INTRAPRENEURSHIP AND CORPORATE VENTURING IN THE MEDIA BUSINESS: A THEORETICAL FRAMEWORK AND EXAMPLES FROM THE GERMAN PUBLISHING INDUSTRY

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ABSTRACT Entrepreneurship has been commonly associated with new businesses that are set up outside existing companies. However, many new ventures in the media business are set up in close relation to existing companies. This article explores why and how entrepreneurial activities take place in established media companies. The theoretical analysis and two examples show that it is essential to balance leeway and integration in order to create successful corporate ventures.

KEY WORDS: entrepreneurship, intrapreneurship, corporate venture capital, new media

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Entrepreneurship has been commonly associated with new businesses that are set up outside existing companies (Morris, Kuratko & Covin, 2008: 33; Hoag & Seo, 2005: 3). However, many—if not most—new ventures are not set up "out of the blue", but rather in close relation to and within existing companies. That is especially true in markets that are subject to considerable barriers to entry. A case in point is the media industry where economies of scale and scope, huge setup and sunk costs, and regulation (among others) are important factors that may restrict the access of new companies into the market. Though disruptive technologies like the Internet provide additional opportunities for new entrants, the majority of entrepreneurial activities still take place within established firms. It is therefore worthwhile to analyze the role of intrapreneurship and corporate ventures in the media industry, even if these kinds of entrepreneurial activities may not "[add] at least one voice or innovation to the media marketplace" (Hoag & Seo, 2005: 3) and thus do not enhance the diversity of viewpoints (Hoag & Compaine, 2007).

However, in a review of the literature on media entrepreneurship, Hang and Van Weezel (2007: 64) conclude that the issue of corporate venturing within media companies has been thus far neglected. This paper is intended as a start to fill this gap.

In doing so, I first describe in section 2 the entrepreneurial opportunities that arise due to new media. Since the motivation for setting up new businesses in new media may not always be expansion, as commonly assumed in the entrepreneurship literature, I then analyze in section 3 different kinds of motivation for entrepreneurial activities. In section 4 I discuss the generic forms of intrapreneurship and corporate ventures within organizations. Building on these theoretical considerations, I illustrate these modes of organization using some recent examples from the adoption of the Internet and the Web 2.0 in Germany's publishing industry in section 5. Finally, I give an outlook and discuss some directions for future research in section 6.

ENTREPRENEURIAL OPPORTUNITIES IN NEW MEDIA

In the media industry, digitalization and networking lead to new challenges and far-reaching structural changes like in almost no other traditional sector of the economy. The reason for this is that the value proposition of media companies is itself information and therefore immaterial. Thus, new information and communication technology does not only affect the organization and management of media companies, but also in particular the production, editing, distribution, and consumption of media products (Hass, 2005: 33). In order to assess the resulting entrepreneurial opportunities, it is useful to review the nature of media products and business models since these characteristics provide the basis for the expansion into new media.[1]

A specific feature of media products is their dual character: they are a combination of media and information (i.e. content) in the form of a marketable media product or service (Hass, 2002: 18). The actual core utility of the media product derives from the information content (say, stock quotes). However, since the information itself is immaterial in nature, it needs a medium as "means for the portraying or representing of facts or contents" (Szyperski, 1999: 5, translated). In this respect, there is an important difference between the message to be transmitted (i.e., information) and the transmitting signal (i.e, the medium). To illustrate this dual nature of media products, Barlow (1996) introduced the metaphor of wine (i.e., information) that is distributed in bottles (i.e., the medium).

[1] Of course, this does not mean that entrepreneurial activities only take place in the context of new media. See e.g. Achtenhagen (2008) who discusses entrepreneurship in traditional media.

An important, if not the most important theme in the current transformation of the media industry is the transition to digital, non-physical production and distribution of information: Whereas traditional information was clearly and firmly linked to certain media, now one and the same content can be distributed by way of various media configurations. There is thus a disintegration of medium and information (Evans & Wurster, 1997; Hass, 2002: 83). Newspapers like the *Wall Street Journal* or the *Financial Times*, for example, distribute financial news in their print editions. Today, however, the same content is also available on websites or mobile devices. Users have instant access to the information and may analyze or manipulate it, e.g. using spreadsheet or home accounting software. As Barlow (1996) puts it, media companies are now selling wine without bottles.

An interesting aspect of this metaphor is that it focuses on changing media rather than changing content: the wine is the same—it is only sold differently! This fits well with the observation that the main effect of the recent technological development is, at least until today, the creation of new forms of content distribution rather than the creation of new forms of content (Picard, 2000: 60). As Compaine (1981: 135) had already stated some thirty years ago:

> Changing information technologies are most important today in expanding accessibility to information. That is, the content of messages is not changing so much as the range of alternative conduits by which they can be processed and transmitted and the variety of formats in which they can be displayed.

