

**Strategic path dependence:
Introducing the distinction between mechanism and
pattern inscription**

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Abstract

This paper focuses on the strategic trajectory of incumbent firms coping with path dependence and thus with a diminished range of strategic variety and choice. It is argued that an organization's ability to act strategically under conditions of path dependence relies not only on the particular form of a developed strategic path but also on how this path is inscribed in an organization. We introduce the concept of strategic path inscription and distinguish between mechanism inscription and pattern inscription. By referring to power, formal, and informal structures, the paper explores the discursive dimensions of the organizational context and its relation to the strategic path inscription. The paper relies on an empirical study contrasting two established newspaper publishing organizations based in Germany. The comparative analysis of these cases reveals that in both organizations there are different forms of strategic pattern inscription but very similar forms of mechanism inscription. It is argued that the analysis of pattern inscription reveals much about the social nature of strategic lock-ins, and hence the range of variety that remains available to an organization after a specific path has been put in place, which in this paper we will refer to as the "remaining range of variety". Relating the strategic path inscription to the organizational context is considered a promising approach for understanding better how organizations cope with strategic path dependence in order to maintain strategic responsiveness over time.

Keywords: Path dependence; strategic paths; strategic lock-in; strategic path inscription; organizational context; discourse analysis

1. Introduction

The concept of path dependence has recently come to the fore of management and organization theory (Garud and Karnøe 2001; Czaban et al. 2003; Sydow et al. 2005, 2009; Hutzschenreuter et al. 2007). Whereas the notion of path dependence has found widespread application, a more rigorous and conceptual understanding of organizational path dependence is still a nascent field of research. Given the fact that path-dependence theory basically

originated in the field of historical and institutional economics, and especially in research on the evolution of technology, technological standardization, and regional clusters (David 1985; Arthur 1989; Grabher 1993; Dosi 1997; Martin and Sunley 2006; Cumbers et al. 2007), its applicability and transferability to organizational processes is still being debated (Sydow et al. 2005; see also Kay 2005).

Two of the most intriguing – and probably interrelated – aspects concern the results of path-dependent processes with regard to developing a theory of organizational path dependence. More specifically, these two aspects concern an organizational and therefore social form of lock-in (Rivkin and Siggelkow 2006) and the potential inefficiency of path-dependent processes (Arthur 1989; Altman 2000; David 2001; Stack and Gartland 2003). In the technological sphere of path-dependence research the diagnosis of a lock-in and the assumption of inefficiency are directly linked to an artifactual representation of that very technology: there is only one keyboard, one nuclear power system, or one video system left on the market (David 1985; Cowan 1990; Cusumano et al. 1992). Hence, such a lock-in can directly be measured by comparing the remaining technological solution with all possible solutions that were given at the beginning of that process, or even with newly emerged alternatives. On the other hand, from an organizational point of view the statement of path dependence is related to the emergence of a social pattern (Sydow et al. 2005), which makes the appraisal of lock-ins and inefficiency much more difficult.

This paper aims at contributing to a better understanding of the social nature of lock-ins by exploring the role and impact that the organizational context has on a strategic path. We introduce a tailor-made analytical framework built on the new conceptual idea of strategic path inscription, which is explored empirically. For this purpose, the paper refers to two contrasting case studies of two newspaper publishing organizations. We will argue that in order to understand the remaining range of variety (understood as the range of variety that remains available to an organization after a specific path has been put in place) and thus the social nature of lock-ins it is necessary to explore the links between a strategic path and its organizational context.

We begin by introducing the development of path-dependence theory, the concept of strategic paths and the main concepts of path inscription, organizational context, and organizational body. The third section is devoted to the analysis of the two cases that this study is based on. In the fourth and final section, the results of the study will be discussed with regard to a better understanding of the social nature of strategic lock-ins and the role the

organizational context has on strategic path dependence. Finally, the paper offers a conceptualization of organizational dissonance by arguing that the threats of strategic-path dependence (and therefore lock-ins) can be counterbalanced at least in part by establishing and maintaining a disconfirming organizational context with regard to the strategic path.

2 Strategic path and organizational context

It is widely accepted that strategic processes in organizations do not evolve in an unconditioned way but are cumulative, in the sense that events and decisions have an impact on those that succeed them. Such historically induced restrictions refer to different considerations (Cohen and Levinthal 1990; Teece et al. 1997; Kaplan and Henderson 2005; Gilbert 2006; Schreyögg and Kliesch-Eberl 2007).

The most obvious reason why “history matters”, so to speak, lies in an organization’s initial investments (Joskow 1987; Arrow 2004; Warning 2004). Once a solution has been chosen, it cannot be amended without additional costs or by incurring a deliberate loss (“sunk costs”, see Williamson 1985). This is true not only for tangible but also for intangible assets. The phenomenon of imprinting refers to this very point, and acknowledges the ability of primary conditions to shape processes right from the beginning (Doz 1996); for instance the “imprints” (Stinchcombe 1965; Schein 1983; Boeker 1989; Marquis 2003).

The structural properties of an organization are perhaps the most evident source of how history is represented in that organization. The functioning of any organization relies on relatively stable routines (Nelson and Winter 1982; Hannan et al. 2004) for reducing complexity and building up internal and external reliability. It has been argued that once an established organization has adopted a routine set it becomes difficult, if not impossible, to overcome it. Organizations are structurally inert because of the structures that have been adopted in the past (Boone and Witteloostuijn 1995; Durand 2001). Many studies, which take into account also the interplay between routine and resource level (Delmestri 1998; Peteraf and Barney 2003; Cohen 2007), refer to the rigid character of competences and capabilities. It has been argued that especially core competences and capabilities developed over time always present the side effect of inertia (Leonard-Barton 1992; Miller 1993). A common element in all those interpretations is that they refer to organizations as “historical machines” (Foerster 1984) built on self-made structures and processes (Luhmann 1995) that probably cannot be revised once established. Thus, organizations themselves can have a restrictive effect on the range of strategic action.

Such a historical understanding of organizations fits perfectly into almost all modern and postmodern organization theories (Child and Kieser 1981; Clegg 1990; Reed 1993; Kieser 1994; Chia 2003). It relates also to all organizational learning theories that draw a basic distinction between two different modes of learning, as for instance between single and double-loop-learning, or between exploitation and exploration (Argyris 1976, 2003; March 1991; Levinthal and March 1993). All these approaches refer to the possible collateral effects of too focused a learning strategy. Path-dependence theory, on the other hand, offers not only an alternative reason *that* these effects occur, but explains *why* and *how* these effects occur.

2.1 Path dependence theory

Path dependence is a dynamic theory which assumes that initial decisions can increasingly restrain present and future choices. The theory originates in the historical studies carried out by Paul David (1985, 1986), who explored the development of QWERTY keyboard technology. David explored how an inferior and inefficient technological standard was established and is still maintained. Brian Arthur (1989, 1994) has formalized and to a minor extent also simulated path-dependent processes by highlighting the importance of self-reinforcing mechanisms.

From an economic perspective, the theory of path dependence built on the idea of multiple equilibria (Schumpeter 1942, 2005; see also Witt 1997). Schumpeter was indeed the first to point out that the empirical difficulty of identifying optimal solutions *ex ante* frames and shapes the whole course of subsequent events and hence the final outcomes (Schumpeter 1942). He suggested a dynamic historical perspective, for which path-dependence theory can be considered a very promising candidate. Within such a framework, path dependence is conceptualized as the outcome of a dynamic process that is ruled by one or more self-reinforcing mechanisms which lead to a narrowing of the variation and range of (managerial) discretion (Sydow et al. 2005). Path dependence describes a tapering process. Thus, a path constitutes a restriction of choice for a social or psychic decision-making system. While choice is not restricted to start with, it becomes restricted in the process of following that path.

Consequently, paths can be understood as the outcome of a self-reinforced process that results in a pattern of action and reflection. The development of such a pattern must be seen as a *non-ergodic process* that becomes more and more inflexible over time. The concrete pattern is *not predictable* at the beginning and can lead to an *inefficient outcome* in the end (Arthur 1988, 1990, 1994; David 2001; Pierson 2004). Sydow et al. (2005, 2009) have reconceptualized this process in a three-stage model (see Figure 1).

PLEASE INSERT FIG. 1 ABOUT HERE

Phase I of the model is built on contingency. The search or decision-making behavior is not arbitrary nor are choices fully unconstrained. History matters, but in a broader sense of foregoing imprints (Boeker 1988). These imprints can have a narrowing effect (indicated by the shaded area), however, there always remains a considerable scope for choice. Phase I ends with a critical juncture (Collier and Collier 1991), i.e., a decision and/or event constitute a dynamic regime of self-reinforcement. At that moment, a focal system enters (often unconsciously) a dynamic narrowing process triggered by positive feedback for a particular option. The system chooses the option by chance (in the case of a small event) or intentionally (in the case of a bigger event). Strategic intent, however, does not necessarily reflect the triggering of a self-reinforcing dynamic; this could also be a collateral outcome of strategic action.

Entering **Phase II**, a new framework emerges which favors a particular type of decisions. This set of specific decisions is likely to be reproduced over time. The range of options narrows. If the self-reinforcing mechanisms consolidate, a pattern of reflecting and/or acting is likely to build up, which reproduces the initial decision or set of decisions, i.e., a dominant solution emerges and the process becomes more stable. Decisions taken in Phase II are nevertheless still contingent, i.e., options for different choices still exist although they are increasingly constrained (indicated by the shaded area).

The idea of self-reinforcing mechanisms implies a positive feedback. A self-reinforcing mechanism is a necessary precondition for what is defined as a path. That implies that agents act (consciously or unconsciously) upon these mechanisms and by doing so they reinforce the path-building effects. The diminishing variety and the increasing limitations of choices are collateral effects of this process. Agents may “lose sight” of other data and adopt (or apply) particular decision heuristics that guide them increasingly in a particular direction until they finally get into a lock-in.

