

**How Does an Incumbent News Media Organization Become a Platform?  
Employing Intra-Firm Synergies to Launch the Platform Business Model in a News Agency**

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# **How Does an Incumbent News Media Organization Become a Platform?**

## **Employing Intra-Firm Synergies to Launch the Platform Business Model in a News Agency**

### **Abstract**

Digital platforms have disrupted traditional news organizations, with new platform-based models gaining ground. However, the incumbents can defend their positions and reap the benefits of multi-sided market structures by establishing a platform business model themselves. We examine a case study of the Austrian News Agency (APA), which gradually formulated a strategy that resulted in a platform-based business model. Platform features were strategized and innovated over time and in phases, with the intent of creating value for customers on both sides of the platform. We found that APA's platform transformation was enabled by a visionary value proposition backed by a trusted institution's legitimacy and a co-operative organizational model that provided added incentives for the participating news media companies. The strategy and the business model emerged on the basis of external developments and internal realizations concerning the feasibility of the new platform strategy. Based on our results, we develop a framework for an incumbent strategy formation process towards a platform business model. This framework demonstrates the incumbent organization's emergent, as well as deliberate, strategic ability to introduce platform features into its business model, based on unique intra-firm synergies with established parts of the business, and highlighting a potential for "incumbent advantage."

### **KEYWORDS:**

Platform business model, digital platform, strategy, platformization, news media, Austrian News Agency

## 1. Introduction

The advent of the internet has fundamentally disrupted and changed the operating models of traditional media (Karimi and Walter 2015; Wilczek 2019; Jääskeläinen and Yanatma 2020). Some media firms have successfully responded to digital disruption by adapting their business models (Cozzolino, Verona, and Rothaermel 2018). Practically all industries, including the news media, are being transformed by business models that rely on digital platforms and utilize the benefits and efficiencies of multi-sided markets (Armstrong 2006; Caillaud and Jullien 2003; Rochet and Tirole 2003). In this transformation, researchers and professionals have focused on digital entrants' disruptive potential, creating platform-based business models and replacing incumbent firms. Indeed, as Parker, Van Alstyne, and Choudary (2016) have argued, "When a platform enters a pipeline firm's market, the platform almost always wins."

However, there is increasing evidence that traditional industries are also undergoing platformization (Constantinides, Henfridsson, and Parker 2018; Parker, Van Alstyne, and Choudary 2016), in effect also allowing incumbents to engage in industry disruption (Ritala, Huotari, and Kryzhanivska 2021). Given this opportunity, it is important to understand better the incumbent firms' potential to participate in platform markets. For instance, Cozzolino, Verona, and Rothaermel (2018, 1166) examined "how a closed business model can be renewed to develop an open, platform-based business model." However, existing research has provided limited evidence regarding incumbent-driven strategy changes and business-model transformations that would lead to a platform market. Particularly in the field of media and journalism, where researchers have mainly focused on the new digital platforms and their influence on content and journalistic practices (Belair-Gagnon and Steinke 2020), or on the institutional role of journalistic organizations in the political economy (Chalaby 2016; Entman and Usher 2018; Schlesinger and Doyle 2015), it is worthwhile to try and understand how media incumbents can develop and transform their existing business models into platform-based models. The need to understand this gap is further highlighted by the ongoing transformation of media, where digital platforms play an increasingly central role.

To address the above research gaps, our study addresses a longitudinal case study of the Austrian News Agency (APA), whose business model gradually developed into a platform-based model operating in a multi-sided market. APA was founded in 1849 and nationalized in 1859. After World War II, it was re-founded as a co-operative agency owned by various newspapers and by the Austrian public broadcaster ORF (Vyslozil 2014, 360–361). APA’s approach to developing media-database businesses involved an early platform model before the internet became widespread. The APA case allows us to demonstrate how multi-sided platform markets can be built gradually by leveraging an incumbent firm’s existing resources and business models. Our research questions include:

1. *To what extent was the platform strategy of APA intentional, and to what extent did the strategy evolve during the process?*
2. *How and why was APA, as an incumbent firm, able to successfully establish a platform business model?*

In this paper, after introducing the conceptual background, we investigate the critical incidents of APA’s strategy formation and explore whether the strategy was intended or emergent. We analyze the evolution of a platform strategy in APA through constructs sourced from two streams: the strategy formation and evolution literature (Burgelman 1991; Mintzberg and Waters 1985) and the literature on the key features of platform strategies (Parker, Van Alstyne, and Choudary 2016; Van Alstyne and Parker 2014).

Existing platform literature has focused on the creation of brand-new platform markets, the unlocking of network effects, and the establishment of platform governance (Evans and Schmalensee 2010; Rietveld and Schilling 2021; Tura, Kutvonen, and Ritala 2018). Our findings show that the same fundamental questions are involved when an incumbent firm builds a platform. However, these questions are not unconnected; instead, they are intertwined in the process of strategy formation, with resources and actors being bound up with the incumbent’s existing business model. We also found that a platform business model should be built by observing the value-creation elements on both sides of the platform and letting a strategy emerge based on customer feedback, entrepreneurial change, and even unexpected incidents. The findings also suggest that, while incumbent firms suffer from path dependence, they can benefit from existing

relationships, an established and trusted brand, and capabilities built for established businesses. We propose a framework of *incumbent advantage* – as it relates to setting up a platform market – based on our findings. Finally, we discuss the applicability of our findings to other incumbent firms, especially news media companies, that have aimed to create platform business models. We also believe our findings are particularly valuable for practicing managers and professionals in the established media industry struggling with digital transformation and monetization issues.

## **2. Conceptual Background**

### ***2.1. Platform Markets and Platform Governance***

Definitions of multi-sided platforms usually emphasize the following two aspects: that a multi-sided platform (1) provides services to two or more sides of the market, using different pricing strategies on different sides, and (2) creates cross-side network effects, meaning that an increase in the number of users on one side of the market also increases the value of the offering for users on the other side of the market. For platforms, becoming attractive to all platform users – such as buyers and sellers or users and complementors – is critical (Eisenmann, Parker, and Van Alstyne 2006; Hagiu and Wright 2015; Parker, Van Alstyne, and Choudary 2016; Zhao et al. 2019). Direct interaction between the different sides of the market is intended to initiate and realize commercial transactions (Täuscher and Laudien 2018), thus creating economic value. Therefore, the role of a multi-sided platform is not “to develop, manufacture or (re)sell products and services but to connect different sides of a market” (Zhao et al. 2019). Early platform literature mainly focused on understanding the general characteristics of platform business models and optimal ways of achieving platform success. Later, the focus turned to platform design and competition within and between platforms (Rietveld and Schilling 2021; Zhao et al. 2019).