Overall, this is still true today: Napster and iTunes, for example, revolutionized music distribution and changed the way we listen to music, but music, as the content, has fundamentally been unaffected. Similarly, it is today possible to search and access news content using a ubiquity of end devices, but the distributed messages are to a large extent more or less the same. The same holds true for most kinds of content, though there are a number of important exceptions—perhaps most importantly multimedia content as in the case of video games and user generated content either in the context of virtual communities or in wikis, blogs etc. (Walsh, Kilian & Hass, 2011). However, even if there is new content for new media, the underlying competencies of content production and aggregation are still closely related to those necessary in traditional media. There are thus considerable economies of scope if the same company carries out both activities.

This helps to understand why many entrepreneurial activities take place within established media firms rather than in new start-ups: Since content is still "king", the competencies of incumbents to create and bundle information and the cost structure associated with these activities provide considerable barriers to entry. With the advent of the Internet, it seemed thus straightforward to extend the existing business onto the new communication channel.

It is, however, important to keep in mind that there is not only a duality in terms of medium and information but also regarding the addressed markets and the corresponding revenue sources: Media enterprises do not only sell content to the audience but also generate revenues by selling their audience to advertisers (Picard, 1989: 18).

In the context of new media, there arise entrepreneurial opportunities from both parts of the traditional business model:

- Content business: Media enterprises can use their competencies to create and aggregate content by selling their content using the emerging new media.
- Advertising business: Media enterprises can extend their traditional business of generating audiences for advertisers by creating advertising space online.

In the remainder, I will focus on these two aspects of transferring the traditional business model of media enterprises into new media.

Transferring the Content Business: Multiple Utilization of Content

Creating and aggregating content are activities that define media enterprises. From a resource-based view, it is thus straightforward to use these core competencies to build a new business by selling content online. The resulting new media product can be composed of content especially created for the new medium or by re-using existing content that was originally produced for traditional media (e.g. the printed edition of a newspaper).

In the first case, the company does not transfer the content itself into the new media business but the underlying competencies of content creation and aggregation. Furthermore, the new media products—though the content is different—are often marketed as extensions of the established brand names. Since brand names are important in order to signal quality of information, brand extensions may be very valuable for the new businesses. The creation of new content is a suitable strategy if user groups and using contexts in new media are quite different from those of existing media (e.g. younger user groups using the new media in a more lean-forward, interactive way compared to the old media). Special content then allows a full exploitation of the specific characteristics of the respective media and provides the best possible user experience. However, it is costly to produce the necessary content twice for old and new media. Thus, from a cost perspective, there is a strong motivation to integrate old and new media as closely as possible, thereby using the economies of scope that arise due to new technology (Picard, 2000: 60). The extreme form of this tendency applies to integrated content management, which I will discuss now.

One of the most important aspects of disintegration is the fact that it facilitates the distribution of content across different media. Media enterprises thus can use their existing content to create not only their established media products (e.g. the traditional printed newspaper) but also additional products and services within new media (e.g. Internet or mobile media) (Hass, 2006). This multiple utilization of content is today one of the most important applications of new media for established media enterprises and there are few companies who have not attempted to implement this strategy (Hess, 2005: 57).

The basis of this strategy is a separation of content and layout. Media content in various formats (text, pictures etc.) is stored in a central content repository, most often using some definition derived from the Extensible Markup Language (XML). With XML, it is possible to structure the information by tagging different logical parts (e.g. author, headline, abstract etc.) For the creation of the actual media product, a publishing system combines the content with an existing style sheet that takes into account the characteristics and limitations of the respective media (for example, the author's name is typed in italics for the Internet version and bold in the printed edition). It is thus possible to transform existing content automatically into new media products.

Though the implementation of such an integrated content management system is far from being easy, it offers a huge potential for the optimal exploitation of existing resources and content in the context of new media.

Compared with the creation of new content, this approach has the advantage of lower variable costs once the necessary infrastructure has been set up. However, the specific characteristics of new media limit the potential of this strategy: If user groups and usage contexts of new media are very distinctive from those of the traditional media product, simply transferring existing content might be of little value for the customer (e.g. users prefer short news on their mobile devices rather than long editorials). The more revisions are necessary to create a valuable new media product out of existing content, the smaller are the economies of scope of its multiple utilization compared with the set-up costs of the integrated content management system.

Furthermore, the cost structure of an integrated approach—high fixed costs but low variable costs—makes price wars for new media content more likely (Shapiro & Varian, 1999: 24). As a result, a huge fraction of content today is offered online not as paid content—like in the traditional business model—but for free. The focus of new media businesses has thus moved, at least in part, from selling content to building brands and customer relationships. This is especially true in the context of Web 2.0 applications like Facebook. Media companies use these brands and customer relationships to expand their traditional business or to sell the resulting audience to advertisers.