With the transition to **Phase III** the path becomes locked-in and the dominant pattern acquires a quasi-deterministic character. The decision processes are bound and a particular pattern of action and reflection developed in the past has become predominant. Other alternatives are ruled out – even if they are now more efficient. In contrast to technological solutions,

decision-making patterns do not amount to a concrete technology or technological artifact with a material representation. Therefore, a behavioral pattern of acting and reflecting could be less restrictive (indicated by the shaded area).

The lock-in situation is associated with the assumption that a path-dependent process leads to a stable but at the same time rigid outcome which is potentially inefficient and cannot be abolished by the focal system.

2.2 The concept of strategic paths

Path dependence describes a process of increasing reduction in a range of variety and thus in a range of choices, whereas strategy in its proper sense always implies having choices (Child 1972; Schreyögg 1980; Child 1997; Rodrigues and Child 2003). Consequently, from a strategic point of view the emergence of a path-dependent pattern is always problematic, because it hinders a system in its ability to act strategically. When a strategic path develops, the focal strategic system loses its central property of having a range of choices available to it. On the other hand (i.e. from another perspective), the effect of self-reinforcing mechanisms suggests that it is rational to follow that path, because the developed strategic pattern gains positive feedback. Thus, a strategic path implies both a successful strategic pattern – at least initially – and a diminished scope of strategic choice.

To appreciate this idea, the path-dependent process depicted in Figure 1 is displayed as an iterative strategic decision-making process resulting in the emergence of a stable strategic pattern that is understood as a combination of routines and resources, and involves the (side) effect of diminishing strategic choice. Thus, a strategic path can be defined as:

- a specific strategic pattern developed over time (Phase III)
- constituted (Phase II) and/or maintained (Phase III) by positive feedback loops
- originally triggered by small or big events and/or decisions (beginning of Phase II)
- leading to a lack of strategic choice.

The process of path dependence in this sense can be seen as the possible flip side of a dynamic strategic process. Consequently, there is a trade-off between maximizing (or at least maintaining) the scope of strategic choice and maximizing (or at least satisfying) those goals which are triggered by the self-reinforcing mechanisms. The strategic pattern reveals a “dominant logic” of strategic action and reflection (Bettis and Wong 2003) and prevents the focal system from altering the established path. This does not mean that a path-dependent

strategy at a certain point in time is the inevitable course for an organization (O'Driscoll et al. 2001; Burgelman 2002b). The remaining range of variety depends on the specific pattern that has developed and – as we will argue in this paper – on how the path is inscribed in the organization.

2.3 The unexplored role of context in path-dependent processes

The role of context is not central to the different approaches to path dependence and the question of how context may influence path dependence is still relatively unexplored. Regarding the available literature on this topic in the economic, institutional, political and organizational fields it is quite unclear whether context affects path dependence, and if so, how. In Arthur's conceptualization of path-dependent processes, self-reinforcing mechanisms are necessary and sufficient preconditions of path dependence. Context is taken for granted. This does not mean that context is irrelevant, but that it is considered in the form of fixed premises (e.g. as a non-sponsoring rule which frames the process; see Arthur 1989). Instead, in North's conceptualization of path dependence, context constitutes a necessary precondition. Without imperfect markets, and thus the occurrence of transaction costs, there is no path dependence at least in cases where it is considered potentially inefficient. "If institutions existed in the zero-transaction-cost framework, history would not matter; a change in relative prices or preferences would induce an immediate restructuring of institutions to adjust efficiently [...]" (North 1990: 93).

Pierson also regards self-reinforcing effects as the crucial factors; however, he puts much greater emphasis on the role of contextual influences on path dependence. Nevertheless, Pierson pays attention to the possibility that context can trigger self-reinforcement. Hence, context or various contextual factors such as power, complexity or ambiguity, are perceived as path-driving forces, which means that they are part of positive feedback loops that contribute directly to path dependence. Beyond these possible (but empirically still unexplored) direct effects of context, contextual factors may have only an indirect or weakly direct effect on path-dependent processes.

In this respect, context is important not only for the emergence of path dependence in Phases I and II but also for understanding the social nature of lock-in in Phase III of the process. The remaining range of variety indicated by the shaded area in Phase III of the model (see Figure 1) hinges on the concrete strategic path as well as on the way in which this path is inscribed in the organization as a whole. Therefore, we have to investigate the organizational context in order to understand better whether a relationship between path and organizational

context exists, if so, what form it takes, and what kind of impact different organizational contexts may have on the trajectory of an organization that has developed a path-dependent strategic pattern.

This perspective deviates significantly from the current perspective on context and how it is understood and conceptualized in research on path dependence, and calls attention to the problem of a gradual and social understanding of lock-ins. This depends essentially on how the remaining scope of variety provides strategic responsiveness to environmental changes. By distinguishing between on-the-path and off-the-path changes, Thelen (1999) introduced an interesting means of discerning this role of context: whereas on-the-path changes refer to the range of variety that remains after a specific path-dependent pattern has been established, off-the-path changes can be considered to refer to the context-induced range of variety. Hence, if the context provides a scope with a different focus from that of the strategic path, then a range of variety, and therefore the strategic responsiveness of an organization, might be greater. This is the case when context provides only a path-confirming landscape of the environment. Consequently, if context and path differ in terms of the strategic scope, then the remaining range of strategic responsiveness is assumed to be greater, as in the case when both are congruent.

2.4 Defining the main constructs: organizational context, organizational body and strategic path inscription

The notion of “organizational context,” as it will be applied in this study, refers to a developed strategic path and indicates that any developed strategic path is contingent on organizational resources and routines. As we mentioned earlier, a strategic path consists of at least one self-reinforcing mechanism and generates a path-dependent strategic pattern. Self-reinforcing mechanisms are by definition dynamic and repetitive. They produce and reproduce more and more of the same decisions and actions. For that reason, we put forward the idea of “strategic path inscription.” The notion of “inscription” alludes to the Foucauldian concept of discursive formations, which produce and are reproduced by a series of similar speech acts (“énoncés”; Foucault 1972). Due to the repetitive character of “énoncés” the discursive formations are inscribed in the societal body. Hence, in Foucault’s terminology the counterpart of “inscription” is the “body,” indicating the locus on which something is inscribed (Foucault 1979). Applying this terminology to the concept of strategic path dependence, one can assume that a strategically relevant self-reinforcing mechanism continuously frames and shapes the organizational resources and routines. It also adjusts them

to the way in which that mechanism functions. In its turn, that mechanism is also driven by the resources and routines that it frames, shapes and adjusts. In this sense the strategic path inscribes itself in an organization, or, as we would like to suggest, in an “organizational body.” This notion of the organizational body is useful for distinguishing the broader organizational context from that part of an organization which is directly affected by the strategic path. Thus conceived, the organizational body consists of the strategic path-dependent pattern and the context of self-reinforcement. In addition, the organizational context refers also to a residual parameter: the part of the organization that is not (already) affected by the inscription of the strategic path.

The main proposition of this paper is that we should explore the relation between organizational context and strategic path in order to understand better the social nature of strategic lock-ins. As indicated in Figure 2, this relation is twofold: it refers to (a) the relation between the organizational context and the process of self-reinforcement and (b) the relation between the organizational context and the path-dependent pattern.

PLEASE INSERT FIG. 2 ABOUT HERE

With regard to the definition of a strategic path, we can distinguish between two different forms of strategic path inscription. The first form consists in the inscription of a strategically relevant self-reinforcing mechanism in an organizational body. The second form consists in the inscription of a developed strategic pattern in an organizational body. Each form of inscription has different consequences on how Phase III of the path model is understood (see Figure 1). Whereas the first form of inscription relates to the general makeup of a diminished range of variety (indicated by the shaded area in Phase III), the second form of inscription relates to the “inner functioning” of the developed strategic pattern. Consequently, the organizational context can also affect path inscription in two different ways: it may have an impact either on the strategic pattern or directly on the self-reinforcing mechanism. Figure 3 summarizes this conceptual idea.

PLEASE INSERT FIG. 3 ABOUT HERE

Concerning these two possible ways in which organizational context relates to path inscription, we can distinguish between two types of impact: one is conducive or adverse with regard to the strategic mechanism, the other is confirming or disconfirming with regard to the strategic pattern. Hence, this analysis refers to the deep structure of an organization (Bowles 1990; Heracleous and Barrett 2001; Zoller and Fairhurst 2007) and helps us understand how this structure reflects the strategic path (Silva and Hirschheim 2007). Such an approach investigates how deeply a developed strategic path is inscribed in the organizational body and what role the organizational context has with regard to that inscription. For that reason we suggest that adopting a discursive understanding of organizations is the aptest way of capturing this relationship (Chia 2000).

In the following section we introduce a case study, and describe the methods applied and the process of data analysis. Finally, the results are presented and discussed.

3 The production of high-quality national daily newspapers in changing environments: two contrasting cases

3.1 Site selection and case description

This study is part of a larger research project that investigates the strategic development of high-quality journalism in the newspaper sector from a strategic process perspective. The study examines the development of newspapers during the period 1999 to 2006 in Germany. It aims at capturing the underlying strategic patterns that developed in a path-dependent way and focuses on the German market of quality national newspapers (for an overview of the general market see Newspaper Industry Profile 2007). This sector was mainly selected for the following reason: the media are subject to far-reaching and radical changes (for instance, the digitization of products and production, the emergence of the Internet, the fragmentation of consumer preferences and so on). As a result, there is no clear idea what impact these changes have on the organizational and strategic levels of established media firms (Picard 2004). This is most evident in the sector of high-quality newspapers, which are in an especially paradoxical situation: on the one hand, high-quality newspapers are still thought to be an indispensable emblem of modern democracies (Habermas 2007); on the other hand, the ongoing changes described above put to the test, among other things, the economic legitimacy and the established business models of such newspapers.

The first part of the study examines the newspaper branch in general. Germany's five leading newspapers, all of which are incumbent companies, have been included in this part.