Tura, Kutvonen, and Ritala (2018, 883) emphasize that the “health and longevity of a platform-based ecosystem depends on the effective governance of the platform.” Thus, a platform owner’s essential function is to lead, regulate and operate the platform—in other words, to establish *platform governance* (O’Mahony and Karp 2020). As part of the governance model, the platform owner also organizes support for third parties and sets the rules for pricing and monetization mechanisms. Rather than taking ownership of products (which are most often provided by

complementors such as content producers, app developers, or third-party sellers), multi-sided platforms typically rely on the resources, including skills, ideas, and assets, related to the platform core (Adner and Kapoor 2010; Hagiwara and Wright 2015). Thus, platforms provide “an institutional and regulatory frame for transactions” (Täuscher and Laudien 2018, 320), whereby platform owners regulate and curate content provided by others and “orchestrate” the activities and incentives of participants (Autio 2021). The required governance framework thus includes “rules for participation, interaction and resolution of conflict” (Parker and Van Alstyne 2016, 3), and, in technical terms, platforms utilize boundary resources (such as application programming interfaces) to help set effective procedures and rules (Karhu and Ritala 2020).

## ***2.2. Platform Strategies and Business Models***

Scholars define platform strategy as “the mobilization of a networked business platform to expand into and operate in a given market” (Van Alstyne and Parker 2014, 1). Therefore, platform strategy is intrinsically linked to setting up and operating a platform and developing a platform-based business model.

Drawing on the literature (Casadesus-Masanell and Ricart 2010, 203; de Reuver, Bouwman, and Haaker 2013; Foss and Saebi 2018; Osterwalder, Pigneur, and Tucci 2005; Zhao et al. 2019; Zott and Amit 2013), we define a firm’s *business model* as the logic of how a firm operates, creates value for its stakeholders, and captures value and the firm’s *strategy* as the long-term plan to realize a business vision, including the choice and creation of a business model, as well as the execution of that plan. In other words, a business model is an actionable framework for the firm’s business logic, while a strategy is a dynamic process, full of decisions and actions, for achieving a goal. The role of the business model is to help operationalize and execute the strategy, and the changes in the business model often reflect changes in strategy (Casadesus-Masanell and Ricart 2010; Huotari and Ritala 2021). According to these backgrounds, a *platform strategy* can be understood as a constantly evolving managerial logic that involves defining and updating a platform business model to fulfill the firm's strategic goals (Vial 2019, 134).

In their literature review of platform strategies, Van Alstyne and Parker (2014) propose three major themes: launch strategies, governance, and platform competition. *Launch strategies* involve methods for increasing participation on the platform. *Governance* addresses the questions of the platform's openness and regulation. *Platform competition* is a research area that examines competition between platforms, between the platform and its partners, and between the partners themselves on platform competition, see also (Cennamo 2019; Karhu and Ritala 2020; Rietveld and Schilling 2021).

### ***2.3. Creation and Evolution of Platform Strategy: Intended or Emergent?***

How does a platform strategy—and related changes in business models—come into existence and evolve in an organization? To understand this question, we rely on the strategy process literature, particularly on the notion of emergent and intended strategies (Mintzberg 1972), and on the view of strategy-making as an evolutionary process inside an organization (Burgelman 1991).

Intended and emergent strategies are two modes of strategic management — introduced by Henry Mintzberg in 1972 and further developed over the following decades — that have greatly influenced what is considered a strategy (Mintzberg 1978; Mintzberg and Waters 1985). According to this research stream, the initial plan and subsequent developments constitute a realized strategy. These also align with autonomous and induced strategic behavior (Mirabeau and Maguire 2014). Induced strategic behavior relates to processes that are typically driven by the central planning of top management in pursuit of controlling the direction of a firm. In contrast, autonomous strategic behavior emerges more from the bottom up, and as a reaction to changes in the external environment and internal organizational development. In a rapidly changing and volatile environment, practitioners typically emphasize strategy formation's emergent and autonomous features, as the world often responds to plans unexpectedly.

Strategies can also be seen in terms of the “internal ecologies” (Burgelman 1991) of an organization, where they are created and determined (thus creating variation), tried out and adopted (i.e., selected), and finally retained or discarded, based on their success or lack of success. For instance, studies examining how an incumbent firm has changed its strategy over time have demonstrated that strategy change is made difficult by various types of rigidity related to a firm's

existing resources, structure, or culture (Dąbrowska, Lopez-Vega, and Ritala 2019). The important question for strategy formation, then, is how to exploit the existing strengths of the firm while at the same time exploring new strategies and business models (Lin et al. 2020). In this regard, there is case-based evidence of firms that have been able simultaneously to preserve their main business lines and unlock new business models and product lines, reaping the benefits of synergies across these (Birkinshaw, Zimmermann, and Raisch 2016; Leppäaho and Ritala 2021).

In the empirical section of this study, we view platform strategy formation and evolution as a process that is both deliberate and emergent, including a process of trials, choices, and more or less successful decisions that lead to strategy and business model changes. We also portray these choices as being guided by factors that can be categorized using the frameworks created by the platform strategy literature. In this regard, we chose Van Alstyne and Parker's (2014) aforementioned three-category framework of launch strategies, governance, and platform competition as our primary means of analyzing both APA's process of establishing a strategy and the related platform business model. We focus on how an incumbent firm with a "pipeline business model" can develop a platform as an integrated part of its corporate-level collection of business models.

### **3. Methods**

#### ***3.1. Research Design***

To provide in-depth empirical insights into the emergence of the Austria Presse Agentur (APA) model, we chose as our method a longitudinal single case study, which enabled us to trace the changes over time in a very complex system (Halinen and Törnroos 2005), and to attain a deeper understanding of the elements that led to the evolution of a novel and unique business model. A single-case study does not aim to uncover generalizable patterns across cases and contexts, such as multiple-case studies e.g., (Eisenhardt 1989), but rather to develop current scholarly understanding via analytical and theoretical generalizations (Tsang 2014; Welch et al. 2011). In particular, given our longitudinal and rich case study of APA, we intend to create a contextualized theoretical explanation (Welch et al. 2011) of the strategy and business model transformation that can provide valuable insights into (media sector) incumbent platform strategies.