Transferring the Advertising Business: Online Advertising

The traditional business of publishing relies largely not only on selling content but also on generating revenues by selling advertising space. At the beginning of the 20th century, German economist Bücher (1926: 21) already defined the newspaper as a business that produces advertising space that can only be sold due to editorial content. Though the relative importance of advertising differs within different media categories and across countries, it amounts to a large part of the total revenues, varying from 40% to 80% (Ludwig, 2003: 206). In the case of the publishing industry, advertising includes national and local advertisements as well as classifieds (Dimmick & Rothenbuhler, 1984: 108). These different types fit the interactive nature of new media to a varying degree. Advertisements that depend mainly on emotional impact and reach are often better suited for traditional media whereas sales-oriented advertising benefits from the opportunity to click-through the advertisement completing the transaction. Especially suited for new media are classifieds since it is easier to search for specific offers only than to scan huge listings in printed newspapers. Furthermore, the Internet makes it easy to create huge networks of buyers and sellers, as the example of eBay demonstrates impressively. It is thus not surprising that "search, find, and obtain" has become a killer application in new media. Thus, online advertising and especially online classifieds offer considerable opportunities for entrepreneurship.

However, unlike the analyzed case of online content, the barriers to entry are much lower for new firms in the market for classified advertising. The traditional business model of newspapers is based on their competence to generate content that is attractive for the audience. Since content and advertising are bundled together, the resulting media product will serve recipients and advertisers at the same time. However, whereas many recipients dislike advertisements in general, classifieds are a form of advertising that is genuinely valuable for the interested audience. It is thus possible to separate classifieds from editorial content and to distribute them as a stand-alone service (possibly augmented with related third-party information). Under these circumstances, the media companies' competencies concerning content are obviously of little worth. Consequently, the incumbent's advantage is much smaller in comparison with the case of online editorial content. Online advertising, at least in the case of classifieds, thus creates entrepreneurial opportunities for media enterprises and new entrants alike. Since the advertising market does not grow to the same extent that new communication channels do in the Internet, the entrepreneurial opportunity of online advertising actually turns into a threat for the existing business model. This offers an interesting insight into the motivation for new media ventures that I will discuss in the following section.

MOTIVATION FOR NEW MEDIA BUSINESSES

Much in the same way we commonly think of entrepreneurship as an activity mainly located in start-ups, we usually think of entrepreneurial activities mainly motivated by expansion. From the point of view of incumbents, however, there may be two additional reasons for new ventures: diversification and defensive strategy. In the case of diversification, the company tries to establish new business units in order to reduce risk by investing in areas with different business cycles (Ansoff 1957). That distinguishes diversification from a true defensive strategy where the company does not try to cope with cyclical but structural developments. Miller and Friesen (1982: 3) named this approach "the conservative model of innovation" in which companies merely react toward felt pressure from their environment. New ventures are in this case a way to cope with growing or anticipated problems in their traditional businesses (Picot & Hass, 2003: 47). Although the strategic move (i.e. entering a new business) might appear expansive from the outside, the underlying strategy is in this case not expansive but rather defensive. The motivation for developing the new business is not an attempt to grow but to compensate for an actual or expected decline in the traditional business, or "as insurance against outside digital dominance" (Dennis & Ash, 2001: 31).

This defensive nature of entrepreneurship is especially important in the media industry where different media compete with each other in several ways. Though every media industry has its specific characteristics—for example broadcasting media can distribute news much faster than newspapers but the latter are often more suitable for extensive news and background information—they essentially offer services (i.e. content and advertising) that are close substitutes. There is thus not only intra-media competition (say, between quality newspapers) but also inter-media competition (e.g. between printed newspapers and online information services).

All media business models rely fundamentally on the same set of resources: consumer spending, advertising spending and consumer attention (the latter as necessary means in order to attract advertising spending). McCombs' principle of relative constancy states that the spending of consumers and advertising constitute a relatively fixed proportion of the gross national product that tends to be more or less constant (McCombs, 1972; McCombs & Eyal, 1980). Although McCombs' principle is not a law, several studies found evidence for its validity (see Brosius & Haas, 2007 for an overview). It is therefore reasonable to assume that as new media businesses enter the market, the resources available will not increase to the same extent. Thus there will be, at least to some extent, inter-media competition resulting in partial substitution. Of course, new media are unique in their ability to facilitate transactions, which in turn makes advertising more efficient (eBay is a good example for additional transactions that could not have been carried out if there were no Internet). Nevertheless, even if we acknowledge that there is a certain "efficiency premium" it is still reasonable to assume that the money spent on advertising inclines slower than the ever-growing number of new media services that compete for advertising money. Similarly, though the time spent on media in fact has risen in the past years, it is doing so slower than the number of media products and services that compete for the attention of the audience, leading to inter-media competition and substitution effects as a result.