Here, the strategic development of those newspapers is described and analyzed with relation to the impact of the newspaper crisis that began in 2001 and the strategic responses to that crisis. The second part of the study focuses on a sub-sample of two players in the field, which we will refer to as Newspaper A and Newspaper B. The reason for selecting the two newspapers of this sub-sample is that they lend themselves to a comparative analysis, as displayed in Figure 2, but at the same time show increasingly different performing levels in terms of sales (see Figure 4).

PLEASE INSERT FIG. 4 ABOUT HERE

Obviously, these differences in market performance may be related to causes that lie outside the newspapers' strategic scope and maneuvering (Newspaper Industry Profile 2007). Nevertheless, given that the economic and market situations of both organizations are very similar, the assumption that the observable differences in performance might be grounded in the strategic path inscription seems plausible. For that reason, a contrasting case study focusing on these two high-quality newspapers offers a very promising empirical setting that can help improve our understanding of the strategic path inscription and the role of the organizational context.

3.2 Methods: qualitative case study and discourse analysis

If we want to understand how specific strategic paths are inscribed in an organizational body it is necessary to adopt a qualitative and interpretative approach. What is needed is a form of "thick description" (Geertz 1973) of the development of the two focal organizations. This can be achieved by gathering qualitative data that offer information on how a specific strategic path is inscribed in an organizational body, and how it is reflected in the organizational context. The case-study method is therefore the most appropriate because it allows us to detect complex causal relations in specific contexts (Bennett and Elman 2006).

In order to relate the specific strategic pattern to the organizational context we rely on a particular form of discourse analysis (Phillips and Hardy 2002). More specifically, we argue that both the strategic path inscription and the link between the strategic path and its organizational context are "discursive," in the sense that the relation between those can be

extracted from different discursive representations. Here, “discourse” is understood as a way of connecting texts (concerning the formation of the strategic path) to contexts (concerning the organizational surroundings) by referring to the particular actors, relationships and practices that characterize the situation under study (Phillips and Hardy 2002).

3.3 Data collection

The qualitative data for this comparative case study stem from semi-structured interviews conducted in 2006 with editors-in-chief, executive editors, journalists and managers of the focal newspapers. In addition, the editorial departments of the two newspapers were observed consecutively for a period of three days, during which the whole production process of the newspapers was observed from morning to evening (including the main conferences and the final work at the production desk). This stage was also used for conducting additional narrative interviews on site, and for observing informal processes in the different departments. The present study relies on thirty interviews conducted in the two newspapers and eight interviews with branch experts, five of whom have a background in journalism; the remaining three are professionals from different fields. Table 1 summarizes the interviews on the basis of (a) the rank of the interviewees and (b) the professional backgrounds of the branch experts.

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Besides the field data mentioned above, the larger study, on which this paper draws, includes an analysis of more than 1,000 newspaper articles (approximate length between 30 and 2,000 words) on the main strategic issues of the sector, which were published both by the two focal newspapers and other media in the period between 1999 and 2006. The articles were identified on the basis of keywords (e.g. “newspaper market”, “advertising business crisis”, “online journalism” and so on) and gathered by means of full-text searches through available CD-ROM data files and the Lexis Nexis databank. Analyzing these articles helped us gain a better understanding of the strategic discourses in both organizations and identify relevant strategic issues discussed in the branch. To give an example: analyzing what Newspaper A and B write about the crisis of *Le Monde* offered us valuable insights into the strategic

discourses of both newspapers. This information was also very helpful in preparing and conducting the interviews and triangulating various relevant strategic issues.

The present study draws only on a subgroup of this collection of articles, which contains material that is pertinent to our understanding of the two focal newspapers. The gathered data were either transcribed (interviews) or prepared (newspaper articles) in a way that enabled us to process them with the QDA software atlas.ti, v5.2. The data were supplemented with other material from external sources (e.g. IVW, see Fig. 4).

3.4 The process of data analysis

The main focus of data analysis lies on linking the elements of the strategic path to the different dimensions of the organizational context, by investigating how an assumed strategic path is inscribed in the organizational bodies of the two newspapers, and how it is reflected in the organizational context. As this is a comparative study, the analysis concentrated on examining the two players with regard to similarities and differences of strategic path inscription and its relation to the organizational context. The process of data analysis consists in the following six steps (1–6):

Step 1. As indicated in the theoretical model in Figure 1, the analysis of the relationship between a strategic path and its organizational context requires in the first place that such a strategic path be identified, and therefore that at least one self-reinforcing mechanism is in place. The identification of a strategic path is retrospective, in the sense that the present rigidity of a strategic system is explained on the basis of its historical development. Therefore, a path analysis starts with a path assumption, i.e. with assuming that a concrete and observable form of rigidity related to a pattern is constituted by a path-dependent process. In order to analyze such pattern-generating processes in a concrete empirical manner, we propose four additional steps, each of which focuses on different aspects of understanding a strategic path, as described above.

1.i. This step focuses on the continuity and change of (a) strategic practices and/or (b) the results of any strategic activity concerning the assumed strategic path. It is a necessary precondition of path dependence that at least one time-consistent strategic issue that relies on constant practices and/or results can be detected.

1.ii This step focuses on positive, negative, and neutral elements of feedback concerning path assumption, and the detection of critical events related to them. Activities, events, and feedback are correlated sequentially so that any reinforcing

relations between them can be explored. The second necessary precondition of path dependence is that at least one positive feedback loop can be identified, attributable to path assumption and thus the strategic pattern related to it.

1.iii Here the focus is on changes that might indicate a rationality shift in the focal strategic pattern. A rationality shift can be defined as a significant environmental change, whose effect is to turn an efficient strategic pattern into an inefficient one. Such a shift is not a necessary precondition for path dependence, because a path can be efficient despite its diminished range of variety. Nevertheless, the existence of such a shift is of high empirical value in proving strategic rigidity. Hence, this step compares organizational activities before and after a rationality shift in order to detect continuity and/or changes. The contra-factual persistence of a specific pattern is (in conjunction with steps 1.i and 1.ii) a basic indicator of a path-induced strategic lock-in.

1.iv This step focuses on changes in strategic activities with regard to a rationality shift and path assumption. If these changes are counterproductive and not successful, then the focal system may not be able to overcome the present situation of a lock-in pattern. This step is (again, in conjunction with steps 1.i and 1.ii) the second basic indicator for a path induced strategic lock-in.

Steps 1.i to 1.iv focus principally on what a strategic system is actually doing, i.e., its strategic activities. However, in this case study the analysis of a strategic path must also take into account the “inside” perspective and strategic reasoning of the strategic agents of both newspapers. Therefore, it is necessary to capture not only such a system’s strategic activities, but also how the agents in the field view these activities. To that end, the present analysis comprises four different levels: strategic activities (“what a strategic system does and what it does not do”) strategic talk (“what a strategic system ‘says’/does not ‘say’”), strategic reflection (“how a strategic system justifies what it does/‘says’”) and strategic basic assumptions (“to what kind of strategic premises a strategic system refers”). Classifying the data along this framework provides the analytical grid for a systematic interpretation process. Through this process, the driving forces of the strategic path were systematically identified by applying the following procedure:

Step 1.i identifies time-consistent factors, step 1.ii all different forms of feedback, step 1.iii the relevant changes in the environment and the related strategic activities, while step 1.iv focuses on strategic activities adopted in an effort to change the strategic situation. The changes identified in step 1.iii were initially classified under the headings “advertising

business”, “readership”, “new media”, and “quality journalism”. These headings were eventually reduced to “advertising business”, “readership”, “new media” because quality journalism was related to all of them. Through this process, three issues emerged as the most salient factors related to strategy: the applied “financial model” (FM), the “product model” (PM) and the “market model” (MM).

In the next stage, the aim was to identify if and how the form and impetus of the strategic activities referred to in 1.iii (reactions to changes) could be related to the factors described in 1.i on the basis of the feedback mentioned in 1.ii. This interpretative procedure is guided by the following questions: first, “how can we explain the (relative) time consistency of the FM, PM, or MM, when we take into account the changes in advertising business, readership and new media?” Here we identify three different feedback mechanisms, which drive the strategic path of both players towards a particular idea of quality (i.e. a quality concept, from now on referred to as QC), a specific product concept (PC), and a specific market concept (MC). These mechanisms are: (1) an advertising–quality spiral, (2) a quality–product–concept spiral and 3) a product–concept–readership spiral. The three mechanisms are summarized in Table 2.

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It is worth mentioning that these self-reinforcing mechanisms concern both newspapers in a formal perspective, even if they are clearly differentiated in a content perspective. This means that the identified mechanisms as such are identical, even if they lead each player to develop a (slightly) different concept of quality, as well as different product and market concepts. The three mechanisms represent the disposition of both newspapers for self-reinforcing processes, which lead to strategic patterns that concern the adopted concepts and ideational representation of quality, product and market.

Step 2. The second step requires the identification of a strategic pattern that consists in the self-reinforcing mechanisms described further up. Referring to strategic changes in the global and/or business environment that challenge adopted mechanisms helps us capture the impact

of self-reinforcing mechanisms. We have clustered the data around three important changes: Change 1 represents the ongoing modifications in the advertising sector that have a deep and direct impact on the financial model. Change 2 represents the “online impact” that challenges the product model of media organizations. Finally, Change 3 indicates changes in the readership of the different newspapers. Analyzing strategic activities against the background of Changes 1-3 provides the interpretative template for understanding the strategic pattern. The interpretation of the data on the three additional levels of path analysis (strategic talk, reflection, and basic assumptions) reveals four core aspects of strategic patterns. These are (a) the way of producing and defining quality in journalism; (b) the idea that quality journalism is inextricably linked with printed material (and in a specific format); (c) the assumption that quality journalism needs to be subsidized by sources other than newspaper sales; and (d) the idea that economic concern and quality journalism necessarily belong to two separate domains in the “lifeworld” (“Lebenswelt”) of a quality newspaper. Thus, a strategic pattern results from the ongoing process of strategic development of newspaper companies. It is a deeply rooted structural representation generated by a strategic path and maintained by self-reinforcing mechanisms.

