

# **RESISTANCE TO INSTITUTIONAL CHANGE: THE CASE OF THE JAPANESE PUBLISHING FIELD**

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## **ABSTRACT**

This thesis aims to extend the understanding of the maintenance of the institutional arrangements especially in the process of resistance to institutional changes, which were caused by a regulatory and a technological discontinuity. By doing that, this thesis addresses research gaps in new institutional theory. In order to flesh out the resistance to institutional change, the Japanese publishing field was considered to be an appropriate research site. This is because the Japanese publishing field has been referred to as one of the ‘least changeable’ industries. Furthermore, in the Japanese publishing industry, different types of environmental discontinuities were brought about. The incumbents resisted those actors leveraging these environmental discontinuities and seeking to change the institutional arrangements.

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## **CHAPTER 1**

### **INTRODUCTION**

#### **Introduction**

This thesis aims to extend the understanding of the maintenance of the institutional arrangements especially in the process of resistance to institutional changes, which were caused by a regulatory and a technological discontinuity. By doing that, this thesis addresses research gaps in new institutional theory. In order to flesh out the resistance to institutional change, the Japanese publishing field was considered to be an appropriate research site. This is because the Japanese publishing field has been referred to as one of the ‘least changeable’ industries (Choi, 2005; Kinoshita, 1997; Kobayashi, 2001). Furthermore, in the Japanese publishing industry, different types of environmental discontinuities were brought about. The incumbents resisted those actors leveraging these environmental discontinuities and seeking to change the institutional arrangements.

#### **Overview of the thesis**

In what follows, the argument in each chapter will be briefly summarised. In chapter 2, firstly, a brief overview of the historical development and the recent research direction in new institutional theory is provided. New institutional theory, especially earlier works, tended to emphasise structural influences on actors in the organisational field, which embrace various actors interacting with each other and has been a common unit of analysis in the existing research. Particularly, earlier works highlighted the importance of an institutional environment vis-à-vis a technical environment (Scott & Meyer, 1991). Regarding this, an institutional environment tends to be associated with cultural, normative and regulative factors (DiMaggio & Powell, 1983). Importantly, earlier versions of new institutional theory focused on the influence of institutional environment on organisations, which result in similarity of organisations. However, a growing criticism has been directed toward the assumption of the earlier works (DiMaggio, 1988; Oliver, 1991). The major criticism toward the earlier work was its inadequate assumption of the actors’ model (DiMaggio, 1988). That is, the critics argue that actors could be more active in relation to the creation, maintenance and disruption of the institutional environment than is supposed in the earlier works. The critics have come to address actors’ active involvement in the institutional change

project. One of the most important developments includes insights into the important role of language use in the dynamic process of the institutional arrangements (Suddaby & Greenwood, 2005; Vaara et al., 2006). In particular, rhetoric, which can be defined as a political or interest-laden discourse (Suddaby & Greenwood, 2005), has gathered the researchers' focus.

Having said that, active accordance of agency to actors faces difficulty in the paradox of embedded agency. That is, those works cannot adequately answer sources of actors' agency. One answer to this question can be provided by the institutional logic approach, which will be examined in chapter 3.

In Chapter 3, the recent research directions in new institutional theory are further examined by specifically focusing on the previous research that draws on the concept of institutional logics. By focusing on the existence of the environmental jolt—a sudden and discontinuous event—an institutional logic approach integrates one source of agency into the analytic. That is, an environmental jolt may provide opportunities for alternative institutional arrangements. Particularly, existing studies tend to argue that sudden change in regulation creates opportunity for certain actors, who perceive interests in changing the institutional arrangement. These actors, called institutional entrepreneurs, launch and implement institutional change projects (Greenwood et al. 2002). Furthermore, by employing the concept of institutional logics, the notion of an institutional environment can be elaborated into different interplay of institutional logics.

Several important research gaps will be identified in chapter 3. Firstly, the previous literature has tended to be unclear about the conceptualisation and identification of institutional logics. The existing research remains ambiguous regarding the relationships between organisational field level institutional logics (FILs), and societal level institutional logics (SILs). Thornton and Colleagues (Thornton & Ocasio, 1999; Thornton, 2002; 2004) argue that FILs need to be connected to SILs. However, they do not explain the ontological issue regarding the connection between these two. This thesis argues that the issue cannot be solved by adopting constructivism, which has been the most influential assumption in new institutional theory (Scott, 2001). Constructivism cannot separate structures from actors' agency in the analysis and thus the existing research cannot adequately conceptualise structure and agency in an institutional logic approach. Regarding this, a stratified ontology provided by Critical Realism (CR) could adequately

conceptualise structures and agency (Fleetwood, 2000). By drawing upon the CR perspective, SILs and FILs are located in the deepest domain of the reality called the domain of the real (Wry, 2009). The recurrent pattern of interplay of SILs result in FILs. FILs result in institutions in the domain of the actual (Leca & Naccache, 2006). Finally, actors experience institutions in the domain of the empirical. CR assumes that these relationships can be read through by departing from the observable events in the domain of empirical, which is called retroduction.

Secondly, there has been little research about how actors reproduce FILs over time, in general, and how actors resist institutional change driven by environmental jolts, in particular. In fact, new institutional theorists have rarely focused on the maintenance of the institutional arrangement including the resistance to institutional change (Lawrence & Suddaby, 2006; Scott, 2001). Particularly, the previous research has provided useful insights into theorisation of change through rhetoric mainly by institutional entrepreneurs (Greenwood & Suddaby, 2006; Suddaby & Greenwood, 2005). However, little is known about incumbent actors' resistance to institutional entrepreneurs by means of rhetoric.

The third gap is related to the fact that institutional scholars do not adequately consider the vested interests of incumbent actors regarding the institutional arrangements. This thesis argues that the deflected attention to incumbent actors' interests results from the predominant focus on practices. In order to articulate one of the primary interests of incumbent actors, namely revenue streams, this thesis will illustrate the necessity to sharpen the scope of the notion of practice. To do so, this thesis suggests elaborating the concept of practices by employing the concept of a business model, which can be defined as a specific set of practices composing transaction frameworks that address revenue streams (Amit & Zott, 2001). By employing the concept of business model, actors' interests in the revenue stream can be addressed. This is particularly important for the analysis of business organisations since revenue streams play a vital role in the survival of business organisations.

Finally, the existing research from an institutional logic approach has predominantly focused upon regulatory jolts and little is known about the influence of technological jolts. A technological jolt may inform actors differently from a regulatory jolt. Institutional logic has two aspects of material practice and symbolic constructs. Regarding this, it should be noted that the state 'legitimizes and regulates organizational forms through laws regarding charters and missions' (Potter & Dowd,

2003, p.444). In other words, the state can influence symbolic constructs of institutional logics. Thus, it may be the case that the institutional arrangements derived from technological jolts may have its emphasis on material practice vis-à-vis symbolic constructs. Reflecting the research gaps, the following research questions will be derived:

1. What is the relationship between institutional logics at the organisational field level (FIL) and institutional logics at the societal level (SIL)?
2. How do incumbent actors resist institutional change projects by way of rhetoric?
3. What are actors' vested interests in resisting institutional change?
4. What differences can be observed between institutional change projects initiated by technological jolts and regulatory jolts?

The first research question can be addressed by employing Critical Realism (CR). That is, the FILs and SILs can be better conceptualised by adopting the stratified ontology provided by CR. In a nutshell, a stratified ontology conceptualises FILs and SILs in the deepest domain of the reality, namely the domain of the real. Importantly, previous research has indicated the difference of these two lies in terms of the breadth, which indicates the scope of applicability. (The previous research would appear to indicate that FILs can be found in an organisational field, whilst SILs can be found in a particular society that implies a wider terrain than an organisational field.) This thesis does not deny the difference lies in the breadth. However, this thesis argues that the nature of the difference lies in the depths in the reality.