In order to explain this phenomenon, Dimmick and Rothenbuhler (1984) developed the theory of the niche introducing the concept of the niche from population ecology. They compare media industries to species that survive on the same resources (fundamentally the three resources mentioned above although Dimmick and Rothenbuhler focus on advertising resources). If new populations invade the established media industry, inter-industry competition will take place because they rely on the same pool of resources. This inter-industry competition mainly depends on the niche overlap, i.e. the extent to which different media fulfill the same function and thus rely on the same resources (e.g. local advertising). Since firms try to avoid competition, old and new media subsequently differentiate from each other reducing the niche overlap, every industry focusing on the segment that fits best to its respective medium. For example, with the introduction of television, newspapers shifted from national to local and classified advertising whereas television focused mainly on national advertising.

Dimmick and Rothenbuhler thus propose incumbents to differentiate themselves from the entrants in order to cope with the invasion of new media. Though this is true at the business level, the discussion above suggests a different strategy on the corporate level, namely defensive entrepreneurial activities in the new segment. In doing so, enterprises may set off the decline in their old business by increasing revenues from their new business. Moreover, if there are synergies between the two businesses—either on the competence level or on the market (e.g. in form of cross marketing or special combination rates)—the resulting competitive position of the incumbent may be even better than that of the entrant.

The introduction of private broadcasting in Germany provides a good example of this strategy. Since advertising is restricted in public broadcasting, the invasion of private stations provided additional advertising opportunities but also resulted in an increasing competition for advertising budgets. For some major nationwide publishers, private broadcasting was in fact a way to expand, especially if growth was restricted in their traditional business (e.g. due to concentration rules). Many small publishing houses, however, feared a decline in their traditional advertising business and thus had a strong incentive to participate in private broadcasting in order to offset the expected losses in their advertising revenues. Newspaper and magazine publishers were there-fore among the first to apply for broadcasting licenses. Because the necessary investments were too high for most of the companies in the fragmented market alone, many of them formed an alliance and established the so-called "publisher's television". Since the content necessary for broadcasting quite differs from those the publishers produce, it is obvious that the main motivation for this new venture was not a multiple utilization of content but rather a transfer of their advertising business. For companies whose growth options were restricted in their traditional businesses, the main motivation was expansion. However, after the government had decided to introduce private broadcasting, especially smaller, regional-focused media enterprises attempted to defend their competitive position by participating in the anticipated shift of advertising budgets.

This example demonstrates that the motivation for new media ventures correlates to some extent with the kind of business that is transferred. On the one hand, a transfer of the content business may be expansive in order to generate additional revenues. Especially with multiple utilization of existing content but also in the case of a mere brand extension, the synergies between both businesses can be quite important, making the move to new media a true growth option for established media companies. New advertising businesses, on the other hand, may often be rather defensive in nature, in particular if the targeted segments of the advertising market are similar.

However, implementing new ventures into established companies can be difficult. If the intention is expansion by means of multiple utilization, the existing editorial departments have to be convinced to transfer their resources and content into a new venture with initially high setup costs, but low revenue opportunities. Moreover, the new venture might even accelerate the decline of the traditional content or advertising business, thus cannibalizing the established business model in the short run. The organization of new businesses is thus of crucial importance and will therefore be analyzed in the next section.

Organization of New Media Businesses

From an economic point of view, the ultimate goal in organizing businesses is to increase profit. The main aspects of organization are coordination and motivation: Coordination is necessary to provide every individual and unit with the resources (knowledge, capital etc.) needed to fulfill their assigned tasks in a system based on the division of labor. Motivation ensures that agents are not only able but also actually willing to perform the tasks they have been assigned (Milgrom & Roberts, 1992: 25).

In doing so, companies can set up corporate ventures internally and externally in a variety of organizational modes (Keil, 2002: 23-30 and 67-83). For simplification, I consider the three main options for organizing their new businesses (Hutzschenreuter, 2001: 208):

- Integration within an existing business unit
- Organization as a new business unit
- Organization as a new venture in a separate company

In the first case, the company develops the new business as a part of the traditional business in an existing unit. The main characteristic of this approach is thus a close integration. Integration facilitates the transfer of existing knowledge into the new business. However, such an organization structure often tends to transfer the old business to new media without adapting it according to the specification of the different context. The existing know-how might thus even prove counterproductive to some extent because the new media business may require a different editorial and management approach. Furthermore, it might be difficult to motivate an existing business unit to cannibalize their traditional business, especially if incentives favor short run performance rather than long run strategy. Even if there are no such financial incentives, many people in the company may prefer the traditional business and the existing corporate culture. They thus often perceive the venture as intrusion (Block & MacMillan, 1993: 215), so that corporation and new venture may collide (Mason & Rohner, 2002: 45–59). Finally, a new business still in its infancy is usually less attractive than the current business in terms of market potential and revenues (Küng, 2008: 137).

Under these circumstances, it might be more appropriate to set up a new business unit separately in order to minimize intrusion and to ensure more leeway for entrepreneurial activities. However, cooperation between the different businesses becomes more difficult in this organizational mode. Küng (2008: 141-143) discusses combined structures and stresses the importance of some level of integration in order to ensure that the rest of the organization can benefit from the learning achieved in the new business. Companies are thus facing a trade-off between synergy and flexibility (Hardymon, DeNino & Salter, 1983: 118; Ots, 2005: 177). As a result, the degree and direction of alignment of business strategy and corporate venture is of central importance (Covin & Miles, 2007). Similarly, the organizational culture influences the firm's innovativeness (Behrends, 2009).