Step 3. The third step of analysis requires us to capture the organizational context in which a strategic path is inscribed. For that purpose it is necessary to operationalize the organizational context. Traditionally the link between strategy and structure regards mainly a formal representation of organizations (Chandler 1962; Tung 1979). However, since the inverted dictum “strategy follows structure” has entered strategic and organizational theory (Burgelman 1983), the notion of structure encompasses more than the formal representation of an organization (Komberger and Clegg 2004). In order to understand a deep structure and its discursive form of inscription it is vital to take into account the informal side of an organization and the basic assumptions concerning the relation between strategic path and organizational context. In addition to examining formal and informal structures, it seems helpful to consider the governance and power structures of an organization separately in order to discern the positioning of the main agents and their relationship to each other (Hardy 1985; Phillips 1997; Feldman and Feldman 2006; Rodrigues 2006). To sum up, we propose to operationalize the organizational context by drawing on the three different dimensions of (1) governance and power, (2) formal, and (3) informal structure.

Finally, in step 3 we encoded the collected data by identifying the main assertions and descriptions associated with the three different dimensions of the organizational context. The codification aimed at pre-selecting the material that would allow us to put together a rich description of each dimension in each newspaper, and resulted in six case descriptions (one per dimension of organizational context for each of the two organizations). A summary and the aggregated results of this analytical process are displayed in Table 3.

PLEASE INSERT TAB. 3 ABOUT HERE

Step 4. The fourth step focuses on the correlation between strategic path and organizational context. To study this correlation, our analysis aimed at identifying prototypical discursive formations and fragments (Riad 2005) related to the discursive representation of the strategic path. We identified three different discourses on (1) legitimation and identity, (2) add-on products and (3) how the adopted business model is reflected in the organization. This analysis also resulted in six case descriptions, which encompass the three different prototypical discursive fragments and both focal organizations. The summarized case descriptions are presented in Table 4.

PLEASE INSERT TAB. 4 ABOUT HERE

Step 5. The fifth step of this analysis focused on “pattern inscription” and consisted in pooling and correlating the results of the previous steps, in order to explore the relation between strategic pattern and organizational context. This was conducted in two stages: first we examined whether the organizational context was coherent with regard to each discursive representation (coherence of the organizational context). Then we investigated whether each dimension of the organizational context confirmed or disconfirmed the strategic pattern with regard to the discursive representation (pattern confirmation). Table 5 summarizes the results of the fifth step.

PLEASE INSERT TAB. 5 ABOUT HERE

Step 6. The sixth and final step focuses on the relation between organizational context and the mechanisms that drive a path-dependent process. The analysis of “mechanism inscription,” like that of “pattern inscription,” examines two different dimensions. The first dimension concerns the extent of mechanism inscription i.e. how deeply a mechanism is inscribed in the organizational body. The second dimension concerns the relation between organizational context and self-reinforcing mechanisms, i.e. whether the context is conducive, neutral or adverse with regard to such a mechanism. Table 6 summarizes the results of this final step.

PLEASE INSERT TAB. 6 ABOUT HERE

Figure 5 illustrates the entire analytical procedure as well as the interrelation between the six separate steps.

PLEASE INSERT FIG. 5 ABOUT HERE

The results of this analytical procedure will be discussed in the next section.

3.5 Discussion

The comparative analysis reveals that the two newspaper organizations examined differ significantly in their respective forms of strategic-path inscription, with regard to the relation between the developed strategic pattern and the organizational context. In contrast, the differences with regard to the inscription of the three identified mechanisms in place are rather marginal. This observation holds true especially for the first dimension, i.e. the depth of mechanism inscription. Therefore, one can assume that the (empirically impossible) analytical

isolation of this effect would yield an identical range of variety for both players. But the second level of mechanism inscription also reveals only a small difference between the two newspapers (a slightly less conducive and more neutral effect in Newspaper B). Consequently, the organizational context is not adverse towards the adopted mechanisms in either Newspaper A or B.

In contrast, the two cases differ significantly with regard to adopted pattern inscription. Newspaper A exhibits in all four different discursive representations of the strategic path a higher degree of context coherence and of context confirmation. Whereas context coherence is understood as an indicator of the strength and direction of the “organizational vector,” context confirmation indicates whether and to what degree this organizational vector endorses and corroborates the strategic path. As summarized in Table 5, the two newspapers differ in strength and direction of coherence, and degree of path confirmation in all dimensions discussed above. Nevertheless, overall, Newspaper A’s organizational context seems perfectly aligned with the adopted strategic path-dependent pattern and hence the “strategic vector” (Burgelman 2002a). All three identified paradigmatic discourses reflect this strong alignment in Newspaper A.

With regard to the legitimation and identity discourse, the way in which quality is produced, and defining what quality in journalism is all about are directly reflected in the governance and power structure as well as in the formal structure of Newspaper A. Much the same goes for the informal structure when we consider the self-definition of journalists in Newspaper A, which is a sign of context coherence. However, in a few of the interviews conducted with lower-ranking journalists, the decline of market share was indeed associated with the concept of quality adopted by the newspaper as a whole. Nevertheless, criticism was restrained, even though an undertone of disillusionment could be discerned.

Compared to Newspaper A and its pattern-confirming context, Newspaper B differs in its legitimation and identity discourse with regard to all dimensions of the organizational context. Whereas the formal structure displays the strongest pattern-confirmation effect, even this is rather weakened by the introduction of a more horizontal organization (i.e. there is a news desk responsible for the centralized planning of at least the first three pages of the newspaper). The dissonance within Newspaper B is most evident especially on the governance and power level. We can identify at least four different forces that constitute a complex web of different interests: the owners together with the editorial department stand more or less frankly for a higher return on investment and an increase of the firm’s

shareholder value; the group of executive editors try to renew the newspaper incrementally over the years; the different departments and their executive journalists struggle for space and recognition but less for change; and finally the group of lower-ranking journalists pursue their employees' interests. Consequently, the degree of context coherence in Newspaper B is lower as a result of the contested power field. However, the negative aspects of internal politics do not appear to be prominent and therefore the power structure induces a rather fertile ground of dissonance.

This is also true for the governance structure, at least to some extent. Newspaper B is facing the classic conflict between maximizing profits and preserving quality journalism by counterbalancing the editorial and publishing departments of the newspaper against each other. Especially during the crisis that began in 2001, these conflicts were conducted with firm conviction and also involved taking personally risky decisions. Nevertheless, during the crisis Newspaper B was able to establish a working group for the development of new return sources, whose members were recruited from both the editorial and the publishing departments. The ability to “cross the barrier,” so to speak, between journalists and managers reveals a lot about the capacity of that organization to cope with new challenges. Newspaper B obviously has the ability to tread the fine line between quality journalism and profits. At the same time, it has also established a flourishing add-on business segment. It is worth mentioning that the latter development has not had an adverse effect on the advertising–quality spiral up to now. As a result, the range of variety concerning the adopted strategic pattern is broader, even though the mechanism is still at work. The key for understanding this phenomenon lies in the organizational context, which has a disconfirming effect on patterns without having an adverse effect on mechanisms.

On the contrary, Newspaper A relies on a governance and power structure that does not generate internal conflicts, at least not on the same scale as in Newspaper B. The principle of maintaining a collegial spirit between the editorial and publishing departments, and the conviction of some of the staff that such a conflict does not exist mean that Newspaper A does not provide this classical contested terrain. Consequently there are no counterbalancing effects on the strategic pattern. This aspect features prominently in the discourse on how the model is reflected in the organization, but also in the discourse on add-on products.

To sum up, we can conclude that organizational contexts produce different ranges of variety and therefore lead to different degrees of lock-in. The possibility of adopting off-the-path strategic issues is considerably higher in Newspaper B. Consequently, the diminished

range of variety that results from the developed strategic path is partly counterbalanced. On the contrary, in Newspaper A the strategic and the organizational vectors are constantly rectified.

This analysis is subject to certain limitations. The first and most obvious one might be seen in the fact that this study – as almost all qualitative case studies – relies only on a small number of cases that does not provide statistically analyzable data. Hence, case-study research, and discourse analysis in particular, rely on generalized argumentation, which means that the quality of such analyses hinges on the ability to provide convincing arguments with regard to all quality criteria of empirical research (Gibbert et al. 2008). In this respect, a general refusal concerning the explanatory power of a small number of investigations is not appropriate as such (Yin 2003; see also Siggelkow 2007). Overall, the limitations of this study are rather related to the difficulties of grasping the deep structure of an organization on the basis of limited data. This form of research, which relies on thick descriptions, would ideally require that the focal organizations be observed for a longer period than the three days over which our analysis was conducted.

We have tried to compensate for this limitation by arranging a number of long interviews before visiting the newspaper offices in order to prepare as thoroughly as possible for the tasks of observation and gathering relevant information. Nevertheless, grasping the informal structure of an organization requires devoting more time to rather informal conversations (Wilkins 1983) than was available to us. Consequently, the results of this analysis with regard to informal structure ought to be considered with some caution. Especially in the case of Newspaper A, it is possible that the analysis of the informal structure is not sufficiently deep. On the other hand, there is enough evidence that even if the informal structure proved potentially more disconfirming than assumed here, this would not change significantly the results on context confirmation. All in all, it is possible to rely only on a number of indicators (self-description of the journalists, daily routines, debates), however we cannot be certain that these indicators represent fully the informal structure.

Keeping this caveat in mind, we will now try to draw some general conclusions on improving our understanding of how path-dependent strategies are inscribed in organizations and the social nature of strategic lock-ins.