The other research questions points to the process and motivation of incumbent actors' maintenance of the institutional arrangement and associated business models, and resistance to institutional change, which are initiated by both regulatory and technological jolts. Moreover, the fourth research question inquires the difference between resistance initiated by these two environmental jolts.

In order to answer the research questions, the philosophical underpinnings of the thesis and research method are discussed in Chapter 4. In this thesis, CR underpins the ontological and epistemological assumptions. CR argues that structures in the domain of the real have generative mechanisms, which are 'capacities to behave in

particular ways' (Sayer, 2000, p.11). In the domain of the real, a recurrent interplay of SILs results in FILs. In the domain of the empirical FILs shape institutions, which can be defined as recurring patterns of actions in the field. In the domain of the empirical, institutions shape practices.

New institutional theorists tended to focus on practice (Friedland & Alford, 1991; Thornton, 2004), whilst this thesis elaborates this by employing the concept of the business model in the analysis. This is because the concept of practice include wider scope of activities than that of business model and cannot adequately address the incumbent actors' interests, especially those in revenue streams. Consequently, this thesis sheds light on interests of incumbent actors in revenue streams by focusing on the business model, which is informed by the institutional arrangement.

Furthermore, chapter 4 explains the selection of the research design, research site and research method of the thesis. The case study was chosen as an appropriate research design in order to examine the research questions. The Japanese publishing field was chosen in order to illustrate the incumbent actors' resistance to institutional change. Departing from the domain of the empirical, researchers drawing on CR aim to read through the deepest structural generative mechanisms, which inform empirical tendencies, in order to explain the observable event. This is called retroduction. Following Houston (2010), this thesis assumes outcome can be derived from context, time, structural generative mechanism and agency. In order to consider these factors, this thesis adopted four steps to achieve retroduction (Houston, 2010). Firstly, research asks transcendental questions, which inquire into structural influences on the observed events. Secondly, a researcher develops working hypothetical relationships among theoretical concepts in order to address the question in terms of: (a) the generative mechanisms at play (b) the role of context, time and agency. As a third step, a researcher seeks evidence of hypothetical relationships among theoretical concepts by looking for the effects of generative mechanisms and their interplay with context, time and agency. This thesis collected interview data and textual data as evidence; finally, elaborating, confirming, falsifying or reworking hypothetical relationships among the theoretical concepts and seeking more evidence.

Chapter 5 provides the basis for the case study. The established business model and the institutional arrangements in the Japanese publishing field since the Second World War are illustrated. Under the established business model in publishing, publishers, wholesalers and bookstores play the main roles. Publishers create printed

publications, which are distributed by wholesalers to bookstores. Furthermore, the established business model had two characteristics. That is, wholesalers centrally plan the distribution of books and magazines on the one hand. On the other, wholesalers have established transaction rules such as the fixed price system combined with the free return policy.

The established business model in the publishing field had been underpinned by the prevailing institutional arrangement. That is, the family logic and the state logic had coexisted in a complementary manner. The family logic indicates the creation and expansion of vertical networks, while the state logic points to the centrally planned distribution of resources. Due mainly to the complementary coexistence of these two prevailing institutional logics, incumbent actors in publishing, especially wholesalers, centrally shaped vertical networks. Moreover, wholesalers played the central role in the allocation of resources by establishing transaction rules.

Chapter 6 deals with the regulatory jolt. A sudden and discontinuous event was brought about by the U.S. government. This event had created opportunities for the regulatory agency, the Japan Fair Trade Commission (JFTC), to strengthen market competition in Japanese industrial sectors. The 1980s witnessed a trade imbalance between the U.S. and Japan. The U.S. government demanded the Japanese government use market competition in industrial sectors, which the U.S. government regarded as the key for solving the trade imbalance. Representatives from both governments had formal meetings to promote market competition in Japanese industrial sectors in the early 1990s.

In relation to the publishing field, the JFTC aimed to abolish the fixed price system, which had been an exemption from the Antimonopoly Act. The JFTC established a special committee to review the fixed price system. Through the examination, the JFTC released an interim report in July, 1995. Importantly, this report was filled with a negative evaluation of the fixed price system and implied the abolition of the system. At this, the incumbents in the publishing field immediately opposed the JFTC. This is because the fixed price system had been one crucial component of the established business model in publishing.

The incumbents in publishing could cooperate with the related incumbent actors in the newspaper field. This is because newspapers and publications were under the category of the fixed price system for ‘certain copyrighted products’, which had been the exempted in the Antimonopoly Act.

In resisting, collaboration with newspaper companies was a key for the incumbents in publishing, since the collaboration enabled the dissemination of their argument that emphasised the negative outcome of the introduction of price competition through newspapers. Further, the general public supported the incumbents and this resulted in the mobilisation of politicians. Consequently, the JFTC had to give up the review on the fixed price system for 'certain copyrighted products' including books and magazines.

In addition to the legal amendment, the JFTC tried to introduce 'new' business models, which were predominantly underpinned by a market logic. The incumbents in publishing minimised the effect of these 'new' business models to the established business model. That is, the incumbents only superficially adopted price competition in the sales of publications.

Chapter 7 deals with a technological discontinuity. The influence of the rapid technological development in semiconductor memories on the Japanese publishing field since 1980 is examined. The development meant the increasing memory size of the semiconductor memory. This was crucial for electric appliance makers in launching new business models utilising the e-dictionary and the e-book reader. Under a new business model utilising the e-dictionary, which had been introduced in 1980, electric appliance makers produced e-dictionaries that loaded dictionary content provided by dictionary publishers in exchange for the royalty fees. Moreover, under this business model, the electric appliance makers distributed e-dictionaries to their affiliated retailers.

In resisting, the incumbents in the publishing field did not oppose the new business model that utilised the e-dictionary at the initial stage and agreed to cooperate with the electric appliance makers. However, the market logic had increasingly been strengthened in the behaviour of electric appliance makers, due to the deregulation initiated by the external pressure from the U.S. government. That is, the external pressure from the U.S. government demanded that the Japanese government change the regulations related to large-scale retailers. Consequently, large-scale retailers, which predominantly utilised price competition, increasingly became influential in many Japanese industrial sectors including the electric appliance makers in publishing. Furthermore, over time, the electronic dictionary became accepted among consumers, which accelerated the competition among electric appliance makers and resulted in the growing influence of the market logic.



Consequently, the incumbents in the publishing field, particularly dictionary publishers, opposed the new business model utilising the e-dictionary due largely to the negative influence of the model on the established business model. The incumbents disseminated their argument emphasising the advantages of printed dictionary and/or disadvantage of the e-dictionary, mainly to high school teachers, which the dictionary publishers considered to be key actors in high school students' consumer behaviour. The dissemination of their argument was not effective in terms of blocking the effect of the market logic with respect to the new business model leveraging the e-dictionary.

However, as an unintended consequence, the argument enabled the incumbents to block the further diffusion of new business models utilising the e-book reader. In 2004, Sony and Panasonic aimed to introduce new business models utilising e-book readers. Under both business models, publishers were expected to provide content in exchange for royalty fees. While Sony confined the duration of the access to content to 60 days, Panasonic utilised wholesalers and bookstores in distribution. However, the argument above was disseminated through formal and informal channels. Consequently, the publishers did not supply much content to either firms.