If the new business is set up as a new venture in a separate company, cooperation between old and new business is more complex since only capital investment or management relations interlink the different companies. However, such an organization provides a still greater freedom to manage the new business on its own devices. A separate company also allows for closer cooperation with outside partners in form of a joint venture. Such an alliance is especially suited if the new business does not rely only on existing resources but additionally needs a different set of competencies that other companies can provide (Roberts & Berry 1985: 12).

A special version of this strategy is corporate venture capital (see e.g. Rind, 1981, Siegel, Siegel & MacMillan, 1988 or Mason & Rohner, 2002) where a holding funds many different new businesses at the same time thereby reducing the overall investment risk. Compared with a pure new venture, the relations between old and new business are even looser. Mason and Rohner, (2002: 14) therefore characterize corporate venture capital as investment rather than as form of organization for building a new business. However, unlike pure venture capital, corporate venture capital focuses much more on specific industries and is a means to increase market intelligence in segments of importance for the parent company. If new business opportunities emerge, the holding can react very fast, either by acquiring stakes in existing start-ups or by setting up new ones. Likewise, if ventures in the corporate venture capitalist's portfolio fail, it is much easier to disinvest compared to the case of established business units in the parent company. Corporate venture capital allows thus for a much greater flexibility which is especially important when market conditions are changing fast due to radical innovations. In this respect, investments in corporate venture capital are a kind of real option, which is especially important if market and technological developments are highly uncertain (see Dimpfel, Habann & Algesheimer, 2002: 268).

The discussion above shows that each form of organization has its advantages and its disadvantages. As the theory of organization suggests, no organization suits best in every situation; nor will the chosen form of organization be appropriate once-for-all but rather for a limited period.

If the new business relates closely to the traditional one, integration into an existing business may be most suitable in order to maximize the value of their resources. Other things equal, the greater the expected change, the more autonomy is necessary for the new business and old and new business should be more loosely coupled (Hutzschenreuter, 2001: 209).

In this context, new technologies embodied in the product are of special importance (Roberts & Berry, 1985: 3): Even if media companies have the necessary content, they may need additional resources for its distribution in new media. In some cases (e.g. the Internet), it might be relatively easy to acquire the competencies needed. Under different circumstances (e.g. mobile media), it might be costly or even almost impossible to build up the necessary infrastructure.

The analysis so far mainly focused on the necessary resources, thus concentrating on the coordination aspect of organization. However, in order to identify the optimal form of organization, it is necessary to take into account also motivational factors. In the previous section, I discussed the problems that arise if the new business may cannibalize the existing business. On the corporate level, such a strategy may be perfectly reasonable, according to the principle "cannibalize yourself before someone else does it to you" (Zerdick *et al.*, 2000: 18). However, people on the business unit level will have far less motivation to participate actively in the destruction of their traditional business, as it is the case for online advertising. Even in the case of a multiple utilization of content, anecdotal evidence shows that journalists are often rather fond of the respective media they are using. Consequently, they tend to be reluctant to produce content for a content management system rather than for their traditional newspaper. Under such circumstances, it might be easier to motivate the intrapreneurs by setting up the new business separately even if economies of scope are lost in doing so.

Whereas such a strategy may be completely reasonable in the short-run, it is rather inefficient in the long-run. After the phase of radical transformation is over and new media have become common business, companies will tend to integrate the new ventures more closely into the organization. The optimal organization will then mainly depend on the underlying similarities in the different businesses. In order to illustrate these developments I will now analyze two examples from the German publishing industry.

EXAMPLES OF NEW MEDIA BUSINESSES

In this section, I will illustrate the theory with two cases of new media businesses in the German publishing industry. Similar to many other countries, the traditional German media industry can be separated into two kinds of organizations: a larger number of small and medium-sized enterprises with a strong regional focus and a small number of larger groups that operate in different regional and also national markets. Therefore, I will analyze two cases: the *Rhein-Zeitung* as an example of a regional, family-owned company and Holtzbrinck to illustrate the case of new business creation within a media group.

Rhein-Zeitung and RZ online

The *Rhein-Zeitung* is a German regional newspaper in the northern part of the Land Rhenanie-Palatinate. Founded after the Second World War, it is located in Koblenz upon the Rhine. The *Rhein-Zeitung* is the major publication of the family-owned publishing group Mittelrhein Verlag. Its circulation is currently about 206'000 newspapers per day, but steadily declining (as the whole newspaper market in Germany and many other countries is doing). Like many other regional newspapers in Germany, the *Rhein-Zeitung* is a monopolist in the relevant market but with little opportunities to grow organically since other publishing groups dominate the adjacent regions (cf. Kopper, 2004: 111). Because regional newspapers can enter new local markets only if they also build up dedicated editorial offices, expansion into other regions is quite costly. Nevertheless, the *Rhein-Zeitung* set up in 1987 a new editorial team in the capital city Mainz in order to gain market share from its competitor in the south. Moreover, like many other regional newspapers, the parent company acquired stakes in the regional radio broadcasting station when the government began to license private radio in the mid-1980s. The company is thus in general quite open to new entrepreneurial opportunities.