4 The inscription of strategic paths: understanding the role of organizational dissonance in counterbalancing path dependence

The comparative analysis of the two contrasting cases reveals different levels of path inscription with regard to the strategic pattern but not with regard to the adopted mechanisms. Therefore, we assume that a broader range of variety results from this inherent effect that the organizational context has on strategic patterns. In other words, in the case of Newspaper B the strategic pattern, in conjunction with the organizational context, has a greater absorptive capacity (Cohen and Levinthal 1990). Nevertheless, Newspaper B is also path dependent. In neither organization are the mechanisms restricted. The restriction of at least one mechanism would be the precondition for overcoming strategic path dependence and therefore adopting a mode of double-loop learning (Argyris 1976). Consequently, the observable differences between the two companies refer basically to a difference in the capacity for single-loop learning. What we can observe in Newspaper B is an incremental learning process with relation to the main issues of the strategic pattern: the quality, product and market concepts. This ability to change slightly and slowly the concepts framed by the processes of self-reinforcement might prove a promising way of explaining the differences on the performance levels of the two newspapers.

What we can learn from this analysis from a more general perspective takes us back to the initial question of the social nature of a developed strategic path. It is still correct to say that a path-dependent process is built up by specific self-reinforcing mechanisms, but obviously these mechanisms only frame Phase III of the process in a more general or formal manner. To understand the range of variety that remains available to an organization in a situation of path dependence, it is necessary to understand the concrete pattern and its relation to the organizational context. This does not mean that these mechanisms are irrelevant to how we interpret strategic lock-ins; quite the opposite. Nevertheless, these mechanisms alone do not explain the concrete range of variety available to organizations or the social nature of a strategic lock-in. We will use the latter to draw some general conclusions.

As we have seen in the present analysis, the strategic scope of both organizations is generally restricted by the developed strategic path. Nevertheless, the adopted strategic patterns are inscribed in different ways in the organizational body and confronted with different organizational contexts. All levels of analysis, context coherence, or pattern confirmation can be assumed to be partly interrelated, in the sense that a coherent organizational context may have an enduring confirming or disconfirming effect on the strategic path. On the contrary, the impact of a non-coherent context can be assumed to be

more moderate and therefore latent (for a similar argument, see Saffold 1988). Figure 6 summarizes this relationship between the two levels.

PLEASE INSERT FIG. 6 ABOUT HERE

This view reveals the ambivalent role of a coherent organizational context with regard to the strategic viability of an organization. In the case of pattern-confirming contexts, the degree of coherence only moderates the degree of “closure” that a path-dependent pattern imposes on the range of variety. Hence, a high degree of coherence does not introduce any new strategic issues, nor does it broaden the strategic agenda of an organization. In contrast, a strong path-confirming context may even preserve the basic assumptions associated with path-dependent strategic patterns because possibly deviant environmental information is filtered out (see Figure 2). Thus, a pattern-confirming context may work as an awareness-barrier and the more coherent this context is, the higher this barrier will be (Collinson and Wilson 2006).

On the other hand, in the case of a pattern-disconfirming context, the degree of context coherence moderates the “opening up” of the range of variety associated with the path-induced strategic pattern. In this respect, a pattern-disconfirming context broadens the range of variety by challenging critically the established pattern or by bringing new strategic issues on the agenda, which deviate from that pattern. This insight can explain the somehow paradoxical statement that a path-dependent organization might be able to adopt off-the-path strategic issues.

If we now combine these insights with the distinction between on-the-path and off-the-path strategic issues, and we relate the attributes of the context to specific strategic issues by distinguishing between issues that conform to the context and issues that deviate from the context, we obtain the cross-classified table displayed in Figure 7.

PLEASE INSERT FIG. 7 ABOUT HERE

Figure 7 charts four different strategic fields with regard to the range of variety of an organization. Strategic issues in Field 1 are aligned with the strategic path-dependent pattern and also with the organizational context. These fast-selling strategic issues are more or less taken for granted, so all issues placed in Field 1 are smoothly adopted by an organization. With regard to the path-dependent model displayed in Figure 1, those issues lie on the path and constitute the range of variety built up by the shaded area in Phase III of the model.

On the contrary, strategic issues that lie off the path and are not aligned with the organizational context have not been considered. Strategic issues placed in Field 4 have therefore “no chance” of being adopted by either focal organization. With regard to the path-dependent model, these issues lie off the path and beyond the overall strategic scope (indicated as the surrounding white space).

Fields 2 and 3, on the other hand, delineate those strategic issues that are “contested” because they are not aligned with the developed path-dependent pattern, but are either induced by the organizational context (in the case of Field 2), or aligned with the strategic pattern but not “approved” by the organizational context (in the case of Field 3). With regard to the path model in Figure 1, the fields 2 and 3 have a double effect: Field 2 increases the range of variety, whereas Field 3 diminishes the range of variety and hence the scope of choice indicated by the shaded area. Nevertheless, both effects are positively related to the strategic viability of an organization. This is because even a further diminishing of the scope of choice can be helpful when the strategic issues aligned with the path become increasingly problematic, as, for instance, in the case of escalating commitment. Taking the above into account, we depict the relation between a strategic path and its organizational context in Figure 8.

PLEASE INSERT FIG. 8 ABOUT HERE

As indicated in Figure 8 the relation between a path and the organizational context in which it is inscribed is twofold. In the case of an aligned context, fields A and C will be the dominant ones while the field of contestation (Field B) will be rather small. That means that in extreme cases of an overwhelming preponderance of A, and especially C, the remaining range of variety includes only path-affirmative strategic issues that do not involve any intra-

organizational contestation (for a similar argument see Burgelman 2002a). In such a case, we have a full-blown form of strategic-path dependence, because an organization is practically bound to the developed path-dependent pattern. On the contrary, in the case where Field B appears relatively large (as is the case with Newspaper B when compared with Newspaper A), strategic issues beyond the strategic scope of the path may also be considered. In addition, there is a second important effect: on-the-path issues are taken for granted to a lesser extent and are critically scrutinized intra-organizationally. Therefore, we can assume that the range of variety left open to a strategically path-dependent organization can be at least partly counterbalanced by its organizational context.

These insights lead to a better understanding of the social nature of lock-in situations. The differences in the ranges of variety of the two newspapers examined here are not due to different self-reinforcing mechanisms that constitute different path-dependent strategic patterns, but due to the different organizational contexts in which these patterns are inscribed. Two central strategic issues that came up in the strategic discourses of both organizations were those of add-on products and the partial restructuring of the editorial department. Both strategic issues concern off-the-path changes and are therefore induced only by a favourable organizational context. Such a context, however, was only found in Newspaper B. This explains much about the recent strategic trajectory of the two newspapers and their respective abilities to cope with environmental changes.

These findings are in line with a great deal of conceptual and empirical work on strategic processes. Burgelman in particular, who had been studying the strategic development of Intel over nearly 30 years, showed that the successful strategic evolution of a firm requires a set of measures that counterbalance established routines and allow for a sufficient degree of autonomous strategic action (Burgelman 2002a; Rivkin and Siggelkow 2003). In the context of the present study and the conceptualization presented in Figure 8, an adequate and effectual Field B is the central requirement for strategic viability. Hence, strategic issues have to be contested organizationally. However, the idea of a counterbalancing organizational context goes beyond the focus of strategic-process research. Recently, Burgelman and Grove (2007) argued that autonomous strategic action could also be maintained by top management, whereas in earlier publications Burgelman has also explored the suffocating power of CEO activities.

Given the perspective adopted in this paper, we would suggest that in order to find eventually sustainable counterbalances for strong strategic vectors it is necessary to refer to

the organizational context. This view is based also on the insight that an effective counterbalancing mechanism must be decoupled from the effects a strategic path has on an organization (Schreyögg and Kliesch-Eberl 2007). In this respect, the classic concepts of loosely coupled systems and organizational slack become relevant again (Orton and Weick 1990, Nohria and Gulati 1997, see also Collinson and Wilson 2006).

Summing up, with regard to the further development of a theory of organizational paths, we can conclude that in order to understand the social nature of lock-ins and the way in which organizations cope with a diminished range of variety, it is necessary to consider how a strategic path-dependent pattern is embedded organizationally and, consequently, how strategies are inscribed in an organizational body. This form of inscription reveals much about the strategic viability of an organization and the degree of adopted lock-in.

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Figure 1: The constitution of an organizational path (Sydow et al. 2005, 2009)