We were open to inductive insights from the data as we sought to understand empirical reality as a longitudinal strategy formation process. Thus, our analytical approach can be considered abductive (Dubois and Gadde 2002). APA was chosen as a case because it was found, in our data collected in Phase 1 (see Table 1), to be a role model for other European news agencies, and an example of platform features also found elsewhere.

*Table 1: Data Collection*

<b>Stage</b>	<b>Method</b>	<b>Data</b>
<i>Phase 1: Building a contextual understanding of national news agencies in Europe, the business models, and the variety of strategies these have employed. This phase revealed the platform business models in several agencies. APA was chosen as a target case based on the findings of this phase.</i>		
1 Industry-level context, 2–6/2018	Survey and semi-structured interviews. Themes: Income sources, governance models, main challenges of operations and business models	25 responses from European national news agencies, 21 interviews with CEOs or their deputies
<i>Phases 2–4, analyzing APA’s business model and its platform features</i>		
2 5/2018	Semi-structured interviews. Topics: Platform strategy formation, critical incidents	Eight interviews with APA’s senior management in Vienna
3 9/2019–8/2020	Open-ended, in-depth interviews, document analysis, and email questions and answers. Topics: In-depth analysis of platform business model	Seven interviews with APA’s senior management in Vienna
4 5–9/2020	Semi-structured interviews, email questionnaires and answers. Topics: Triangulation of findings from previous phases	Five video interviews with publishers, one video interview with a client and two questionnaire responses from clients.

Aligned with the typical analytical approach of various longitudinal and process studies (Flanagan 1954, 1), we employed the critical incidents technique to analyze and categorize important events that occurred over time. To increase internal validity, critical incidents were first extracted from our data, and then the next coding rounds were carried out using constructs based on our theoretical frameworks. As a case study, external validity could only be reached through analytical generalizations, whose logic we explain in the discussion and implications section (Elsahn et al. 2020; Yin 2018).

Furthermore, the study was based on collecting retrospective data on past events through interviews. This method carries some reliability limitations but is widely used in qualitative strategy research, including process studies (Huber and Power 1985). We sought to mitigate any retrospective bias by triangulating evidence, both using different informants to confirm particular events and also utilizing publicly available evidence, when necessary, to double-check key issues and historical facts.

### ***3.2.Data Collection***

A detailed description of our data can be found in Table 1. The interviewees in phases 2-3, carried out mostly in person at APA premises in Vienna in connection with site visits, represented APA's top management, including the present and three previous CEOs and Managing Directors. Recordings of all interviews (total 35 h and 45 min across all phases) were transcribed and stored for analysis. Explicit consent for all direct citations was obtained afterwards.

### ***3.3.Data Analysis***

Each interview transcript was coded into meaningful text segments called nodes using content analysis software QSR NVivo 10. We further used thematic content analysis to analyze the data collected in stages 2-4. This method consists of grouping and extracting common narrative themes that reflect the essence of the whole text (Bardin 2003, 136) by identifying the presence or absence of particular topics in the content analyzed. We derived higher-order codes to explain both the actions and the decisions of APA's management. We used the contextual understanding developed

in the earlier phases and in the literature review to hypothesize a tentative theoretical framework (see Figure 2). We conducted the last round of coding. Finally, we analyzed the *critical incidents* that influenced the development of APA's strategy. According to this technique, an incident is considered critical if its purpose is clearly identifiable by an observer and if little doubt is left concerning its consequences and effects (Flanagan 1954, 1). We focused on the occasions when either APA's management deliberately decided to build a business model that could be described as a platform or the market demanded actions that were later found to be critical for the evolution of the business model. To increase construct reliability, the findings were triangulated using data from outside sources. After the analysis was completed, the draft of this report was reviewed by the present and three former CEOs of the agency.

#### **4. Findings: How APA Became a Platform Business**

APA found itself experiencing severe difficulties even before the emergence of the internet as a news distribution method (Jääskeläinen and Yanatma 2020). The agency's early problems had three causes. First, the largest newspaper in Austria, with approximately 40 percent of total newspaper circulation, did not employ APA's services. Second, APA had invested in office property, but the expectations of external income were not fulfilled. Third, the media clients controlling APA's board refused to raise the prices of news-agency services.

The new CEO appointed in 1982 concluded that the agency would inevitably face an existential crisis and started a series of workshops in the company, during which the vision of a diversified business model first emerged (Vyslozil, personal communication 2019; Pig, personal communication 2018; Jääskeläinen and Yanatma 2019).

During this transformation process, the agency came up with a vision for hosting the archives for all of Austria's newspapers. Finally, it turned this vision into a real-time media database and monitoring service. By the 2010s, this business could be described as a multi-sided platform, changing APA's clients into content producers or platform complementors (McIntyre and Srinivasan 2017). In 2017 APA earned almost two-thirds of its net income from the non-media customers of its platform businesses. Table 2 outlines the critical incidents during the years when the business model was being developed.

Table 2: Critical Incidents in the Development of APA's Platform Business Model

Critical Event	Date	Relevance
Financial crisis	1978–81	The new management saw the need to renew the agency's business
Decision to diversify the agency's business	1983	The agency deliberately decided to look for new business opportunities
Decision to build a two-way communications network	1985-86	Strategic vision of two-way connectivity as a value-creator started to develop
Decision to invest in IT as a service business	1985-86	APA started developing a digital competence on which the platform business could later rely
One-time state subsidies were granted as investment assistance	1986	In the early phases of diversification, the assistance made it easier to create value for stakeholders
Decision to offer APA's archived news content through an online system	1987	The value-creation logic of a news agency was reversed: customers came to the news agency looking for content
Adding outside sources to the services	1988	Two regional newspapers demonstrated the value-creation problem, triggering the search for a solution
APA added CPU time to its pricing policy	1988	This innovation in the agency's value capture logic allowed pricing according to real usage instead of the traditional pricing model
The publisher of <i>Der Standard</i> proposed that APA build an electronic archive for the newspaper's content	1991	A client demonstrated to APA's management the value-creation opportunity
Decision to pay dividends	1993	APA demonstrated its ability to create value for its owners through diversified businesses
The last remaining major Austrian media company joined APA's media database	1995	This single event helped with securing full coverage of the media landscape