In 1995, the *Rhein-Zeitung* was one the first newspapers in Germany to offer news content online. The online edition, RZ online, started as part of the parent company but with a separate, though small, editorial staff. Responsible for the new business was the second-editor-in-chief which provided the new product with the necessary backing from the company. In 1987, the second-editor-in-chief had taken part in the development of the new regional edition for Mainz, thus acting as an intrapreneur within the company.

In 1998, RZ online was transformed into a new venture owned by Mittelrhein Verlag as parent company. However, it remained personally linked with the parent company because the CEO of the RZ online GmbH remained second-editor-in-chief of the *Rhein-Zeitung*, thereby combining journalistic work with management duties.

The core competence of the RZ Online is local and regional news, thereby transferring content as well as brand recognition from off- to online and vice versa (Krüger & Swatman, 2004: 165). Since generating revenues from online content alone has proven a difficult task, the main goal of the RZ online was to attract new customers who would later subscribe to the print edition. As an additional revenue source, RZ online set up a joint venture with local energy provider Kevag in order to sell Internet access and additional services to local consumers and businesses. Furthermore, RZ online became active in classifieds in order to generate additional revenues and to cope with the shift of advertising from off- to online.

In 2002, RZ online was once again first to pioneer a new format, the e-paper, that looks, unlike traditional online editions of newspapers, exactly like the print version. The underlying software transfers the content to the e-paper automatically, thereby reducing variable costs. Moreover, the facsimile layout makes it easier for readers of the print edition to navigate in the online version. This provides existing customers with greater value, thereby reducing churn rates. Customers cannot subscribe the e-paper alone but only as an additional service of the print edition. Furthermore, the *Rhein-Zeitung* charges its subscribers 2 € for this additional service. Nevertheless, the e-paper has about 4’900 subscribers. If it were possible to subscribe the e-paper solely, possibly a much higher number of subscribers could be achieved. However, this might reduce the sales of the print edition, leading to self-cannibalization. The new business has been nevertheless successful since RZ online was able to license the developed software internationally to other newspapers, e.g. *Berlingske Tidende* and *Jydske Vestkysten*.

At the end of year 2005, the *Mittelrhein Verlag* appointed the CEO of RZ online as one of *Rhein-Zeitung*’s two chief editors. In 2007, *Rhein-Zeitung* and RZ online merged their editorial departments into a single fully integrated newsroom.

With advent of the Web 2.0, the *Rhein-Zeitung* continued to embrace new media technologies. Already in 2004, a Wikipedia-mirror was established that allowed users of the e-paper version and RZ online to access Wikipedia by rightclicking on a word (Wikipedia 2010a). Other social media applications include a multi-blog as well as Twitter and Facebook profiles, which all started in 2009. Clearly, the *Rhein-Zeitung* was not a first-mover in this respect. However, the services are quite comprehensive (in particular for a regional newspaper) and very interactive.

Already in 2008, the *Rhein-Zeitung* joined kalaydo, an award-winning online portal for classifieds that was established in 2006 by several regional publishers (Wikipedia, 2010b).

The case of *Rhein-Zeitung* and RZ online illustrates many of the issues discussed above. The *Rhein-Zeitung* introduced very early an online version of its existing newspaper business as a means to attract the audience as well as advertisers. However, building up a new business within an existing one proved difficult, which was the reason that the RZ online has been spun off into a separate company. In order to ensure cooperation between both subsidiaries, the Mittelrhein *Verlag* appointed the second editor-in-chief as CEO of the new company who was thereby actually acting as an intrapreneur. Cooperation is of special importance because the new company relies heavily on content and resources of the print edition. The chosen organization is likely to achieve both goals: ensuring the necessary cooperation but at the same time giving the new venture the necessary freedom to develop the new business. This approach is rather exceptional: In a survey among publishers of daily newspapers in the United States, Saksena and Hollifield (2002: 78) found that the newspapers' online projects often did not involve the editorial department and therefore showed a low level of resource commitment. It fits, however, well with the theory of the entrepreneurial M-form (Eisenmann & Bower, 2000) and suggests that strategic integration may be important not only for global but also for regional media firms.