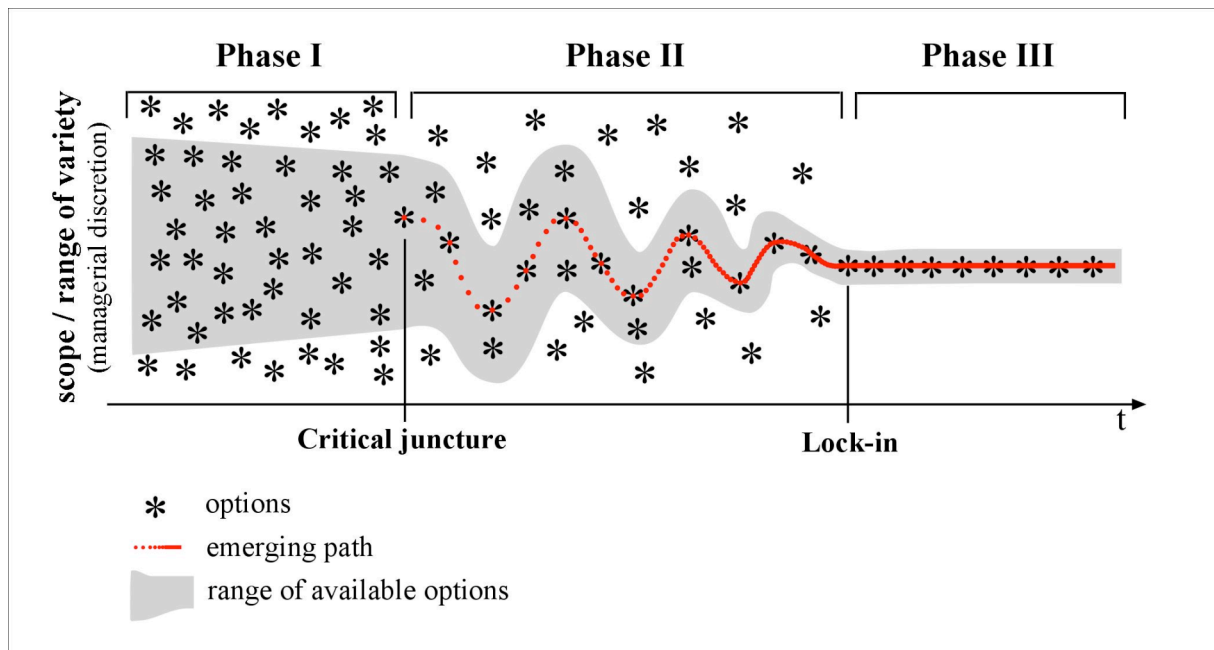


Figure 2: Organizational context and strategic path

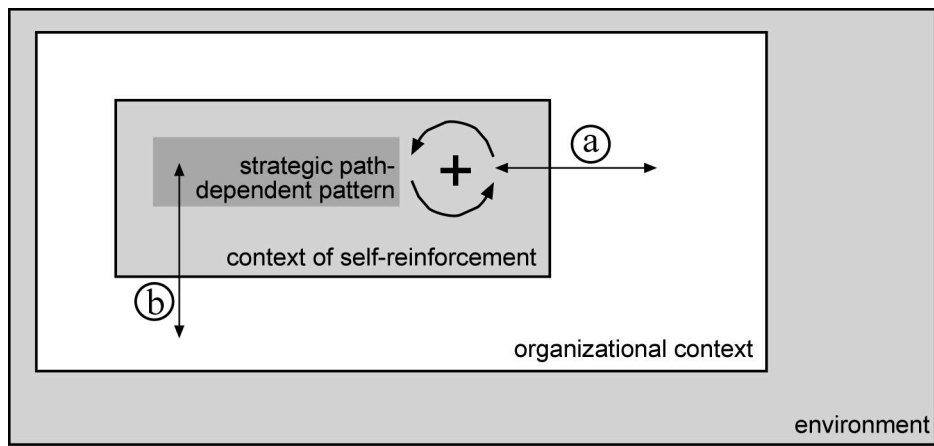


Figure 3: Form and effects of path inscription and impact of the organizational context on the strategic path

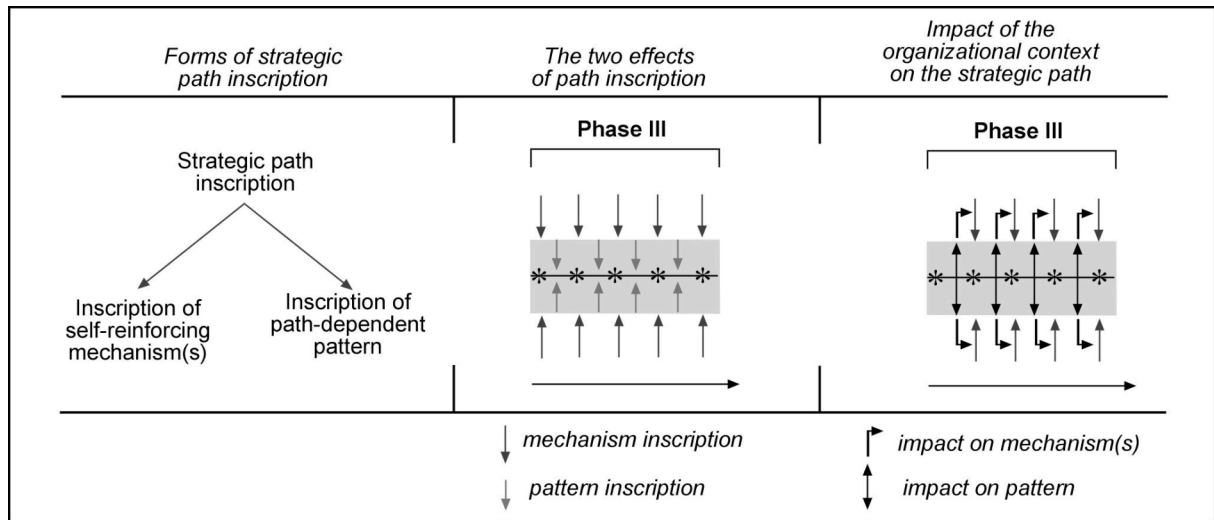
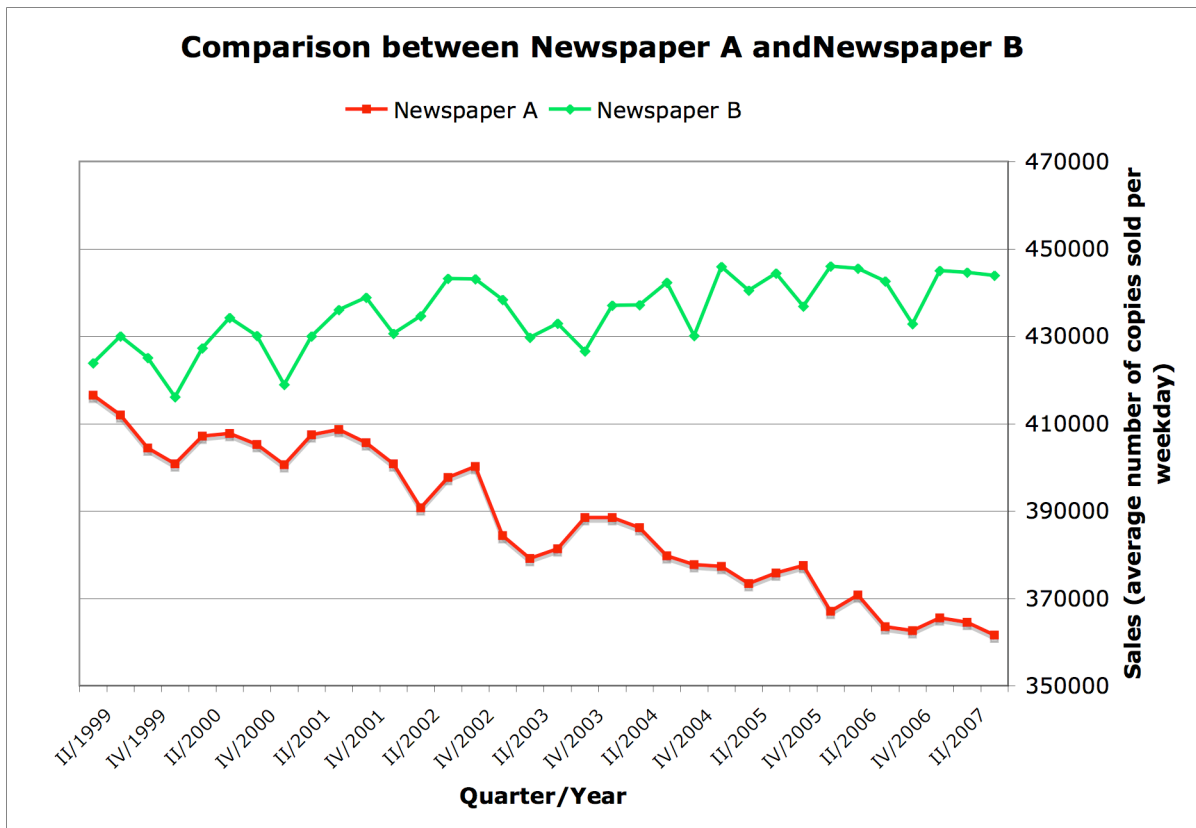


Figure 4: Sales development from 1999 to 2007



Source: Interessengemeinschaft zur Feststellung der Verbreitung von Werbeträgern (IVW), <http://www.ivw.de>