The board’s decision to ban APA from entering the customer news market	1996	Boundaries set for competition between APA and its owners, building trust
The launch of the media monitoring service	1997	The market for the media database widened substantially
Television news content added to the media database	2000	Besides opening a new product line, this also highlighted Austrian public broadcaster ORF’s decision to remain a strategic partner and the main owner of APA
The creation of a subsidiary group structure	2000–2002	This made it possible to reinvest margins in further growth
Acquisition of several companies in the media monitoring market	2001–2010	APA acquired a dominant market position in the media-monitoring business
The launch of Austria Kiosk, an online shop for digital newspapers, magazines, and single articles	2015	Further expanded the platform’s offering to individual consumers
The launch of a video exchange platform for Austrian broadcasters and publishers	2016–2017	Deepened APA’s and media companies’ relation to the media content platform
APA acquired 30% of the Swiss national news agency	2018	APA entered a new national market

In the beginning, the media database of APA started to expand due to a client’s initiative. First, two regional newspapers demanded better service from APA, and access to other news agencies was introduced to respond to these demands (Vyslozil 2019). Next, the newspaper *Der Standard*, established in 1988, did not want to create its own archive and asked APA to provide this as a service (Ganner, personal communication 2018; Vyslozil 2019). Other publishers noticed that the “model works; it started to attract them,” including the most significant newspapers in Austria (Tretter, personal communication 2020). Finally, the country’s largest newspaper, *Kronen Zeitung*, agreed to supply its content for APA’s database. Consequently, in the mid-1990s, APA achieved full coverage of the Austrian press (Vyslozil 2019).

As a result, clients were able to access and search the content of all Austrian newspapers as PDFs of pages and stories. APA's management noticed that they "have everything in their archive, and they could look at [a] media monitoring business" (Kropsch, personal communication 2020). The database provided a great "competitive advantage" since the traditional media monitoring business needed "armies of people to read and cut out the articles" (Kropsch 2020). In the late 1990s, APA received "fantastic and incredible reactions when they started implementing it on the market" (Ganner 2018; Vyslozil 2019). Later, APA made deals with newspaper publishers in Germany and Switzerland to enlarge the offering.

The initial customers were mostly public organizations, including political parties and institutions in Austria. Larger corporations became clients in the later stages. Customers could also get professional services from APA instead of having their staff work manually in the early morning (Tretter 2020). The fact that "APA understood what the customer needed and they had good direct contact with them" helped significantly to design the platform and enhance the business model (Kropsch 2020).

Figure 1 presents the conceptualization of a news agency as a three-sided platform in which the news operations of the agency create network effects and support its other businesses. In this multi-sided platform model, news media customers operate on one side, while content- and attention-providers and corporate and institutional customers operate on the other side. The third side of the platform is news sources, which also experience the network effects of the growing usage of the platform.

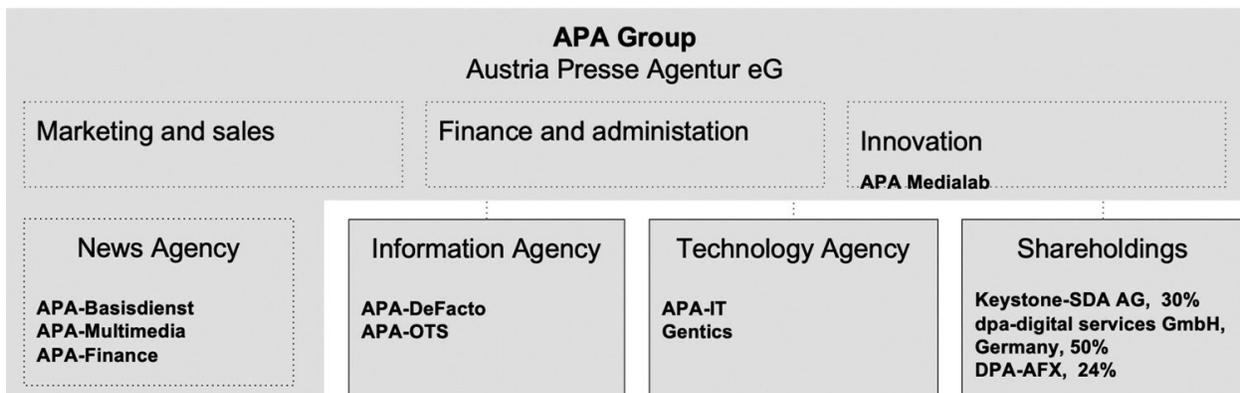
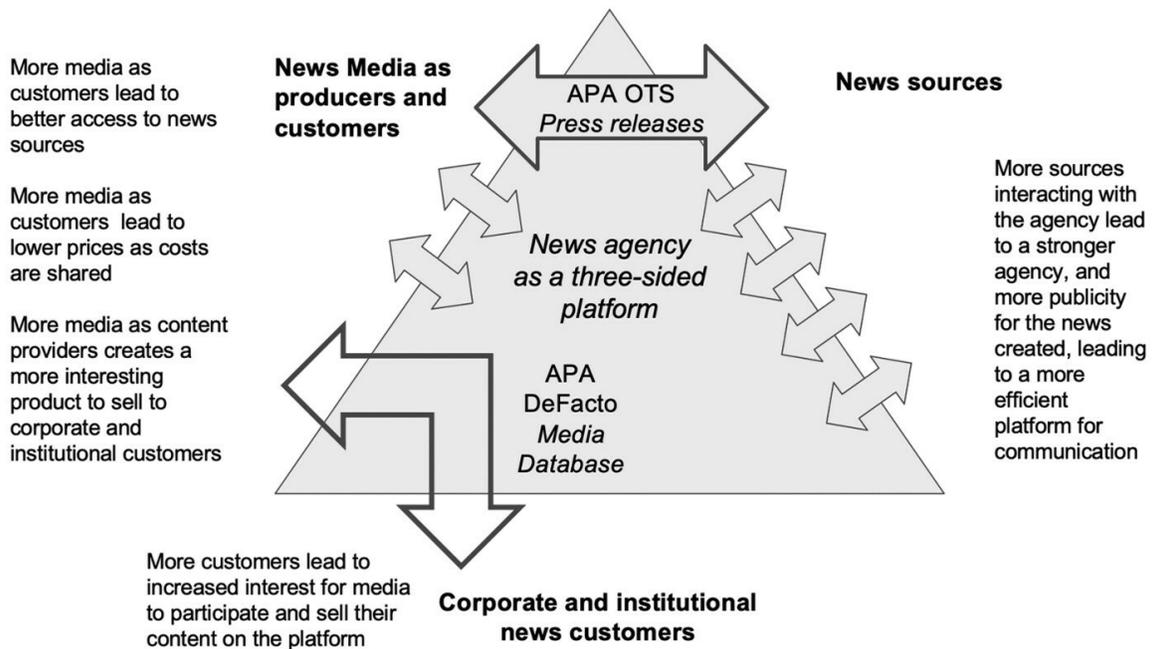