In chapter 8, the key findings are summarised. Then, I locate the key findings in a bigger picture of the existing literature and illustrate four theoretical contributions. Firstly, this thesis will elaborate the conceptualisation of institutional logics by employing a CR perspective. Secondly, in addition to the content of rhetoric, this thesis will illustrate that an understanding of rhetoric needs to be complemented by assessment of the dissemination channel and key resources mobilised by rhetoric in order to enable resistance to institutional change. Thirdly, this thesis will elaborate on the concept of practice by focusing on business models. Finally, a contrasting difference will be pointed out between a technological jolt and a regulatory jolt. That is, a new practice introduced by a technological jolt may result in greater change in terms of underlying institutional arrangements than that introduced by a regulatory jolt.

## **CHAPTER 2**

### **RECENT DEVELOPMENTS IN NEW INSTITUTIONAL THEORY**

#### **Introduction**

In chapter 2 and chapter 3, the existing research in new institutional theory will be evaluated. In chapter 2, the emphasis of the evaluation will be put on how new institutional theorists aimed to expand the conceptual room for actors' 'strategic' agency in relation to the structural influences. To do so, this chapter briefly examines the historical development of new institutional theory.

Regarding the behaviour of actors, the relationship between structural influences and actors' 'strategic' agency or self-direction has been a central issue of sociological analysis (Archer, 1995; Giddens, 1984). The development of new institutional theory, which has been one of the most influential organisational theories, demonstrates a number of researchers' attempts to adequately address both structural influences and actors' self direction in the analysis of organisational behaviour.

New institutional theory in organisational analysis has provided a number of useful insights for understanding similarities between organisations. That is, the emergence of new institutional theory directed organisational theorists' attention regarding organisational environment to not only a technical environment but also institutional environment (Scott & Meyer, 1991). While the idea of the institutional environment provides new insights into organisational analysis, new institutional theorists at earlier stages of theoretical development emphasised the strong influence of the institutional environment on actors in the organisational field.

In the earlier versions of new institutional theory, actors tended to be conceptualised as overly passive to the institutional arrangement (DiMaggio, 1988). However, actors may act spontaneously in relation to the institutional arrangement, which was overlooked by the earlier versions of new institutional theory. This deficit has been gradually addressed by consciously according 'strategic' agency and interests to actors in the organisational field (DiMaggio, 1988; Oliver, 1991; Lawrence & Suddaby, 2006).

It would be true that the recent efforts by new institutional theorists, consciously according 'strategic' agency to actors, have expanded the scope of the analysis to broader dynamics of the institutional arrangement such as creation, demolition and maintenance of the institutional environment (Suddaby &

Greenwood, 2005). One of the important achievements regarding this attempt includes insights into legitimization/delegitimation of institutional arrangements by means of language, which tends to be called rhetoric, indicating 'political and interests-laden discourse' (Suddaby & Greenwood, 2005, p.40). Importantly, in the existing research, rhetoric tends to be focused upon in relation to theorisation of change, in which abstract categories are rendered in an understandable manner such as cause and effect.

That said, actively according 'strategic' agency to actors cannot adequately respond to the paradox of the embedded agency since actors tend to be guided by institutional arrangements (Leca & Naccache, 2006). In other words, actively according 'strategic' agency to actors cannot address the source of 'strategic' agency. In contrast, an institutional logic approach has responded to the issue by drawing on the concept of the environmental jolt, while it has elaborated the notion of the institutional environment by focusing on the interplay of multiple institutional logics, which will be evaluated in chapter 3. Through the evaluation, research gaps will be identified in chapter 3.

### **The birth of new institutional theory**

As Scott (2001) argues, new institutional theory was initiated under the strong influence of social constructivism, especially by Berger & Luckmann (1967). Berger & Luckmann's (1967) work has become one of the most cited in organisational theory (Hirsch & Boal, 2000). This influential work for new institutional theory (Berger & Luckmann, 1967) emphasises socially constructed aspects of institutional environment, which would appear as 'objective reality' to human beings (p.77).

New institutional theory in organisational analysis was originally presented as an explanatory framework to analyse organisational isomorphism (Meyer & Rowan, 1977). That is, new institutional theory aimed to explain how various institutional pressures create homogeneity of organisations in terms of organisational structure.

In their analysis of organisational homogeneity, DiMaggio & Powell's (1983) seminal work introduced the concept of 'organizational field'. They defined an organizational field as 'those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products'

(pp.147-149). They argue the merit of utilising the concept of organizational fields in relation to other competing units of analysis as follows:

The virtue of this unit of analysis is that it directs our attention not simply to competing firms, as does the population approach of Hannan and Freeman (1977), or to networks of organizations that actually interact, as does the interorganizational network approach of Laumann, Galaskiewicz, and Marsden (1978), but to the totality of relevant actors (DiMaggio & Powell, 1983, p.149).

As inferred from the above citation, their notion of an organizational field enabled researchers to focus on the interaction among various actors in analysing organizational homogenisation such as the adoption of similar organisational structures and similar organizational practices.

The homogenisation of organizations in terms of organizational structures and practices i.e., organizational isomorphism, had predominantly been explained in relation to organisational efficiency before the proliferation of new institutional theory. Chandler (1977) is representative of researchers focusing on organisational efficiency as a driving force for organisational similarity. Chandler (1977) dealt with historical development of large U.S. companies such as GM [General Motors], Swift and the Pennsylvania railroad that became big businesses in the twentieth century. These big businesses adopted similar organisational structures and practices such as the multi-divisional form and management accounting. Importantly, Chandler (1977) argues that the main reason for the similar organisational structures and practices adopted by American big businesses across the industrial sectors was in order to improve the organisational efficiency and fulfil the requirements of the market. As represented in this explanation, the research before the emergence of new institutional theory tended to argue that organizational similarity results from an organization enhancing the efficiency of its activities.

In contrast, new institutional theory explains organisational isomorphism by focusing on institutional isomorphic pressures from the institutional environment. Importantly, new institutional theory highlighted the importance of legitimacy rather than efficiency to explain organisational structures. DiMaggio & Powell (1983) focused on three empirically connected but analytically distinctive isomorphic

pressures: coercive, mimetic and normative. Coercive pressure is exerted by regulatory agencies. By yielding to coercive pressure, organisations obtain legitimacy or social acceptability since they can claim that they satisfy regulative requirements. Mimetic pressure results from uncertainty. Uncertainty indicates that the causal mechanism is not clear regarding the relationship between organisational behaviour and its outcome and therefore organisations are likely to be motivated to imitate other organisations, especially leading ones in the organisational field. This is because imitating leading organisations in the field is likely to bring legitimacy to organisations. Normative pressure is associated with the fact that professionals tend to have their own distinctive norms and networks mainly generated through professional or university education, such as MBAs [Masters in Business Administration]. In other words, these actors share a legitimated way of doing things. For instance, MBA programmes tend to provide standardised education and thus MBA holders are likely to rely on particular assumptions and solutions derived from an MBA education. Moreover, MBA holders may occupy similar positions across the industrial sectors and they contribute to creating organisational norms and hence lead to organisational isomorphism.

According to Scott (2001), new institutional theory tended to focus on normative, regulative and cultural-cognitive aspects of institutional pressure. Importantly, these three aspects are similar to DiMaggio & Powell's (1983) three mechanisms of organisational isomorphism. The Normative aspect indicates, for instance, organisational norms derived from professional networks and their norms developed through professional education as seen above. The Regulative aspect is largely related to pressure exerted by governmental bodies. Legal requirements for an organisation will be a typical example of this aspect. The Cultural-cognitive aspect is associated with actors' assumptions that are usually not doubted, but rather, taken-for-granted. For instance, the effectiveness of an organisational practice that is adopted in a leading company in the organisational field tends to be taken-for-granted even though there is not enough objective data to support its effectiveness or efficiency. All of the forms of action presented in both frameworks are, more or less, related to these three aspects.