Figure 5: The analytical process

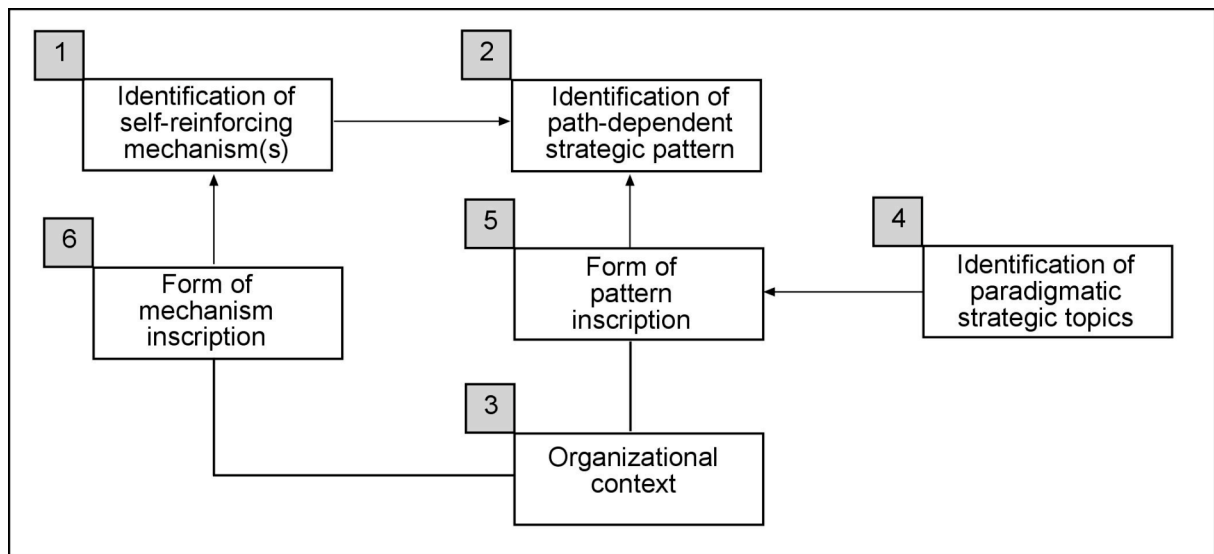


Figure 6: Strength of context coherence vs. degree of pattern confirmation

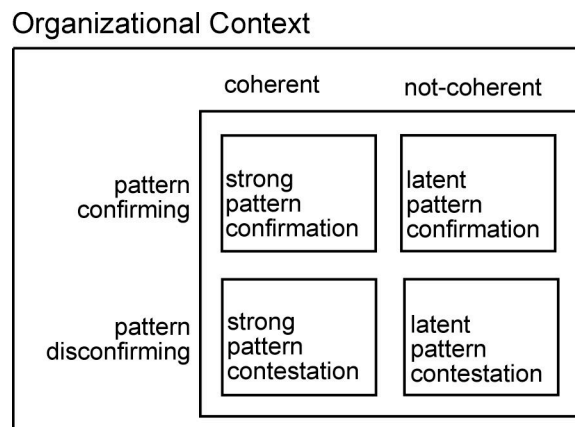


Figure 7: On- and off-the-path strategic issues vs. degree of path confirmation

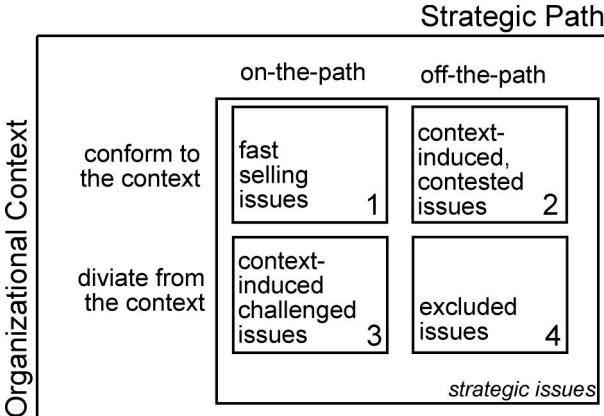


Figure 8: Exploring the field of path contestation

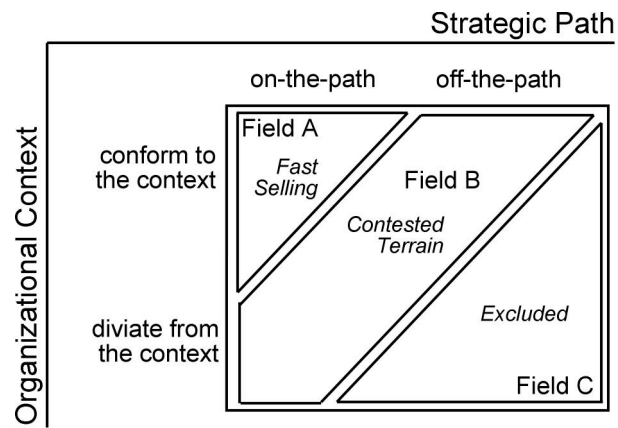


Table 1: Synopsis of accomplished interviews included in this study

	Newspaper A		Newspaper B		External Experts			Σ	
	Number of interviews	Length	Number of interviews			Number of interviews	Length	Number of interviews	Length
Editors-in-chief	7	7:20:51	2	2:49:27	Editors-in-chief	4	5:19:54	13	15:30:12
Executive journalists	4	2:39:29	7	4:25:51	Executive journalists	0	0	11	7:05:20
Journalists	6	3:25:50	1	0:32:21	Journalists	1	1:38:03	8	5:36:14
Publishing department	1	1:16:23	1	1:04:34	Publishing industry	1	1:07:10	3	3:28:07
Other	0	0:00:00	1	1:07:23	Background in politics/economy	2	3:09:49	3	4:17:12
Σ	18	14:42:33	12	8:52:13		8	11:14:56		
Total								38	35:57:05

Table 2: The self-reinforcing mechanisms

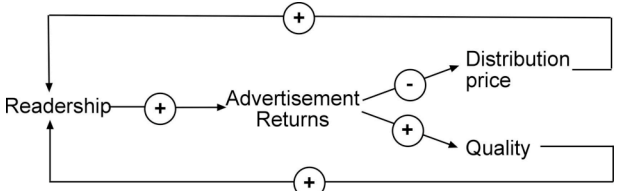
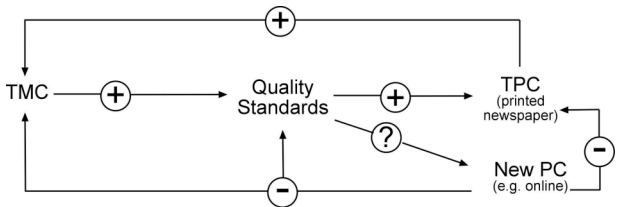
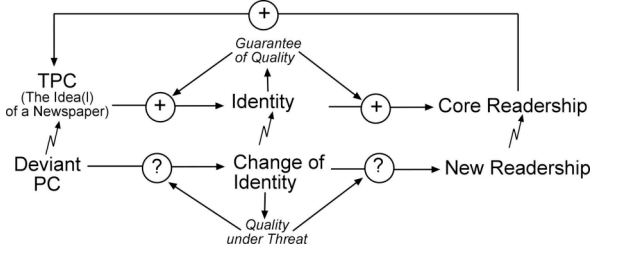
Mechanism description	Mechanism properties on the basis of self-reinforcing effects
<p>Advertising–quality spiral</p> 	<p>This mechanism refers to (a) cost effects in the form of economies of scale concerning the production costs of content and (b) network externalities in the form of direct network effects: the higher the coverage, the higher the ad revenues which can be reinvested directly to increase coverage. As a result, if this effect were the only market force, then only one newspaper would be able to survive.</p> <p>The most evident effect of this mechanism is that newspapers can be sold systematically below production cost because they are subsidized by ad revenues. Also, newspapers can develop a specific kind of journalistic profile and a specific form of quality concept, neither of which would be possible without ad revenues. Furthermore, this model increases the reluctance of consumers to purchase a newspaper at a price that covers or exceeds production costs.</p> <p>This self-reinforcing effect exerts both direct and indirect forms of dependency and, once established, is almost irreversible. This is because in the beginning it has only positive effects on both information producers and consumers. However, external shocks, such as economic crises, reveal this model’s inherent fragility and its flip side: as a result of necessary cost reduction quality declines, which may reinforce a downward spiral effect.</p>
<p>Quality–product–concept spiral</p> 	<p>This mechanism is governed primarily by learning effects (readers’ habits reinforce a specific product concept), but also by adaptive expectations (“the reader”) concerning the market concept, and coordination effects (the product concept is based on specific rules, which coordinate for instance the “flow of reading”).</p> <p>Over time, the traditional market concept (TMC) of newspapers has shaped a specific idea of quality standards (and thus a specific concept of quality), which concern not only actual events, but also the breadth and depth of news coverage. This concept of quality is directly linked to the traditional product concept (TPC): the print version of a newspaper in a particular format, which provides full news coverage of politics, economy, financial markets, culture, sports, and to a certain degree regional and local news. Thus, the TPC refers to the idea of a core market for journalistic products and focuses on the needs of the politically and culturally aware citizen. The TMC takes for granted this idea (and ideal) of a “cultivated reader”, which is reinforced over time as specific quality standards stemming from a specific product concept are continuously adhered to. As a consequence, a self-reinforcing dynamic between the assumed market concept (MC), the idea of quality and the product concept (PC) emerges.</p>
<p>Product–concept–readership spiral</p> 	<p>This mechanism is basically affected by complementary effects between the adopted product concept and the target readership. As a result, a newspaper develops an identity (“a brand”) which in turn is a guarantee and symbol of quality. Thus, the idea of quality and the adopted concept of quality are the core elements of the developed strategic pattern.</p> <p>The newspapers are focused on a core readership, i.e. a (sufficient) number of people who buy and read the newspaper as a matter of habit. This core readership is built on a clearly defined journalistic identity and therefore a specific profile, which guarantees either quality standards or whatever symbolizes this guarantee of quality. For that reason, it is difficult to change the product concept, as changes might be viewed as a decline in quality and thus a threat to a specific profile. The more a newspaper customizes this identity and the more this identity differentiates a newspaper from its competitors, the more difficult it is to adopt new ideas and to change the TPC. Hence, it might be very difficult for a quality newspaper to gain new readership without potentially losing part of its traditional core readership.</p>