Figure 1. APA OTS and APA DeFacto orchestrate direct interactions among various parties, with APA's other functions also strengthening network effects. The graph below presents APA's corporate structure and service brand names as of 2020.

APA runs and regulates the platform, while the publishers provide the content, even before publishing it themselves, since newspaper pages are sent to the database simultaneously with the printing presses. The content is processed and made accessible on the platform the night before the papers are delivered (Vyslozil 2019). This service has now been expanded to cover factual programs on television, radio, and online media. The programs are transcribed, enabling both automatic and manual searches of the audiovisual content. APA has recently begun offering

services based on the same technology to the consumer market by providing digital PDF copies of e-newspapers, a service called Austria Kiosk.

## **5. Discussion: The Emergence of Platform Strategy in APA**

APA deliberately searched for diversification possibilities, which eventually led to the emergence of a platform strategy. Thus, the platform strategy formation was a combination of deliberate and emergent strategies, including induced processes (seeking diversification) and autonomous processes (Mirabeau and Maguire 2014). Based on our interview data and documentation, we conclude that the agency had a rare early vision of the opportunities offered by co-creating value with its customers (Tretter 2020). APA did not start this strategic process from zero; instead, it had its customers, traditional news products, and technological capabilities in place before adopting the new strategy. Therefore, similarly to many strategy processes and transformations (Dąbrowska, Lopez-Vega, and Ritala 2019), previous resources, structure, and culture played a role. However, adding two-way interaction—first between APA and its media customers and finally involving the corporate and institutional clients from the media database—created a new value proposition and a platform business model. This could be regarded as a radical, explorative strategic move that emerged as part of the evolving possibilities afforded by digital technologies and, finally, as a deliberate strategic decision.

We investigated this development in more depth by examining the three core areas of platform strategy — platform launch, governance, and competition (Van Alstynne and Parker 2014) — and addressing specific questions regarding the coexistence of platform and pipeline business models. Figure 2 summarizes the results of our analysis of data and critical incidents and provides a framework for platform launch, governance, and competition.

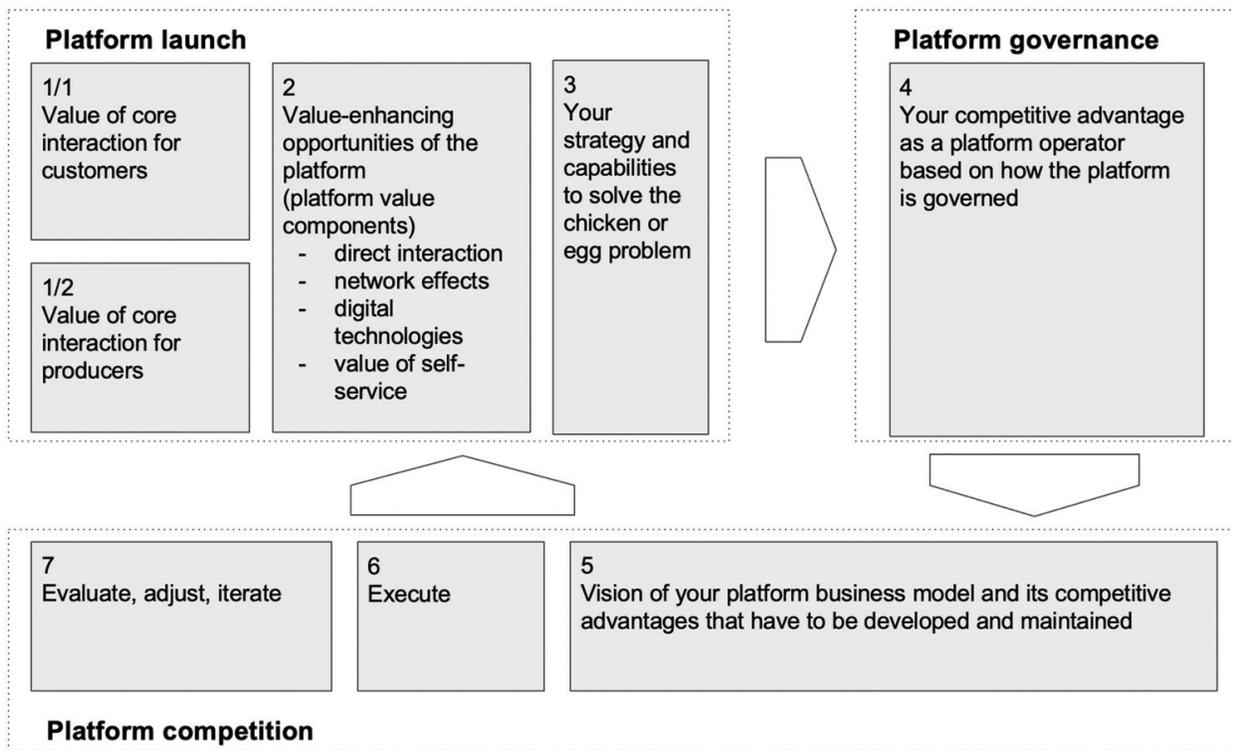


Figure 2: The framework of platform launch, platform governance, and platform competition used in analyzing the emergence of APA’s platform strategy. The numbers are used as references in the text.