It could be argued that early versions of new institutional theory provided completely new insights into the organisational similarity, which was predominantly

explained by emphasising organisational efficiency in relation to the diffusion of a particular organisational structure (e.g., Chandler, 1977).

Regarding these two explanatory frameworks, Scott & Meyer (1991) suggest that organisations are exposed to both an institutional environment and a technical environment. Institutional environments accord legitimacy to organisational actors through institutional pressures from regulatory agencies, market uncertainty and professional norms. On the other hand, technical environments are analogous to competitive markets, requiring organisations to pursue efficiency and effectiveness. Most importantly, Scott & Meyer (1991) argued that these two environments are not mutually exclusive, but rather these two can coexist, as is seen in table 2.1. It should be noted that this was developed approximately 20 years ago and several changes have been observed regarding both of the environments surrounding various organisational fields. For instance, the field of restaurants has observed the development of a centralised kitchen system, which is often adopted by restaurants chain. The centralised kitchen purchase food materials and cook them to be served in restaurants (Itami & Kagono, 2003). Due to this development, the field came to be exposed to stronger technical environments. That said, the essence of this framework is to illustrate that an organisation acts to conform and comply to both technical and institutional pressures found in its normative and market based environments respectively.

Table 2.1 Technical and institutional environments

		Institutional Environments	
		Stronger	Weaker
Technical Environments	Stronger	Utilities banks general hospitals	general manufacturing pharmaceuticals
	Weaker	mental health clinics schools, legal agencies churches	Restaurants health clubs

Source: Scott & Meyer (1991, p.124)

There are four different combinations outlining the varying degrees of influence in both institutional and technical environments. Importantly, depending on organisational fields, the influence of the technical and institutional environment on an organisation varies (Scott & Meyer, 1991). To put it differently, organisations in different organisational fields need to respond to deal with different degrees of both technical and institutional pressures in order to survive.

From each quadrant, a representative organisational field will be exemplified in relation to degrees of technical and institutional environments (banks, pharmaceuticals, health clubs, mental health clinics). The banking field is exposed to stronger institutional environments and stronger technical environments (Scott & Meyer, 1991). For instance, banks need to meet strict legal requirements in order to achieve legitimacy. On the other, banks need to satisfy demand from the market by providing competitive financial products and services. Regarding the pharmaceuticals field, which is located in a strong technical environment and weak institutional environment, continuously developing new medicines plays a key role in the field, while legitimacy plays a less significant role. The field of health clubs is exposed to weaker institutional and technical environments. Therefore, in the field of health clubs, pressure for achieving legitimacy or efficiency tends to be less salient compared to other organisational fields. The field of mental health clinics is exposed to a weaker technical environment and strong institutional environments. That is, mental health clubs concentrate on achieving legitimacy by, for instance, meeting legal requirements, while they put less emphasis on improving efficiency. This is, partly, because the criteria for diagnosing mental diseases remains ambiguous compared to other diseases such as cancer (Scott, 2001).

### **Criticisms of early versions of institutional research**

It has been illustrated that new institutional theory sheds light on previously overlooked environmental influence on organisations, namely the institutional environment. However, the majority of research overly emphasised the influence of institutional environment on actors. Accordingly, there has been growing criticism toward assumptions of earlier versions of institutional studies since around the late 1980s. Most importantly, critics have pointed to earlier institutional theorists' overemphasis on actors' passive responses to institutional pressure and the subsequent unquestionable stability of the institutional arrangement (Dacin et al., 2002;

DiMaggio, 1988; Oliver, 1991;1992; Scott, 2001). In terms of passive responses, criticism is toward the assumption that actors in the organisational field solely follow institutional pressure (Oliver, 1991). Furthermore, critics pointed to new institutional theorists' predominant attribution of the stability of the institutional arrangement to actors' taken-for-granted perception of the institutionalised practice (Scott, 2001).

In other words, it could be argued that institutional theorists, especially at earlier stages in theory development, had focused less on the process of institutionalisation than on the effects of it (Phillips et al., 2004). Therefore, earlier versions of new institutional theory tended to overemphasise the stability of the institutional arrangements and could not adequately deal with the process regarding institutional arrangement-creation, disruption and reproduction.

A growing number of researchers came to argue for the acceptance of organisational as well as individual agency and interests (DiMaggio, 1988; Oliver, 1991). DiMaggio (1988) points out that new institutional theory had dealt ambiguously with the existence of agency and interests in its explanation of phenomena related to organisational isomorphism, and suggests that institutional theorists should adopt agency and interests explicitly, in order to explain broader social phenomena such as creation, maintenance and the disruption of the institutional arrangement. The underlying assumption of this work is that individuals and organisations do not necessarily accept institutional pressure, which was assumed in the earlier version of new institutional theory; instead, they subjectively interpret the external environment based on their interests and intentionally act in relation to the institutional arrangement on that basis (Fligstein, 1991).

### **'Strategic' agency of institutional entrepreneurs**

'Strategic' agency of actors has particularly been focused in relation to Institutional Entrepreneurs. DiMaggio (1988) characterises institutional entrepreneurs as 'organized actors with sufficient resources see[ing] in [creating or changing institutional arrangement] an opportunity to realize interests that they value highly' (p.14). DiMaggio's notion of institutional entrepreneurs is contrasting with passive actors that earlier versions of new institutional theory had assumed.

According to Dorado (2005), institutional entrepreneurs' temporal orientation is directed toward the future. Dorado (2005), drawing on Emirbayer & Mische (1998), defines agency as the temporally embedded process of social engagement of actors.



That is, the degree of actors' self direction, which is dependent on their temporal context. She focuses on 'routine', 'sensemaking' and 'strategic' as possible forms of agency. According to Dorado (2005), 'routine' agency is represented in actors' behaviour when the past is actors' temporal orientation. Under this type of agency, actors repeat past behaviour. When the actors' dominant temporal orientation is associated with the present, 'sensemaking' agency tends to be observed. To put it differently, under this temporal orientation, actors are exposed to uncertainty and actors '...are not expected to follow routines and cannot undertake strategic projects...[i]nstead they are likely to act by making sense of these situations' (p.389). 'Strategic' agency is seen when actors' temporal orientation is towards the future. Under this type of agency, 'hopes, fears, and desires for the future' (p. 389) inform actors' direction and thus actors engage in strategic projects in which actors calculate cause-effect. Institutional scholars' efforts to explicitly accord 'strategic' agency or future temporal orientation to actors are typically represented in research that focuses on IEs or institutional entrepreneurship (Dorado, 2005).

As Leca et al. (2008) indicate, most of the research aiming to elucidate the role of institutional entrepreneurs, would appear to share DiMaggio's (1988) notion of institutional entrepreneurs, and has extended and elaborated this notion rather than challenging it. The development since DiMaggio's seminal work seems to focus on two broad issues. These are the strategies mainly adopted by institutional entrepreneurs, and the conditions that enable institutional entrepreneurs to achieve institutional change.

Firstly, regarding the conditions that enable institutional entrepreneurs to achieve institutional change, Battilana (2006) argues that the social position of actors informs the institutional entrepreneurs' 'strategic' agency. The social position of actors is influenced by the status of actors in the organizational field. That is, different organizations, as well as different social groups, differ in terms of the merit of maintaining the existing institutional arrangement and their access to and possession of resources necessary to maintain or change the status quo. Accordingly, actors in an organization or a social group not benefitting from the status quo are more likely to change the institutional arrangement as institutional entrepreneurs than those benefitting from the status quo.

