone, PDA, e-book). These changes in printing and distributing newspapers have led to changes in the workforce of newspapers and in the tasks that they need to carry out.

Outsourcing is also taking place in content-related activities –from buying news from international agencies to copyediting to features, and advertising sales. For instance, McClatchy’s newspaper The Sacramento Bee announced in December 2007 that its advertising production work would be outsourced to India¹. Previously, McClatchy had already outsourced customer service to an Illinois company operating out of Philippines. MacInnes and Adam (2006) cite several other cases of outsourcing, such as the Swiss newspapers that outsource advertising sales to Publipress.

The decision to make or buy (outsource) is usually addressed from two perspectives in the academic literature, namely transaction costs theory and knowledge-based theory. According to the former, the decision to buy outside the firm depends on the uncertainty of the input –how specific it is– the frequency of the transactions and the opportunistic behaviour of the supplier (Williamson, 1975). If these factors score high it is preferred to keep the production in-house. The knowledge-based theory suggests that internal processes help to increase tacit knowledge, thus internal transaction costs would go down with time so long as the firm learns how to be more efficient (Grant, 1996).

The literature examining the effects of outsourcing identifies several advantages connected to this practice, particularly those related to improved performance by

¹ “The Sacramento Bee to outsource ad work to India” (Associated Press). Published on 6 December 2007. Accessed at <http://www.sacbee.com/114/story/548342.html> (14 December 2007).

means of cost savings, and also a sharper focus on core competences (Quinn and Hilmer, 1994). Gilley and Rasheed (2000) study the relationship between outsourcing and performance and find no direct effect; however, there are moderating effects of the strategy and the environment. They find that outsourcing is positively linked to performance in stable environments or in cost leadership strategies; dynamic environments and differentiation strategies are negatively linked to performance. Nonetheless, some disadvantages might also hit the firm. Teece (1987) suggests that relying on external providers might hinder internal innovation. Also, cost savings might be a delusion if the costs of performing continuous transactions in the market are higher.

Since there is little consensus in the literature with regard to the effects of outsourcing on performance, two opposite hypotheses are suggested here:

Hypothesis 4a: The level of outsourcing in a newspaper is positively related to its performance.

Hypothesis 4b (opposite to 4a): The level of outsourcing in a newspaper is negatively related to its performance.

3. METHOD

3.1. Sample

The sample relies on the participants in the Inter American Press Association annual meeting that took place in Miami in October 2007. The participants are high-ranking managers in newspaper companies –i.e. presidents, publishers, CEOs, and general editors. There are several advantages in conducting surveys during a newspaper meeting. First, newspaper managers are busy and the response rate in mail or web surveys is usually very low. Second, because the survey was administered face-to-face it was possible to explain any item unclear to the respondents. And third, the internal non-response diminishes notably compared to other methods of administering

the questionnaire. This also allowed reducing selection bias since the respondents were personally approached and their collaboration sought individually.

According to the attendance list, 106 newspaper firms were present in the meeting. The questionnaire was administered to managers of 46 newspapers forming a response rate of 43.4%. When more than one newspaper manager answered the questionnaire (13%) the answers were averaged on subjective question items, i.e. perceptual questions.

3.2. Procedures and measures

The organisational structure of newspapers was measured with two sets of questions. The level of integration within the newspaper firm was measured with four 7-point Likert-type items. Two items addressed the integration between the online and print newsrooms, while the remaining two items addressed the level of coordination between the newsroom and the newspaper managers. The level of outsourcing was measured with six 7-point Likert-type items that ranged between “No outsourcing” and “Full outsourcing” in printing, distribution, content production, and advertising sales. All items employed to measure the organisational structure are original.

Two different dimensions of the environment were measured in this study: munificence and uncertainty. The study follows Castrogiovanni’s (1991) recommendation of using context-specific measures. The availability of resources, in the particular case of newspapers, will be measured as advertising expenditure and readership and buying behaviour. Picard (1989) labels these two sources of funding as the “dual market” for media firms. Hence, environmental munificence will be gauged with an original scale able to capture the competition for resources in the media market. These specific resources are advertising and readers. Four 7-point Likert-type survey items will be employed to assess how the competitive level has changed in the last five years.

Following Miller and Friesen (1982) environmental uncertainty was measured with five 7-point semantic differential items. Though these items measure how managers

perceive uncertainty –in contrast with objective environmental uncertainty– it is assumed that managers take uncertainty into account to make strategic decisions.