### 5.1. Platform Launch

While all three aspects of platform strategy were interlinked and coexisted through the strategy process, we identified the main development direction among these. In APA, the core idea of establishing a platform (i.e., platform launch) was based on management’s gradually developed understanding of the value of direct interaction (1) (numbering here refers to Figure 2), and that the value of the database would increase dramatically if APA combined all Austria’s media on the same platform (Tretter 2020). This took place in an emergent fashion and became a decision as new opportunities and business models became feasible. In technical terms, management began to understand the cross-side network effects (2) needed to create an outstanding value proposition for both media companies and customers using the platform’s content.

To stimulate platform growth through network effects, platforms must reach a critical size. This involves a problem: *the need to have a critical number of sellers in order to attract buyers, and vice versa* (Evans and Schmalensee 2010). Therefore, platform launch strategies center on solving this “chicken or egg” dilemma (3).

The unique value proposition included offering real-time news agency content on the same platform, thus increasing interest in using the information in the database (Vyslozil 2019). One emerging part of the strategy involved understanding the changing role of real-time information in the market. In the early 2000s, news agencies started to understand the internet’s impact on the value of news information to their customers. Also, temporary situations of fierce competition with new market entrants taught the leaders of European national news agencies that, with high fixed costs, competition leads to price wars. Therefore, it was essential for a news agency to create a unique offering that was difficult to copy and scalable once fixed investments had been made. In short, the APA leadership’s visionary value proposition consisted of the following three elements: 1) full coverage of national media content, accessible almost in real-time on the same interactive platform, creates unique value; 2) such media content can also create value for media content providers, who will be paid royalties if they participate on the platform; and 3) all this can be handled with low marginal costs by using technology, while self-service on the platform can also create value.

To implement this vision, the APA leadership had first to *identify the value of core interaction for each group of participants* (1). At the core of the value proposition was the basic observation that media content received on time was valuable to corporate and institutional customers (i.e., the definition of the type of customer for whom value was created) and that media publishers could get paid for providing such content using the terms offered to them by APA. Clients were able to search for all the news distributed not only by APA but also by newspapers, with all relevant content available for download. To achieve this understanding of the market, APA’s leadership had to know their customers. Having all media content on the same platform was not only convenient but offered the following additional benefits: information was available whenever the need arose, and content items together constituted a new layer of value in some circumstances—for example, when analyzing media trends in a crisis.

Second, APA had to *identify the platform's value-enhancing opportunities* (2). In other words, the agency had to understand how the dynamics of two-way interactivity (as they called it) increased the value of the service for users. From the users' perspective, the user interface had to be user-friendly. According to service-dominant logic, a customer's interaction with the service meant they were co-creating value merely by using the service, thereby lowering the costs associated with its production, such as distribution and transaction costs (Pagani 2013, 628). Especially during the years of platform development, the user interfaces on both sides of the platform were developed significantly, meaning that the value of self-service increased over the years. Almost all interviewees emphasized that investing in technology was APA's accomplishment.

In the value-creation model, it was also essential that the platform could share some of the same cost bases that already existed or had to be created for the core news agency. The technology capabilities needed to create the platform were also used in APA's third business area, IT services for media companies (APA IT) (Tretter 2020; Vyslozil 2019).

### ***5.2. Platform Governance***

At the governance level, but also with a direct link to the platform launch strategy, APA had to identify how it could *amplify platform value as a platform operator* (4). In platform design, the platform operator needs to create a sense of ownership among the key stakeholders—for example, by distributing the rights to decide on the platform's rules (Hagiu 2006). In APA's case, the platform's producer side consisted of organizations that ultimately controlled the agency as owners of the co-operative, the agency's parent company. This was a central element in governance and helped to create a credible value offering and ownership for key stakeholders, newspaper publishers and ORF, the Austrian public broadcaster.

The publishers thought that APA “worked as a transition and a neutral platform between the players,” which helped it in its attempts to create a perception of credible platform governance (Gasser, personal communication 2020). The publishers also knew that “they can control and stop this immediately if their assets are wrongly spent” (Pachner, personal communication 2020).

In APA's case, the co-operative model played a role in creating trust in two ways. When "they had to get contracts with all the publishing houses," it was "easier to talk with their owners about a common business model, and they [the owners] trust APA." Second, it was also straightforward to contact prospective or previous clients and convince them to use APA's services (Thiller, personal communication 2018).

Two other fundamental advantages greatly helped in creating the credibility needed: First, APA was an established and trusted national institution, and second, it was a news agency. Therefore, APA could rely on its trusted and credible brand when establishing the platform, promising that its vision would come true, especially for its institutional and corporate clients. This reflects the increased legitimacy of APA within its external environment, as well as with its partners. This feature has been suggested as important for the emergence and growth of platform ecosystems (Thomas and Ritala 2021). The brand was not only "a big help" but also "a door-opener" for APA when talking to clients (Ganner 2018). Indeed, the platform's clients underlined the importance of APA's reputation in their decision to work with the agency. APA's reputation was "very essential" (Petutschnig 2020) and "one of the main points that speak for them" (Bauer, personal communication 2020).

Clients had to overcome the real or assumed switching costs associated with changing media monitoring services from traditional press-clipping companies to APA's model. APA had to convince the first customers that its service was superior to the press-clipping services, all of which was a consequence of adopting a revolutionary instead of an evolutionary approach at service launch (Shapiro and Varian 1998).

A central innovation in APA's database model was the payment of royalties to newspapers for their content. The more content was used, the higher the royalties paid to the media outlets that participated as producers (Vyslozil 2018, 2019; Tretter 2020). Content providers (newspapers) did not have to produce a new product or service, but only to allow the use of their content. This helped to create a new concept that was impossible for single media companies to achieve. The media outlet itself became a significant revenue generator on the client side because newsrooms consume a great deal of archived media content in their work. More importantly, newspapers could not

monetize their archives without the marketing power of APA's platforms (Hämmerle, personal communication 2020). As one publisher stated, "So, we did not have the extra cost, but we had a chance to get a bit of money out of the usage of our archive via APA" (Schrotta, personal communication 2020). However, the revenue from the platform was not a significant amount in terms of their overall budget (Bergmann, personal communication 2020). Once APA's platform had achieved a dominant position in the market, participating on the platform also became for some publishers a matter of the "prestige and standing of a newspaper" (Schrotta 2020).