Secondly, regarding the strategy of institutional entrepreneurs, Fligstein (1997) focused on institutional entrepreneurs' social skills, which enable the institutional

entrepreneurs to link the attempts to change institutionalised practice with the interests of other actors. In brief, social skill enables an actor to fruitfully connect his/her interest with other actors' interests, ultimately enabling the participation of actors. Fligstein drew on the previous EU president Jacques Delors' successful completion of the Single Market Programme, Single European Act and Treaty on European Union by connecting the project with the various interests of the participating countries. For instance, Delors provided a structural fund with south European countries in order to motivate them to participate in the Single Market Programme. Moreover, the research on institutional entrepreneurs has provided useful insights into institutional entrepreneurs' strategy, such as political tactics including negotiation, bargaining and compromise (e.g., Hillman & Hitt, 1999), authentication and regulatory acceptance (Delbridge & Edwards, 2008), setting standards (e.g., Déjean, Gond & Leca, 2004) and theorisation of change (e.g., Greenwood & Suddaby, 2006). This theorisation is examined in the later section since this strategy adopted by institutional entrepreneurs partly represents the growing focus on the role of language in social science and the concept of institutional work, which can be an extension of the concept of institutional entrepreneurs.

### **Institutional work**

The concept of institutional work can be seen as an extension of this line of research in a sense that this concept actively accords 'strategic' agency to multiple actors. This concept was introduced by Lawrence & Suddaby (2006) and indicates 'purposive action aimed at creating, maintaining and disrupting' the institutional arrangement and associated practice (Lawrence & Suddaby, 2006, p.216). As the definition indicates, institutional work, conducted by multiple actors, takes three different forms: creation, maintenance and demolition of the institutional arrangement and associated practice (Lawrence & Suddaby, 2006). Lawrence & Suddaby provide some possible examples of institutional work in each form as seen in table 2.2.

**Table 2.2 Forms of institutional work**

<b>Forms</b>	<b>Definition</b>
<b>Creating institutions</b>	
Advocacy	The mobilisation of political and regulatory support through direct and deliberate techniques of social persuasion
Defining	The construction of rule systems that confer status or identity, define boundaries of membership or create status hierarchies within a field
Vesting	The creation of rule structures that confer property rights
Constructing identities	Defining the relationship between an actor and the field in which that actor operates
Changing normative associations	Re-making the connections between sets of practices and the moral and cultural foundations for those practices
Constructing normative networks	Constructing interorganizational connections through which practices become normatively sanctioned and which form the relevant peer group with respect to compliance, monitoring and evaluation
Mimicry	Associating new practices with existing sets of taken-for-granted practices, technologies and rules in order to ease adoption
Theorizing	The development and specification of abstract categories and the elaboration of chains of cause and effect
Educating	The educating of actors in skills and knowledge necessary to support the new institution
<b>Maintaining institutions</b>	
Enabling work	The creation of rules that facilitate, supplement and support institutions, such as the creation of authorizing agents or diverting resources
Policing	Ensuring compliance through enforcement, auditing and monitoring
Deterring	Establishing coercive barriers to institutional change
Valourizing and demonising	Providing for public consumption positive and negative examples that illustrate the normative foundations of an institution
Mythologizing	Preserving the normative underpinnings of an institution by creating and sustaining myths regarding its history
Embedding and routinizing	Actively infusing the normative foundations of an institution into the participants' day to day routines and organizational practices
<b>Disrupting institutions</b>	
Disconnecting sanctions	Working through state apparatus to disconnect rewards and sanctions from some set of practices, technologies or rules
Disassociating moral foundations	Disassociating the practice, rule or technology from its moral foundation as appropriate within a specific cultural context
Undermining assumption and belief	Decreasing the perceived risks of innovation and differentiation by undermining core assumptions and beliefs

Source: Lawrence & Suddaby (2006, pp.221-235)

While research focusing on institutional entrepreneurs tends to limit ‘strategic’ agency of actors to institutional entrepreneurs, ‘strategic’ agency is not necessarily limited to institutional entrepreneurs in research drawing on the concept of institutional work (Lawrence & Suddaby, 2006). In other words, there is a possibility that various actors including both institutional entrepreneurs and non-institutional entrepreneurs may engage in institutional work. This is important since actors are no longer seen as those blindly achieving legitimacy by conforming to taken-for-granted assumptions.

Regarding this, as seen already, institutional entrepreneurs are those actors who see interests in creating a new institutional arrangement and associated practices against the established institutional arrangement and practices in the organisational field. Therefore, in relation to the concept of institutional work, institutional entrepreneurs engage in institutional work for creation and disruption (Perkmann & Spicer, 2008). While drawing on the concept of institutional work may be useful to further elucidate the creation and disruption of institutionalised practice, it can be inferred that the concept of institutional work for maintenance is qualitatively different from the other two forms of institutional work.

In the case of earlier institutional scholars, they attributed the reproduction of the institutional arrangements to taken-for-grantedness, normative pressure and regulative pressure. However, the notion of institutional work aims to break from this tendency to regard the maintenance as routine behaviour. There is a possibility that ‘strategic’ temporal orientation finds a link with the maintenance of institutionalised practice. Importantly, this purposive maintenance has rarely been explored (Lawrence & Suddaby, 2006; Scott, 2001).

### **Institutional work and strategic responses**

Furthermore, it would be helpful to clarify the link between the concept of institutional work (Lawrence & Suddaby, 2006) and those utilised in previous research, especially those addressing strategic responses to institutional pressure (Oliver, 1991). Both of these frameworks demonstrate active accordance of ‘strategic’ agency. As seen below, these frameworks differ in some aspects but nevertheless complement each other. Particularly, by comparing these two frameworks, the

complementarities between the frameworks and the increasing importance of language can be illustrated in what follows.

Lawrence & Suddaby's (2006) notion of institutional work has similarities with Christine Oliver's (1991) strategic responses to institutional pressures (table 2.3) in a sense that both of the studies provide systematic frameworks for actors' active involvement in the status of the institutional arrangement.

Table 2.3 Strategic responses to institutional processes

Strategies	Tactics	Examples
Acquiesce	Habit	Following invisible, taken-for-granted norms
	Imitate	Mimicking institutional models
	Comply	Obeying rules and accepting norms
Compromise	Balance	Balancing the expectations of multiple constituents
	Pacify	Placating and accommodating institutional elements
	Bargain	Negotiating with institutional stakeholders
Avoid	Conceal	Disguising nonconformity
	Buffer	Loosening institutional attachments
	Escape	Changing goals, activities, or domains
Defy	Dismiss	Ignoring explicit norms and values
	Challenge	Contesting rules and requirements
	Attack	Assaulting the sources of institutional pressure
Manipulate	Co-opt	Importing influential constituents
	Influence	Shaping values and criteria
	Control	Dominating institutional constituents and processes

(Oliver, 1991, p.152)

Oliver (1991) questions the overemphasis of passive actors in earlier versions of new institutional theory. In order to address this criticism, she combines resource dependence arguments (Pfeffer and Salancik 1978) with new institutional theory by classifying from the most passive 'acquiescence', in which actors accept the institutional pressure, to the most active 'manipulation', in which focal actors aim to manipulate those actors exerting the institutional pressure, as seen in table 3. She

states that organizational strategic responses are contingent on the five institutional factors listed below (Oliver, 1991, pp.146-150):

Cause: Why is the organization being pressured to conform to institutional rules or expectations?

Constituents: Who is exerting institutional pressure on the organization?

Content: To what norms or requirements is the organization being pressured to conform?

Control: How or by what means are the institutional pressures being exerted?

Context: What is the environmental context within which institutional pressure is being exerted?