The performance of newspaper firms is the dependent variable in this study. Four 7-point Likert-type item questions were employed to measure financial performance. These questions included net income, gross margin, sales growth, and return on equity, and the responses were averaged. Managers were asked to provide answers bearing in mind their rivals in the newspaper publishing industry and the last three business years. This was to avoid short-term influences in performance. Although it would be preferable to have objective financial information, e.g. company reports, the majority of managers headed newspapers that are privately held companies and do not report their financial statements. Thus, self-reporting is the only way to get hold of financial performance. Nonetheless, subjective measures are demonstrated to be consistent with objective measures (Dess and Robinson, 1984; Venkatraman and Ramanujam, 1987).

Two control variables were also included, namely circulation and family. These two variables are deemed to potentially affect performance hence the need to have them as control variables. Circulation, as the weekly average number of copies, is a good proxy for the size of the newspaper. Its significance comes from the economies of scale usually associated with media companies, where marginal cost is below the average cost, i.e. the larger the circulation of a newspaper, the greater the effect of scale economies and the better the performance. Family control might also affect performance, although the direction it follows is still a matter to be contended with (Villalonga and Amit, 2006). In the newspaper industry, there is evidence that private firms are less profitable than public firms (Busterna, 1989; Blankenburg and Ozanich, 1993; Lacy, Shaver and St. Cyr, 1996). Family control is a dummy variable (0=non-family control; 1= family control).

3.3. Analysis

Multiple regression analysis is well suited to test hypotheses in business and social science fields of research (Cohen et al., 2003). The hypotheses propose a relationship between one or more factors (independent or predictor variables) and an outcome

(dependent or criterion variable). Hair et al. (2006) explain that “the objective of multiple regression analysis is to use the independent variables whose values are known to predict the single dependent variable selected by the researcher” (p. 176). Specifically, the study employs a hierarchical regression analysis in which the independent variables are entered cumulatively for assessing the increments in variance explained in order to test the hypotheses (Cohen et al., 2003).

4. RESULTS

The correlational and descriptive statistics and the Cronbach alphas are reported in Table 3. It has to be noted that the logarithm of circulation (LogCirculation) is used instead of circulation because the original variable did not comply with the normality assumption for multiple regression analysis. All alpha values for variables based on multiple items are well above the critical value of 0.60 for reliability (Hair et al. 2006). Regarding the correlations, all independent variables significantly correlate with performance and uncertainty and outsourcing show negative values. The independent variables do not show significant correlations among them.

Some of the correlation matrix results need further explanation. First, the control variables, circulation and performance, though not statistically significant, correlate negatively to performance. Second, integration significantly correlates with circulation. This might imply that integration is more common in larger newspapers. The same, though in reverse direction, takes place with outsourcing, which negatively correlates with the newspaper size measured in circulation.

Table 3: Descriptive Statistics, Reliabilities, and Correlations

Variables	Means	s.d.	1	2	3	4	5	6	7
1. Performance	5.48	1.04	(0.90)						
2. LogCirculation	4.84	0.42	- 0.01	(N.A.)					
3. Family	0.66	0.48	- 0.13	- 0.05	(N.A.)				
4. Uncertainty	4.21	1.03	- 0.35**	0.07	0.24+	(0.63)			
5. Munificence	5.39	1.01	0.28*	- 0.09	0.05	0.20	(0.69)		
6. Integration	4.29	1.02	0.24+	0.26*	0.19	- 0.09	0.06	(0.69)	
7. Outsourcing	2.35	1.16	- 0.32*	- 0.24+	0.10	0.12	- 0.12	0.17	(0.75)

Notes: N=44. N.A. = not applicable. Reliabilities (Cronbach alphas) are in parentheses.

+ $p < 0.10$; * $p < 0.05$; ** $p < 0.01$.

The results of the hierarchical regression analysis are shown in Table 4. First, the control variables are added to the model (column 2), then the environmental variables (column 3), and finally the organisational structure variables (column 4). The control variables, circulation and family control, explain only 2% of the variation in performance, but the model is not statistically significant. In the next step of the analysis, uncertainty and munificence are added into the model increasing the explanation of the variation in performance up to 26% ($p < 0.05$). Both variables are significant, and while uncertainty has a negative coefficient ($\beta = -0.42$; $p < 0.01$), munificence is positively related to performance ($\beta = 0.37$; $p < 0.05$). These findings provide support for hypotheses 1 and 2, respectively.