Being an incumbent firm was key to convincing publishers to join the platform since "they (APA) had a direct relation with the content provider" (Kropsch 2020). It was a "proper and good model" because the publishers "did not have to lift one finger, and money was just flowing back" (Kropsch 2020). Another advantage of being a strong incumbent was that "APA was the only one who had all the connections and all the content" (Bergmann 2020), with APA having "the most important contacts, government ministries, embassies, big companies already" (Schrotta 2020).

### ***5.3. Platform Competition***

As APA quickly established a dominant position in the market, the most critical dimension of *platform competition* (5,6,7) was expressed in the relation and possible competition with its owner-clients, who also became owner-producers. Media companies compete against one another in the news and media market, and they often limit the mandate of a news agency when operating in the same markets. In APA's case, we found that its entrepreneurial leadership often tested their ideas with the owners on the agency's board (Vyslozil 2019; Tretter 2020). On all major issues, the leadership sought consensus between all the owners. Sometimes, such efforts involved months of discussions and negotiations. One of the newspapers was considering establishing its own archive service and was hesitant to allow APA to enter that market, using its influence as a board member and co-owner of the agency to restrict APA's plans. However, the conflict was finally resolved. Another issue that reflected the sensitivity of the competition issue was the group structure adopted. The high-margin businesses were organized as subsidiary companies, while the cooperative parent company ran the smaller-margin news service. This allowed the surplus in subsidiaries to be invested in growing the businesses rather than lowering the prices of the

traditional main news-agency service, the newswire (Vyslozil 2018, 2019; Tretter 2020). The profits resulting from APA's dominant position were ultimately distributed to members, partly by over-investing in the news services that were important for them. Finally, in 1993, APA started paying dividends to its members for the first time since its re-establishment in 1946. Co-operative ownership, combined with visionary leadership and possession of the credibility needed to execute the plan, was central to the final solution of the chicken or egg problem that was (4) typically considered to be part of a launch strategy.

As the combination of APA's real-time newswire content and APA's archive of the various media sources is available as a database only on APA's platform, the overall value proposition is unique. Using the aforementioned elements, APA "reached a dominant market role" in the late 1990s, thereby creating the type of winner-takes-all situation witnessed in many platform markets (Cennamo 2019). Given that "it has all the content together," APA "became a kind of monopoly" (Bergmann 2020). The clients also saw that "nobody looked for other possibilities because it was quite clear they had to use APA products" (Christl 2020). There have been "some smaller actors as an alternative," but they are not "really competitive in quality" (Gasser 2020).

While "the growth of digital platforms relies on the generative nature of digital resources and platforms' openness to complementary innovation" (Karhu and Ritala 2020), the unique market position and strong platform control helped APA to consolidate its strong position in the industry. APA has since started to diversify into other markets with this position by acquiring a controlling stake in the Swiss national news agency SDA-Keystone.

## **6. Conclusions and Implications**

We have demonstrated how an incumbent news agency, APA, was able to create a new platform business model via an emergent strategy formation process. We have shown that APA's role as a trusted institution and its established connections with Austria's news media companies, combined with entrepreneurial leadership, enabled it to successfully diversify its business into an integrated media company in the corporate and institutional market. For researchers in the news industry and media management, our results provide a roadmap for a possible solution to the strategic problem

faced by news agencies. The value of the traditional services of such agencies has declined because news information is no longer exclusive, and its monetary value on the market has declined dramatically. However, platform value is dependent not on the information value of a single media-content item only but on the service as a whole, on relations between content items, and on the added-value layers in the more advanced services offered on the platform. Ultimately, a platform's value to different actors is linked to the platform's generative features and to cross-side network effects (McIntyre and Srinivasan 2017; Cennamo 2019). The interesting finding here is that an "incumbent advantage" potentially exists when incumbents utilize their existing organizational resources, legitimacy, and intra-firm synergies to unlock a platform business model. This process is intertwined with organizational history and depends on technological development and other external events that eventually enable strategy formation. Thus, our results also raise implications for strategy researchers.

### ***6.1. Platform Strategy as a Hybrid Strategy Process with Emergent and Deliberate Features***

Originally, APA was not aware that it was launching "a platform" because the concept of a platform did not exist at that time in the general management lexicon, nor in the field-specific practice. However, APA's strategic intent was based on understanding the opportunities that emerging technologies provided for value-creation, both for publishers and for those who wanted to monitor the media in real-time. Such development calls us to question whether the emergence and evolution of this platform business model resulted from emergent or intended strategies (Mintzberg 1972; Mintzberg and Waters 1985). Our findings demonstrate that it is fundamentally a "hybrid mode," including both types of processes, and interestingly intertwined in the organization's resources, structures, and culture, typical of strategic transformations in mature businesses (Dąbrowska, Lopez-Vega, and Ritala 2019). The strategic transformation of an incumbent organization thus follows an "ambidextrous model" (Birkinshaw, Zimmermann, and Raisch 2016; Lin et al. 2020) rather than a purely exploitative or explorative model.

Our results also demonstrate a strong strategic intention from top management in renewing the agency and creating a diversification strategy, reflecting a deliberate and induced strategy process (Mirabeau and Maguire 2014). At the same time, our interviewees from APA all agree that the

launch of the platforms was an “evolution” (Ganner 2018) that materialized “step by step” (Vyslozil 2019). This aspect of the strategy process resembles the emergent and autonomous part of the strategy formation (Mirabeau and Maguire 2014). Meanwhile, building a two-way communication network with newspapers was an intended strategy; this decision was key to the later development of the business model.

APA did not use a planned and strict platform-design framework or architecture to set up the platform business model. Rather, as the firm adjusted its service offering, technology base, and source list time after time, this was an organic learning process, demonstrating the “internal ecology” of a strategy process where strategies are trialed, selected, and retained when deemed successful (Burgelman 1991; Jääskeläinen and Yanatma 2020). One interviewee from APA said: “The system already broke up in the early ‘80s. Wolfgang Vyslozil then [stated that] we have to go into diversification. This was the solid base for all other steps” (Pig 2018).