However, these two frameworks are complementary rather than competing against each other in terms of their focus. One of the major differences between Oliver's (1991) notion of strategic response to institutional pressure, and institutional work is the focus of their frameworks. Oliver's framework particularly focuses on actors' responses to institutional pressures derived from the dominant institutional arrangement in the organisational field. Thus, Oliver's framework does not necessarily allow researchers to recognise the agency of actors involved in creating, disrupting and maintaining the institutional environment. It can be argued that the framework of institutional work addresses this shortcoming of Oliver's framework. That is, the concept of institutional work enables a researcher to analyse actors' creation, disruption and maintenance of the institutional pressure derived from the dominant institutional arrangement. However, the concept of institutional work does not necessarily capture the process of actors' responses to institutional pressure. Therefore, these two studies can be complementary in terms of the research focus.

A second major difference is associated with the content of the actions provided by the two frameworks. Lawrence & Suddaby's (2006) framework includes discursive strategies, which are deeply related to rhetoric—political or interest-laden discourse (Suddaby & Greenwood, 2005)—and cannot be found in Oliver's (1991) framework. This is, in part, because of a growing focus on the role of discourse in social scientific research, as Vaara (2002) indicates.

Theorisation for creating a new institutional arrangement and associated practice in Lawrence & Suddaby's (2006) framework demonstrates this increasing

attention to and importance of language use. According to Strang & Meyer (1993), theorisation can be defined as ‘the self-conscious development and specification of abstract categories and the formulation of patterned relationship such as chains of cause and effect’ (p.492) through the use of language.

Moreover, mythologizing—creating a myth regarding the history of the institutional arrangement—for maintaining the institutionalised practice, as well as undermining assumptions and beliefs, in Lawrence & Suddaby’s framework could be associated with language use. In fact, an increasing number of researchers have recently come to recognise the importance of rhetoric, the language of persuasion (e.g., Green, 2004; Suddaby & Greenwood, 2005; Vaara et al., 2006; Vaara & Tienari, 2008). This will be further examined in the next section.

### **Legitimacy**

In further examining the role of language for creating, maintaining and demolishing the institutional arrangement, two issues emerge that need to be addressed. That is, the relationship between language and legitimacy, and the types of language used.

Firstly, the concept of legitimacy is elaborated below. In a nutshell, legitimacy can be classified into three categories depending on the embeddedness to the society (Suchman, 1995). Legitimacy or social acceptability is important for the status of the institutional arrangement. Suchman (1995, p.574) defines legitimacy as follows:

Legitimacy is a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions

As seen from his definition, Suchman’s (1995) definition of legitimacy was related to an organisation. However, as inferred in Lawrence & Suddaby’s (2006) work, the notion of legitimacy has been expanded to the institutional arrangement. That is, legitimacy is a generalised perception or assumption that informs appropriate actions under certain institutional arrangements (Lawrence & Suddaby, 2006). Furthermore, Suchman classifies legitimacy into pragmatic, moral and cognitive legitimacy depending on the degrees of embeddedness. It must be notified that these three types are analytically distinctive but empirically interconnected.

Pragmatic legitimacy 'rests on the self-interested calculations of an organization's most immediate audiences' (Suchman, 1995, p.578). That is, an organisation gains legitimacy when it provides direct or indirect benefit to the immediate audiences. Direct benefit indicates that the outcome of an organisational activity is valuable to the audience, whilst indirect benefit means that organisational activity itself does not necessarily produce the value that satisfies the audience but is congruent with the audiences' interest. Especially, indirect benefit may be observed when an organisation co-opts the audiences.

Zilber (2002) conducted ethnographic research on an Israeli rape crisis centre and focused on the influence of new entrants into the field. She points out that traditionally the centre was dominated by members whose ways of thinking were influenced mostly by feminism. A growing number of new entrants had a preference for therapeutic ideas and the dominant way of thinking in the organisation was changed from feminism to therapeutic. The difference between the two types of participants is that the feminists emphasise political activities rather than the treatment of rape victims. In contrast, new, therapeutic oriented participants stress the treatment of victims. The shift in the organisation's emphasis from 'political advocacy' to 'therapeutic counselling' enabled the organisation to achieve pragmatic legitimacy and helped it to survive (Zilber, 2002, p. 248). Similarly, Dacin et al. (2007) dealt with the concept of legitimacy in relation to strategic alliances. They argued that the strategic alliance has been focused solely on the functions in relation to sharing of resources, developing or supplementing competency, and obtaining competitive advantage. However, they claim that it is equally important that organisations obtain legitimacy through strategic alliances.

Regarding Zilber's (2002), as well as Dacin et al.'s (2007) research, it can be pointed out that they deal with pragmatic legitimacy. This is because Zilber's (2002) work is associated with the shift of the output of the organisation that enabled them to obtain resources necessary for survival, while Dacin et al. (2007) dealt with the adoption of particular organisational structures, which enhanced the chance of organisational survival.

Moral legitimacy is not necessarily related to the interests of the audiences, but reflects the audiences' evaluation of an organisational activity regarding 'whether the activity effectively promotes societal welfare' (Suchman 1995 p.579). The focus of the evaluation may be on the following four categories: the output of the



organisational activity, the procedure or technology adopted in the organisation, the organisational structure adopted in the organisation and leaders or representative figures of the organisation. For instance, in a number of cases, organisational actors partake in charity programmes not because of their direct benefit but because of their support for the outcome of the charity programme such as promotion for museums and arts organisations (Core & Donaldson, 2010). Furthermore, a growing number of companies require their business partners to satisfy the minimum requirement for environmental management such as the acquisition of ISO 14000 environmental management standard (Zuckerman, 2000). Importantly, transacting with those with ISO 14000 standard may not directly benefit the organisation concerned. However, it could be argued that transacting with those with ISO 14000 may contribute to the sustainable development of the society.

Cognitive legitimacy is not based on interest or evaluation of the audience. Rather, cognitive legitimacy embraces the society as a whole and hence is associated with taken-for-granted wider societal beliefs or assumptions. Cognitive legitimacy is associated with the societal template. That is, cognitive legitimacy depends on 'the availability of cultural models that furnish plausible explanations for the organization and its endeavours' (Suchman, 1995, p.582). For instance, institutional logics derived from higher order societal sectors such as family, religion, state, market, profession and corporation provide societal templates regarding how things need to be organised (Thornton, 2004).

### **Rhetoric**

Regarding legitimacy achievement of an institutional arrangement and associated practice, there is an increasing amount of research that focuses on the role of language. Language here tends to be called rhetoric (Suddaby & Greenwood, 2005). By comparing the concept of discourse, the scope of the term rhetoric can be illustrated. Social scientific research, with the increasing attention on the role of language, often draws on the concept of discourse. According to Phillips & Hardy (2002), discourse indicates 'an interrelated set of texts, and the practices of their production, dissemination, and reception, that brings an object into being' (p.3). It should be clear that texts, here, are not necessarily limited to written texts, but include spoken words, pictures, symbols, artefacts, and so on (Phillips & Hardy, 2002).

Suddaby & Greenwood (2005) argue that a key difference between discourse and rhetoric lies in its focus. That is, while discourse embraces a broader range of texts in socio-cultural practice, rhetoric confines its focus on 'political or interest-laden discourse' (Suddaby & Greenwood, 2005, p.40). Regarding this, Erkama & Vaara (2010) argue that the relationship between the discourse and rhetoric is not one-way but two-way. That is, discourse potentially influences rhetoric and vice versa. Rhetoric is enclosed in a wider discourse and by nature is influenced by discourse, on the one hand. On the other, the accumulation of rhetoric may transform discourse.

In the existing literature, rhetoric has been focused upon, in relation to theorisation of institutional change. In fact, as a number of studies (e.g., Greenwood et al., 2002; Hwang & Powell, 2005, Suddaby & Greenwood, 2005) indicate, institutional entrepreneurs draw on theorisation of change. Here, an important issue is the types of theorisation of change. It has been reported that three types of theorisation; emotionality, rationality and credibility, are used in research on rhetoric in organisational analysis (Green, 2004; Herrick, 2001; King & Kugler, 2000). Green (2004) proposed an application of these three types of language use by utilising the concepts of pathos, logos and ethos. With respect to pathos, it attempts to associate the institutional change with emotions of individuals according to Green (2004). Logos aim to link the institutional change with individuals' ambition for efficient/effective action. Finally, ethos tries to link the institutional change with socially accepted norms and mores.