Entrepreneurial freedom was especially important for the creation of completely new businesses, for example for the launch of an Internet providing business. Since the new company was not in the possession of all necessary resources, they started a joint venture in order to maximize the value of their resources (in particular their brand name and their customer relations). Interestingly, the new business relies largely on markets that the company did not address before. The *Rhein-Zeitung* did not pursue this strategy from the beginning; rather it emerged in the search of a viable business model. The case of the *Rhein-Zeitung* thus has similarities to those reported by Mings and White (2000: 84) in their overview of online news business models. However, with the invention of the e-paper, *Rhein-Zeitung* and RZ online proved to be innovative to an extent that is unusual in the newspaper business, which is also acknowledged in the literature (Krueger & Swatman, 2004: 170). In doing so, it was important to start RZ online separately in order to give the new venture the necessary leeway to explore new media and business opportunities. With the maturing of the Internet, the online activities became part of the core business and like many other media companies (Hipp, 2003: 263), the *Rhein-Zeitung* began to re-integrate its online businesses which thus became part of its core activities.

The *Rhein-Zeitung* is good example that a medium-sized company with a family business background can be very innovative over a long time—in fact from the beginning of the World Wide Web to the first Internet hype to the recent emergence of the Web 2.0. However, the company background limits the scale of entrepreneurial activities. It is therefore interesting to analyze approaches to entrepreneurship in a large media group.

Verlagsgruppe Georg von Holtzbrinck and Holtzbrinck Digital

The family-owned Verlagsgruppe Georg von Holtzbrinck is one the biggest German publishers with revenues of about 2.6 billion Euros in 2008. Founded after the Second World War, Holtzbrinck started in as a book club but subsequently bought a number of important German book publishers. After the acquisition of regional newspapers and especially the *Handelsblatt* group, Germany's major business daily, the company has transformed into a holding. Starting in the 1980s, Holtzbrinck became a global player in the media business when it acquired *Scientific American* and Macmillan Publishers. Nevertheless, Holtzbrinck still grows also in the German market. Although Holtzbrinck manages its subsidiaries mainly by objectives, all publishers have a strong focus on quality and premium content. Moreover, the holding generally adopts a long-term business strategy. With this orientation, Holtzbrinck acquired for example the major German weekly *Die Zeit*, though profitability seemed unlikely in the short-run.

With advent of the Internet, *Holtzbrinck* adopted a multi-layered strategy:

- On the level of its subsidiaries, each publisher uses the entrepreneurial freedom to develop an appropriate online strategy. For example, the weekly *Die Zeit* set up an online website as well as an audio edition and an e-paper version of the newspaper.
- In addition, Holtzbrinck began to invest in several new ventures and set up Holtzbrinck Digital as a corporate venture subsidiary.
- A third layer consists of the markt.gruppe, a joint venture with other publishing houses that focuses on online classifieds

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In the remainder, I will focus on entrepreneurial activities beyond single subsidiaries.

Holtzbrinck started its new media venture activities in 1998 (Hipp, 2003: 252), at that time in a new media division. In 2000, holtzbrinck networXs was established as corporate venture capitalist. The formerly responsible manager of the new media division became chairperson of the new corporation, thereby securing continuity.

The goal of the corporate venture capitalist is not only to achieve a return on investment but also to identify new fields of business that can be applied to other companies within the publishing group (Holtzbrinck 2010). The strategy is thus mainly expansive although the subsidiary also has the function to gain market intelligence.

The holtzbrinck networXs has invested in several start-ups that are related to the traditional business of Holtzbrinck's subsidiaries, though sometimes indirectly. The weekly *Die Zeit*, though generally focused on politics, economics and culture, is for example famous for its high-class personal column. holtzbrinck networXs transferred this business model into online when it set up Parship as a premium partner agency in the booming market of online dating. Likewise, it reacted to the possible threat for the job advertising business of its financial newspapers and magazines with the creation of e-fellows.net, a platform that addresses talented students, bringing them together with major employers. Audible.de is a joint venture with Audible.com to address the online market for audio books. However, the corporate venture capitalist is also investing in companies that are quite distinct from the holding's traditional business. For example, mobileview is a mobile application provider and GameDuell offers multiplayer online games. Both the gaming and the mobile industry offer huge business opportunities but do not fit to any of the holding's subsidiaries. In fact, it might even prove risky for the brands of the quality-oriented publishers to invest in these markets. The company gained public attention when—at the peak of the Web 2.0 hype in 2007—it acquired studiVZ, the leading German social network at that time. Holtzbrinck paid between 50 and 100 million EURO (Heise Online 2007) which makes it one of the most expensive Internet acquisitions in the history of the German media industry.

With an increasing number of investments, some of which with a long-term perspective, the operations were re-organized. As from 2006, Holtzbrinck Digital is the umbrella for Holtzbrinck's online activities (Holtzbrinck Digital 2010, see also Vogel, 2008: 240-242). From a corporate venturing perspective, three of its subsidiaries are of primary importance:

- Holtzbrinck eLab as an incubator for the development of new media businesses
- Holtzbrinck Ventures as the corporate venture capitalist with a focus on early stage investments
- Holtzbrinck Network as a holding for the strategic new media investments

These three companies thus together cover the complete venturing cycle from the creation of a new business to long-term investments. Today, Holtzbrinck Ventures alone holds shares in over 70 start-up companies. Though Holtzbrinck is very active on the corporate level, there are also entrepreneurial opportunities on the inter-firm level.