Furthermore, we found that the boundaries between launch strategies, platform governance, and platform competition were elusive. Launching and operating a platform business model seems to be a process in which decisions and actions are intertwined. Different factors influence one another in multiple ways; for instance, a vision of governance and competition is part of designing a launch strategy. Platform governance may also be a component of platform competition strategy, and both are means of successful platform launch. Our case also suggests that an incumbent firm with a trusted brand to back up its platform – and therefore possessing a strong “ecosystem identity” (Thomas and Ritala 2021) – involves stronger legitimacy and credibility from the very beginning. Such legitimacy is likely to help in platform launch and in solving the chicken or egg problem. In addition, our findings indicate that the three different categories of platform strategies are interlinked in a manner that has major implications for how platform strategies are executed in practice.

Despite the success of the platform model, the emergent path continues. APA is facing other challenges caused by the latest technologies, such as cloud computing, the role of data and AI, and the dominance of large global technology companies. The current CEO considers this shift a strategic challenge comparable to the journey that started almost 30 years ago: soon, APA may

respond by acting as a co-operative platform for technology solutions for media companies rather than offering these solutions directly. An already-established co-operative can allow competitors to cooperate without legal restrictions (Pig 2019).

In summary, our findings support the classic view of deliberate and emergent strategy (Mintzberg 1978) and induced and autonomous strategy processes in the context of platform strategies. On the one hand, a good deal of the change of strategy was *induced* (Mirabeau and Maguire 2014)—it followed a managerial intent aligned with the original strategy process. On the other hand, a major component of the strategy process came not from APA but from the other media companies (also members of the co-operative), demonstrating the dynamic nature of an emergent strategy involving autonomous and external components. Our results also indicate that platform strategy formation can be usefully viewed through the lens of (platform) ecosystem emergence (Thomas and Ritala 2021), where the legitimacy of the focal actor (here APA), as well as the key partners in the ecosystem, are important determinants of the feasibility of the strategy formation.

### ***6.2. Platform Strategy and the Incumbent Advantage***

Our case demonstrated that the platform business model used the same resources needed to run a news agency and also was built on and benefited from the same governance model on which the agency was run. Importantly, APA benefited from being an incumbent—that is, a national institution with the fixed cost structure needed for the news agency business, whose costs could be shared with new businesses, and a corporate governance model that helped establish new businesses built on interests shared with the co-operative's owners. However, lengthy discussions were needed to convince the owners and content providers that APA was not a competitive threat to their business interests.

APA's three key business areas are intertwined: success in both media database and IT businesses was built on the news agency business, and the news agency business remained viable because of the success in the other two business areas. Indeed, it is interesting to note that the platform's third side, interacting with news sources, creates a competitive advantage for the other two sides of the platform. Theoretically, according to platform literature, even the subsidizing of news services for

media clients can be seen as a means of securing network effects for the other sides of the platform, strengthening the winner-takes-all dynamic (Cennamo 2019).

Based on our findings, we have identified the concept of *incumbent advantage* as a source of competitive advantage in establishing platform businesses and running these successfully. This finding interestingly contrasts with some suggestions that new platform businesses are disrupting incumbents (Sampere 2016), while supporting some recent claims concerning the increasing ability of large incumbents to utilize platforms to disrupt markets (Ritala, Huotari, and Kryzhanivska 2021). We found that some elements of the platform business benefit the traditional business—for example, in APA’s case, advanced technologies, integrated service offerings, and brand benefits. The concept of incumbent advantage may thus suggest that, separately, the businesses would create less value than they do when combined. These findings point to a logic whereby incumbent firms can successfully establish a parallel platform business model while maintaining the old business, which may even allow the old business to be run at a loss because of the significant externalities that it creates for the platform side of the business. A better understanding of such mechanisms can improve our knowledge of how incumbent firms can successfully undergo a digital transformation, which scholars have described as a particularly challenging process for initially non-digital incumbents (Sebastian et al. 2017).

### ***6.3. Practical and Policy Implications***

News agencies are still seen in many countries as the cornerstones of an independent media system. However, the rapid growth of platform businesses has established the logic of selling information goods at zero cost, which is, in fact, economically well-founded (Parker and Van Alstyne 2005, 2000). As a result, news agencies in most countries are not operating their general news service at a profit. Scholars have paid little attention to how traditional news media companies can utilize digital platforms to adapt their business models in the new, disrupted digital media environment (Gabszewicz, Resende, and Sonnac 2015). Therefore, our study provides practical insights that can help answer the following question: how can independent news production operate in a market-based way in an environment where the core product is hard to sell? Our early findings revealed that these types of platform businesses do exist and are successful in other agencies, such

as TT in Sweden and ANP in the Netherlands, suggesting that the findings of this single case study may be generalizable. However, the cases of TT and ANP are not built on co-operative ownership models but rather on other benefits enjoyed by an incumbent in the marketplace and from already having all news media organizations as customers.

Cloud computing, fast internet, and language technologies benefit global technology companies and create new winner-takes-all logic in the networked environment. In APA's case, an early start allowed it to achieve a winner-takes-all market position, which it now defends. A national news agency bound to its national media market may find itself defending its position instead of being the challenger it used to be (Pig 2019; Falchetto, personal communication 2018). Another major challenge is the well-being of the news industry as a whole. If news content is not produced, no media companies can offer their content as owners or producers.

#### ***6.4.Limitations and Future Research***

The findings of this study are based on a single-case study, which did not aim mainly for broad empirical generalization or external validity, but rather to inform and develop current scholarly understanding via analytical and theoretical generalizations (Tsang 2014; Welch et al. 2011). Therefore, our findings can provide useful insights into how incumbent businesses can transform their strategy towards a platform business model, but our results are limited by their scope within a particular industry (media), with unique features regarding what value is created, how, and by whom. Thus, more studies are needed to establish the merits of incumbent surplus for different media companies and other industries. In addition, future research could further examine why platform businesses have been successfully introduced in companies that are not cooperatively owned. In general, co-operative ownership as a governance model for platforms could be of significant interest for researchers, practitioners and policymakers alike. The data was collected mostly through retrospective interviews, a typical limitation in a longitudinal case (Huber and Power 1985). Therefore, more studies could look even more closely at strategy formation processes, using more real-time approaches to data collection, and looking at different types of platform technologies and environments.

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