These three basic types of theorisation of change have been elaborated by the following two different empirical studies (Suddaby & Greenwood, 2005; Vaara et al., 2006). Suddaby & Greenwood (2005) focus on rhetorical strategies of proponents and opponents of a new organisational form in the field—multidisciplinary practices (MDP)—, which consists of multiple professions of lawyers, accountants and management consultants. In the process of legitimacy achievement regarding MDP, rhetoric played an essential role. Vaara et al. (2006) deal with the merger of a Finnish state-owned newspaper company and Swedish private newspaper company. They focused on rhetoric, which was utilised to legitimise a new practice namely a merger between the two newspaper companies.

Vaara et al. (2006) and Suddaby & Greenwood (2005) provide classifications of theorisation of change based on their empirical research results. Suddaby & Greenwood (2005) classify recurring forms of rhetoric into ontological, historical,

teleological, cosmological, and value-based theorisation. Similarly, Vaara et al. (2006) present five types of theorisation in legitimacy achievement. That is normalisation, authorisation, rationalisation, moralisation, and narrativisation.

Regarding Suddaby & Greenwood's (2005) classification of theorisation, ontological theorisation rests on the assumption regarding 'what can or cannot co-exist'. While historical theorisation relates to respect of 'history and tradition', teleological theorisation emphasises that the admiration of the past ultimately leads to 'misguided and dangerous' ways. Then, cosmological theorisation highlights the fact that something that will occur is inevitable, 'because of forces beyond the ['strategic'] agency of immediate actors and audiences'. Finally, value-based theorisation stresses the value, or 'normative authority drawn from wider belief systems'.

In relation to the abovementioned three basic types of theorisation, ontological and teleological theorisations (Suddaby & Greenwood, 2005) seem to be congruent with logos theorisation. Ontological theorisation relates to the 'rational' judgement of the coexistence of multiple practices and teleological theorisation entails 'rational' judgement of historical tradition, suggesting to be separated from the old 'inefficient' traditions. Cosmological and historical theorisation would appear to be consonant with pathos. This is because cosmological theorisation points to supra-individual force that is beyond human beings and historical theorisation highlights emotional nostalgia toward historical tradition. Finally, value-based theorisation is compatible with ethos since value-based theorisation emphasises specific norms shared in the society.

Regarding Vaara et al.'s (2006) classification, the normality of a new practice is emphasised in normalisation. In authorisation, the emphasis is put on the authority including personal and impersonal entities. Personal authority includes journalists and established figures such as politicians, while impersonal authority indicates government and law. Rationalisation emphasises benefits of a new practice. Moralisation illustrates specific values in legitimating a new practice. Narrativisation indicates a specific way of reconstructing a phenomenon related to a new practice by portraying specific actors as winners, losers, heroes, enemies and so on.

Regarding the aforementioned basic classification of theorisations into ethos, logos and pathos, Vaara et al.'s (2006) classification seems to be congruent with these basic types. Rationalisation seems to be analogous to logos, since rationalisation emphasises instrumental rationality of a new practice. Normalisation, authorisation

and moralisation seem to be derived from ethos. This is because normalisation, authorisation and moralisation are more or less highlighting specific norms shared in a society. Finally, narrativisation seems to be classified into pathos. This is because narrativisation reconstructs events in a manner that make an emotional appeal to the audience.

As seen above, Suddaby & Greenwood (2005) and Vaara et al. (2006) both derive their types of theorisations from logos, pathos and ethos theorisations. Ontological and teleological theorisation (Suddaby & Greenwood, 2005) as well as rationalisation (Vaara et al., 2006) could be considered as variations of logos theorisation. Cosmological and historical theorisation (Suddaby & Greenwood, 2005) as well as narrativisation (Vaara et al. , 2006) can be variations of pathos theorisation. Value based theorisation (Suddaby & Greenwood, 2005) as well as normalisation, authorisation and moralisation (Vaara et al., 2006) can be derived from ethos theorisation. These are summarised in table 2.4.

Table 2.4 Development of rhetoric

	<b>Suddaby &amp; Greenwood (2005)</b>	<b>Vaara et al. (2006)</b>
<b>Logos (efficient/effective)</b>	Ontological (possibility/impossibility of coexistence), Teleological (break from the tradition)	Rationalisation (emphasising benefits)
<b>Pathos (emotions)</b>	Cosmological (inevitability of a specific event), Historical (admiration of the tradition)	Narrativisation (framing from heroes, losers, winners, enemies etc.)
<b>Ethos (norms &amp; mores)</b>	Value based (norms drawn from wider societal belief systems)	Normalisation (normality of a practice), Authorisation (highlighting authority), Moralisation (specific values)

As seen above, institutional theorists have provided detailed insights into types of theorisation of change.

### **Necessity of an institutional logic approach**

The recent research direction in new institutional theory has suggested the active accordance of 'strategic' agency to various actors. Particularly, it should be noticed that institutional theorists have provided useful insights into different types of rhetoric, which reflects increasing focus on the role of language in social scientific research. However, 'strategic' agency has predominantly been accorded to institutional entrepreneurs in empirical research. As Delbridge & Edwards (2008), as well as Lounsbury & Crumley (2008), argue, actively according 'strategic' agency might result in 'heroic' view of actors and inadequate consideration of structural forces to actors. This is problematic since actors cannot necessarily control every aspect of the institutional arrangement. Furthermore, this over emphasising of 'strategic' agency of actors may overlook the paradox of embedded agency (Leca & Naccache, 2006). The paradox of embedded agency can be summarised as follows: if actors are embedded in an institutional environment, which guide actors' appropriate activities, a question arises regarding how these actors are able to draw on 'strategic' agency.

Regarding this issue, the notion of environmental jolts, often utilised in an institutional logic approach, can fruitfully provide a 'solution'. That is, the environmental jolt, sudden and discontinuous environmental change, provides possibilities of alternative institutional arrangement with actors in the organisational field.

In order to further examine the recent empirical research in new institutional theory, an institutional logic approach will be examined in the next chapter. An institutional logic approach, in which the concept of institutional logics and environmental jolts play key roles, has been frequently utilised by new institutional theorists. An institutional logic approach has elaborated the notion of the institutional environment by drawing on the concept of institutional logic, while it has actively considered exogenous factors by employing the concept of an environmental jolt.

### **Conclusion**

New institutional theory drastically expanded organisational theorists' research focus. That is, not only the technical environment but also institutional environment, in which legitimacy plays important roles, came to be considered in the analysis. It is true that the idea of the institutional environment provides new insights into the organisational analysis, but new institutional theorists at earlier stages of the

theoretical development overly emphasised the influence of the institutional environment to actors in the organisational field.

To put it differently, earlier versions of new institutional theory tended to conceptualise actors as obedient to the institutional arrangement. However, actors may actively deal with institutional environment. This issue has been gradually addressed by according 'strategic' agency and interests to actors in the organisational field.

The recent attempts by new institutional theorists, according 'strategic' agency to various actors, have expanded the scope of the analysis to broader dynamics of the institutional arrangement such as creation, demolition and maintenance of the institutional environment. One of the important achievements regarding this attempt includes insights into rhetoric frequently focused upon in relation to institutional entrepreneurs' theorisation of change.

On the other hand, actively according 'strategic' agency faces an issue of embedded agency. This issue has been addressed by an institutional logic approach by utilising the concept of environmental jolts. This will be examined in the next chapter.