Already in 2003 Holtzbrinck together with WAZ Mediengruppe and the Verlagsgruppe Ippen, all among the top 10 newspaper publishing groups, set up the ISA GmbH later renamed markt.gruppe. The goal of this joint venture is to build up portals for online classifieds. The company's mission expressively states as main objectives (ISA GmbH 2006):

- To cover the regional market for classifieds off- and online
- To gain share in the increasing market for online classifieds
- To stabilize newspapers' revenues in the market for classifieds

The strategy is thus mainly defensive and tries to cope with newspapers' shrinking advertising business. Today, the markt.gruppe runs online portals for real estate, jobs, vehicles, and even obituaries (Markt.Gruppe, 2010).

The platform is not restricted to newspapers of its owner, but also open to companies from the outside. It thus works like a network that pools resources (i.e. classifieds) in order to provide greater value to their customers (i.e. the advertisers). This organization is reasonable since regional newspapers compete with online advertising but rarely among another. Furthermore, with the advent of the Internet, the market for classifieds has moved to large portals whose brands are strong enough to compete countrywide. Thus, the market opportunities of a portal for classifieds of a single newspaper would be very limited (Hipp, 2003: 266).

The case of Holtzbrinck is interesting because it demonstrates a multi-layered strategy. It thus illustrates that the optimal organization depends largely on the specific circumstances. Every subsidiary develops a specific new media strategy that is appropriate for their respective business. This is reasonable since the market conditions for regional newspapers, national dailies, weeklies and even magazines are quite different. However, new media does not only affect the subsidized publishers but also the long-term strategy of the holding. Holtzbrinck therefore decided also to invest into new media businesses on the corporate level. In doing so, the holding established Holtzbrinck Ventures, its own corporate venture capital subsidiary. This organization enables more entrepreneurial freedom than would ever be possible if integrated. Furthermore, corporate venture capital allows acquiring financial resources from the outside without affecting the holding.

The goal of Holtzbrinck Digital and its subsidiaries is to invest into business models that ultimately are also applicable to units of the traditional business. However, the chosen approach is often more innovative than it would be the case if an existing unit had developed the new business. This demonstrates that a more autonomous form of organization is not only suitable if the new business is different from the established one, but also if relations are close, but especially innovative approaches are necessary. Furthermore, by means of Holtzbrinck Digital, Holtzbrinck can invest in markets that are promising but might negatively affect the image of the established brands. Though it seems less likely today that Holtzbrinck will actually evolve into the mobile and gaming business, the investments allow to monitor the market closely and to react fast and flexible, if necessary.

In order to cope with the special problems of the market for classifieds, Holtzbrinck set up the market.gruppe as a joint venture with other publishing groups—interestingly very similar to the strategy the *Rhein-Zeitung* pursued with kalaydo. This organization is adequate since the focus of the project is sufficiently narrow in order to avoid competition among the partners. Furthermore, the network-like structure makes it easier for other regional newspapers to participate in the venture. Though not all of the portals are success stories yet, the project as a whole is at any rate innovative.

CONCLUSION

The analysis has shown that it is a misconception to attribute entrepreneurial activities only to small firms and start-up businesses. Established media businesses may in fact act very entrepreneurially and did so in the context of new media, in the first wave of the Internet as well as more recently during the development of the Web 2.0.

However, entrepreneurial activities in established businesses differ in one aspect from those in start-ups: Start-ups voluntarily act entrepreneurially in order to exploit new business opportunities. For existing companies, however, disruptive technologies like the Internet do not only provide prospects to expand into new business but also threaten existing business models. Established firms may be thus more or less compelled to behave entrepreneurially in order to defend their position in the market.

Since the traditional and the new business may interact, the organization of the corporate venture is of crucial importance. A separate organization minimizes intrusion and ensures more leeway for entrepreneurial activities. A closer integration makes it easier to harvest possible synergies.

As the two examples from the German media business revealed, a way to balance leeway and integration may be a separate corporate venture, in which the CEO serves a linking pin to the parent company. Though personal factors such as motivation are always important in processes of change, future research should analyze more in-depth the specific personal factors necessary for successful leadership of new corporate ventures in creative industries. An alternative way to increase motivation is the design of incentives schemes. As carry programs are quite common in venture capital, it might be promising to analyze their use and effects in corporate venture capital.

Another important question concerns the alignment between the traditional business and the new venture. In this respect, it is useful to understand the creation of new corporate ventures as a process that starts separately but that eventually leads to an integrated media business. However, the actual paths and the related issues in timing and organization are not yet fully understood.

Either way, with the ongoing development of new information and communication technologies, intrapreneurship and corporate venturing will remain a promising field for future research.

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