The final step in the hierarchical regression analysis consists of adding the organisational variables –integration and outsourcing. The results show a statistically significant increase of 12% ($p < 0.05$) in the variance of performance explained over and above the environmental variables. Integration is marginally statistically significant and positively related to performance ($\beta = 0.29$; $p < 0.10$), thus supporting hypothesis 3. Outsourcing is also statistically significant though negatively associated to performance ($\beta = -0.31$; $p < 0.05$). This result means that hypothesis 4b is supported – while hypothesis 4a is not.

Table 4: Results of the Hierarchical Regression Analysis

	Control variables		Control and Environmental variables		Full model	
	β	S.E.	β	S.E.	β	S.E.
LogCirculation	- 0.02	0.38	0.05	0.34	- 0.12	0.36
Family	- 0.13	0.34	- 0.05	0.31	- 0.10	0.30
Uncertainty			- 0.42**	0.15	- 0.32*	0.14
Munificence			0.37*	0.15	0.29*	0.14
Integration					0.29+	0.15
Outsourcing					- 0.31*	0.13
R ²	0.02		0.26*		0.38**	
Adjusted R ²	0.00		0.18		0.27	
ΔR^2	0.02		0.24**		0.12*	

Notes: Dependent variable is performance. Standardised regression coefficients shown in table. N=44.

+ p < 0.10; * p < 0.05; ** p < 0.01.

5. DISCUSSION

This paper addresses the effect that organisational changes have on the performance of newspaper firms. Two specific organisational changes are assessed –integration within the newspaper and outsourcing. The former includes the integration between the online and print newsroom, and also the level of coordination between the journalistic and business sides of the organisation. The level of outsourcing is measured in the light of the different processes carried on by newspapers, i.e. content, advertising sales, printing and distribution. The results show that while the level of integration has a positive relationship to performance, outsourcing has a negative effect.

Because the environment is also relevant to explain the firm's performance, two environmental dimensions are also measured, i.e. uncertainty and munificence. These dimensions are deemed relevant to a changing, mature industry like the newspaper

industry. The findings show that while uncertainty has a negative effect, munificence is positively associated to performance. Although these two environmental variables are significant predictors of the newspapers' performance, the organisational changes increase the explanation of variance in performance over and above the environmental dimensions.

The findings are useful for newspaper managers. Integration and outsourcing are being *preached* in different circles, from industry meetings to consultancy firms. But according to the results detailed here, only one of them, integration, yields positive results while outsourcing has been found to be detrimental to performance. It is worthwhile to contrast the significant correlations found between these two organisational variables on the one hand and circulation on the other (Table 3). Larger newspapers are more integrated and outsource less, thus increasing their abilities to perform better. Nevertheless, circulation shows a negative sign in relation to performance though not statistically significant –both in the correlation and regression analyses. This perhaps supports the argument that small newspapers perform well not because of the organisational changes but because they still enjoy a dominant position in their markets. Naturally, this has to be investigated further by media management scholars.

Integration within the newspaper seems to be a favourable organisational change as reported in this paper. This result should not be a surprise since the changes in technology and also in consumption patterns of media users require that media organisations are able to respond quickly to shifting demands. Integration among different parts of a newspaper is key in providing a good organisational structure. But recognizing the need for integration, although important, is only the first step toward improved performance. The next steps, the process of integration itself, should be carefully addressed by media managers and scholars.

The negative effect of outsourcing is not so evident and raises several questions. For instance, what are the main reasons driving newspaper companies to implement outsourcing strategies? It is different to observe a company in financial distress trying to reduce costs by outsourcing some of their activities than examining a successful company outsourcing non-core activities to free resources to improve quality or reach

new markets. Also, if outsourcing is a relatively new practice for newspaper companies used to keep all its activities in-house, the skills for managing relationships and contracts with multiple suppliers may not be developed yet in the organisation. These issues warrant further research on the processes and effects of outsourcing in the media management field.

Finally, this study has some limitations that need to be considered. Two of them are highlighted here. First, because of the cross sectional nature of this study some effects of the organisational structure changes might not be fully captured in the performance measures. Second, extending the study to the moderating role of the environment on the organisational variables might lead to a better understanding of the effects on performance.

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