Table 3: Summarized description of the organizational context of both newspapers

	Newspaper A	Newspaper B
Governance and power structure	- Features a probably singular structure of ownership in the media industry: the five editors-in-chief not only steer collectively the editorial part of the newspaper, but each holds 2.5 % of the shares (excluding shares in the profits), whereas the publishing section of the organization is managed by two CEOs. Since the late 1950s the newspaper has been largely owned by a non-commercial foundation whose charter primarily focuses on the journalistic independence of the newspaper. This is regarded as a safeguard for the newspaper and is reflected directly in the power structure: each of the executive editors is in charge of a specific department (two for political features). A staff journalist can become editor-in-chief if co-opted by the serving editors-in-chief. As all currently appointed editors-in-chief have spent most of their journalistic careers working for the newspaper, they mentor and guide former colleagues, which is not considered a problem but a principle of leadership tactics. Editors-in-chief are rarely recruited from outside the paper. Being an editor-in-chief is regarded as a life-long vocation rather than as temporary engagement.	- until the crisis the ownership of Newspaper B was equally shared among five families with diverse and conflicting interests and without the ability and/or the willingness to help out the newspaper financially during the crisis. In 2003 a media holding company joined the group of owners, buying a sixth of the shares. This gave impetus to the publishing department, which includes several other media businesses and is managed by a CEO. There is also the special position of a manager who is in charge of the newspaper (which nevertheless represents the core product of the entire publishing house). The editorial department is structured in a “classic” fashion: the newspaper is managed by one editor-in-chief and two vice-editors-in-chief while each department is run by executive journalists; in addition, six editorial journalists are employed – “veterans,” now in charge of investigations on general topics and topics spanning several fields; the editor-in-chief, who has been in charge since 1996, was recruited from outside and appointed in the face of opposition by editorial staff.
Formal structure	- The formal structure reflects almost perfectly the power structure. The various departments clearly correspond to the field each editor-in-chief covers. This is also reflected in spatial arrangements: apart from the political department, in other departments each editor-in-chief has been allocated an entire floor; the various departments come together only at the top level of the organizational structure, on the board of editors-in-chief and CEOs from the publishing section of the newspaper. Other than that, there are no structural links between the departments, only the daily meeting where journalists who represent on a rota basis the different departments get together to brief each other on what they are planning for the next day’s edition. There is no regular general meeting on a daily basis. External observers assume that Newspaper A is indeed composed of at least four newspapers; internally, this structuring is considered to ensure adequately that there is a “requisite variety”: only such a rigorous divisional structure enables a newspaper to cover the different sectors of the increasingly complex modern society in the required breadth and depth.	- the formal structure partly reflects the structure of the various departments. Staff hold a number of meetings in the course of each day, while the entire production process is managed centrally by a news desk. Topics and column space are reorganized as needed on the basis of input provided by the various departments and in-house as well as external contributors. This arrangement can be considered to be typical of a basic matrix organization: the various departments constitute a classic vertical structure, which reflects key sections of the world on which the newspaper reports, while the news desk corresponds to a horizontal structure, whose aim is to re-assemble the sections represented by the various departments and produce a coherent whole, i.e. the newspaper. Overall, the aim is not so much to reproduce the world's complexity in the newspaper, but rather to produce a newspaper that attracts readers. However, the “theory-in-use” concerning this structure is still a hierarchy.
Informal structure	- the informal structure reflects this differentiated, well-defined and highly demarcated organizational configuration. Almost all journalists have an academic background and often a close relationship to academia; writing for Newspaper A is like publishing in the academic world, except that the time span between writing a piece and having it published is much [shorter]. Everybody is specialized in a particular subject; this expertise is cultivated and is decisive for a journalist's in-house status, in particular via external recognition. However, there is no “star” culture (even though many of the staff are stars in their way). Instead, deep understatement is the norm although everyone knows who is who. In order to produce a good newspaper it is assumed that highly qualified in-house expertise is necessary [...] worldwide, which therefore requires a huge network of correspondents. Some of the readers are also experts in various fields, and it is important that the articles published meet the standards of such expert readers. However, writing for Newspaper A is not a second-best career for unsuccessful academics, it's a highly respected profession. The department is considered central to producing a good newspaper. Within a department, some colleagues are on personal terms; discussions are on an extremely high – not to say – scientific level; journalists are driven by their expertise.”	- even if Newspaper B has an equally long tradition as Newspaper A, tradition is not central to the company. There is no “portrait gallery” of former staff or anything similar, just a single photograph in the main hall, depicting a colleague who recently passed away. People who can write in the newspaper's characteristic style are highly esteemed. This style is difficult to master (combining irony and the ability to surprise readers) paradigmatically represented by a daily column on the front page of the newspaper. Articles rarely concern past events. They tend to be matter-of-fact descriptions with a sense of irony and self-irony. Tongue-in-cheek, lively humor, including sarcasm and strong criticism, are central also to communication among staff. Working for this newspaper can be occasionally frustrating, but the overall climate seems rather jovial and mellow. However, careers depend also on highly political processes. As in the case of o Newspaper A here too it is a “men’s world”, but with a small and basic difference: this is openly criticized.

Table 4: Summarized description of the identified three paradigmatic discursive fragments

	Newspaper A	Newspaper B
Legimation and identity	We know, who we are and we know our purpose, but the talk about the “forth force” considering the role of journalism for democracy is exaggerated; we are (together with Newspaper B) the only who can set journalistic standards in the branch; this is our newspaper and this newspaper is our mission and duty; this is a real good job if you have found the assigned place; in former times one said: “if there isn’t at least one published sentences a week nobody understands, we are not taken for serious.” What is said about us, is nonsense; this organizational body has amazing self-healing capacities; well, what we have achieved – and this is prodigious – that people have to read us if they want to make a carrier in politics, economy or any cultural domain	The reason for our relative success is that reading our newspaper obviously is also entertaining; we are definitely easier to access with regard to Newspaper A, but our readership does not connote a lower quality – rightly; this newspaper lives on their prodigious authors – but it is not a newspaper of authors... Sure, it is! And it lives on the very different perspectives the different authors bring into the newspaper;
Add-on-products	That is really nice, what Newspaper B is doing, but however for what purpose? Under the bottom-line is there any economic gain? One has to be very careful for not diluting the brand; we had one of those projects and I was in charge from the journalistic side, it was an interesting idea, but from the publishing side it was really badly managed, I don’t if we have made some money with it, thereafter, I have never heard a mumbling word of that project;	The crisis for us was a signal for rethinking our economic basis; the project, we started was from the beginning a “joint venture” between the publishing department and the journalists; the latter provided a list of several ideas how our newspaper could be find additional financial sources; the idea of publishing additional products in order to stabilize or increase the sales of the newspaper is definitely not new, however, we do not give away books (or other additional products) for free, but we sell our journalistic competence by selecting and discussing those products in the newspaper; there may be always a threat for the core product, when you sell by the aid of your market power your own products, however as long as this model helps us to further produce quality journalism it is ok;
Reflection of the business model	These are the rules of the game; there is no such dilemma between journalistic quality and economic requirements: you have just produce quality and the market will reward you; but also: I would offer the front page of an edition of our newspaper if one of the economic department could provide a valid explanation why competition and quality journalism do not fit;	Well, these are definitely the rules of the game, but there is really no evidence that this is the right game; there are certain limits and if the economic logic would transgress these limits this would definitely determine the end of this newspaper, however, the owners know that, but from time to time we have to remind them, sometimes also with some personnel risky decisions; nevertheless we define our readership by economic and not journalistic (or intellectual) criteria and we focus on those segments of the market which guarantees the best market share for the advertisement business;

Table 5: Exploring the form of strategic pattern inscription

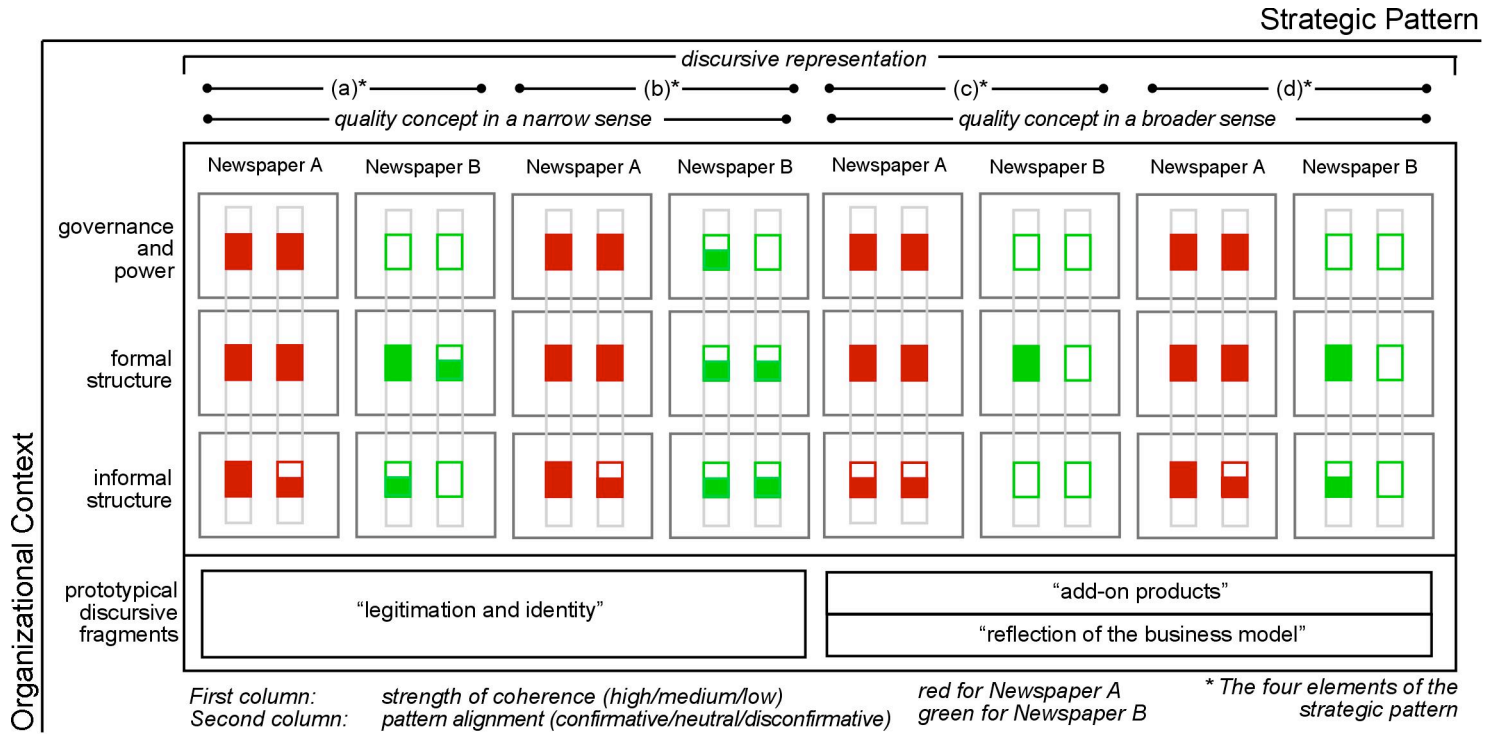


Table 6: Exploring the form of mechanism inscription