## **CHAPTER 3**

### **AN INSTITUTIONAL LOGIC APPROACH**

#### **Introduction**

In this chapter, the empirical research that aims to adequately address structural influences and actor's agency is systematically examined by focusing on those works drawing on the concept of an institutional logic and an environmental jolt. Those works in an institutional logic approach are chosen since this approach has elaborated the notion of institutional arrangement, while, on the other, considers exogenous factors that inform the dynamics of the institutional arrangement by drawing on the concept of an environmental jolt. Through the examination, research gaps will be identified.

Since the seminal work of Friedland & Alford (1991), an institutional logic approach has provided insights into the dynamics of institutional phenomena by focusing on the possibility of different institutional arrangements provided by different types of interplay of institutional logics. Environmental jolts often create the possibility of alternative institutional arrangements with actors in the organisational field.

The existing research in an institutional logic approach has several shortcomings. Firstly, previous literature has tended to be unclear about the conceptualisation of institutional logics. The existing research remains ambiguous regarding the relationships between the logics observed at the organisational field level of analysis (FILs), and those higher order societal logics (SILs) originally identified by Friedland & Alford (1991). Regarding these relationships, Thornton & colleagues indicate the necessity to connect these (Thornton, 2004; Thornton & Ocasio, 1999; 2008). Yet, their argument does not address the ontological issue regarding the connection between these two. This thesis argues that constructivism underpinning the majority of research in an institutional logic approach cannot adequately inform this issue. Archer (1995) argues that constructivism cannot separate structures from actor's agency in the analysis. That is, constructivism, by nature, cannot adequately conceptualise structures, which are equivalent to institutional logics (Leca & Naccache, 2006; Wry, 2009). In fact, the majority of researchers in an institutional logic approach draw on constructivism and have not adequately conceptualised the interplay of institutional logics. Importantly, this issue can be

overcome by adopting critical realism (CR), which enable researchers to separately analyse structures and agency. CR has a stratified ontology. Recurrent interplay of SILs results in FILs in the deepest domain of the reality called the real. FILs result in institutions in the domain of the actual. Finally, actors experience institutions in the domain of the empirical. Furthermore, the CR perspective indicates that starting from the observable event in the domain of the empirical, researchers can read through the deeper domains of reality. These issues will be further examined in the next chapter.

Secondly, we still do not know much about how actors reproduce FILs over time, in general, and resist institutional change driven by environmental jolts, in particular. The majority of research focuses on the replacement of FILs (e.g., Thornton & Ocasio, 1999; Thornton, 2004; Suddaby & Greenwood, 2005). In fact, Scott (2001) points out that ‘most institutional scholars accord little attention to the issue of institutional persistence’ (p.110). That is, while institutional scholars have increasingly focused on the shift of the institutional arrangement, they have rarely dealt with the reproduction of the institutional arrangement especially in the period of resistance to institutional change.

Thirdly, in relation to the scarce attention to reproduction of the institutional arrangement as well as resistance to institutional change driven by environmental jolts, institutional scholars cannot adequately deal with vested interests of incumbent actors regarding the institutional arrangement. This thesis argues that the deflected attention to incumbent actors’ interests has been caused by the predominant focus on practices in the previous analyses. The concept of practice, by definition, includes those sets of activities legitimated by the institutional arrangement. It should be noted that there is a possibility that this concept might not adequately capture economic interests of incumbent actors. This thesis will illustrate the necessity to elaborate the scope of the notion of practice by addressing both legitimacy and revenue stream. By employing the concept of a business model, which indicates institutionally legitimated activities composing a transactive framework addressing revenue streams (Amit & Zott, 2001), incumbent actors’ interests in revenue streams can be addressed. This is particularly important in analysing business organisations since revenue streams, in addition to legitimacy, play vital roles in the survival of business organisations.

Finally, environmental jolts that tend to entail the conflict of multiple institutional logics have predominantly been regulatory ones in previous research. However, environmental jolts include not only regulatory ones but also technological



ones. Technological jolts may inform actors differently from regulatory jolts. It could be argued that the state tends to be a key player in regulatory jolts. The state 'legitimizes and regulates organizational forms through laws regarding charters and missions' (Potter & Dowd, 2003, p.444). In other words, the state directly legitimizes a new practice. Technological jolts may create a new product (e.g., Tushman & Anderson, 1986), which may result in a new practice. Therefore, examining these two different environmental jolts to the organisational field may provide important insights.

### **The origin of an institutional logic approach**

The institutional logic approach dates back to the seminal work of Friedland and Alford (1991). They argue that contemporary Western society has central social sectors such as 'capitalism, family, bureaucratic state, democracy, and Christianity' (Friedland & Alford, 1991, p.249). They argue that each of these central social sectors 'has a central logic' (Friedland & Alford, 1991, p.248), which is known as an institutional logic at societal level (an SIL).

Friedland & Alford (1991) specifically focus on SILs in different societal sectors. According to them, an SIL includes 'a set of material practices and symbolic constructions—which constitutes its organizing principles and which is available to organizations and individuals to elaborate' (Friedland & Alford, 1991, p.248). Friedland & Alford's notion of SILs includes both material practices and symbolic constructions. Different SILs may, by nature, cause conflict since alternative meanings to the same issue are provided by competing SILs. Conflicts will be observed at the organisational field level (Friedland & Alford, 1991):

When institutions are in conflict, people may mobilize to defend the symbols and practices of one institution from the implications of changes in others. Or they may attempt to export the symbols and practices of one institution in order to transform another (Friedland & Alford, 1991, p.255).

Their argument seems to suppose that one type of SIL establishes a dominant status in an organisational field. As seen in the next section, a number of researchers came to apply an institutional logic approach to various organisational fields.

### **The link between FILs and SILs**

One important development after Friedland & Alford (1991) is that the primary focus of the research has been at organisational field level as seen in table 3.1 in the appendix. Regarding these previous studies, it seems the majority of researchers implicitly assume the difference between FILs and SILs lie in breadth. That is, it seems that the previous research indicates that FILs can be found in an organisational field, whilst SILs can be found in a particular society that implies wider terrain than an organisational field.

While this growing utilisation of an institutional logic approach has demonstrated its usefulness, the link between institutional logics identified at organisational field level (FILs) and societal logics (SILs) has not yet been fully addressed. The majority of studies do not link the FILs with SILs.

Lounsbury (2007) focuses on the U.S. mutual fund field. He argues that Boston based non-growth funds follow the trustee logic as an FIL. This FIL focuses on the utilisation of low-cost investing such as index funds and contracts with professional money management firms because of cost consideration. Growth funds represented in New York, follow the alternative performance logic as an FIL. This logic emphasises funds that can expect higher performance such as riskier funds. They are likely to form contracts with professional money management firms when their orientation is the enhancement of the performance. The performance logic seems to be similar to the market logic whilst the trustee logic seems to be analogous to the logic of profession. The issue of the link with SILs is not addressed.

Bhappu (2000) centres on the Japanese electric manufacturing and automotive field and identifies an FIL. She argues that the logic of family as an FIL informs Japanese corporate networks such as keiretsu networks. According to Bhappu, rights and duties in the Japanese family were learned and practiced as the concepts of 'ko' and 'on'—'ko' referring to duty to parents and 'on' referring to the reciprocal obligations between family members' (p.410). This relationship is characterized by 'a network of hierarchical ties among people within an ie and among ie within a dozoku'<sup>1</sup> (p.411). In Japanese, 'ie' indicates house and 'dozoku' means descent groups. In a family a father locates at the top of the hierarchy, while in dozoku (descent groups), honke (central family) locates at the top of other affiliated families. 'The firm

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<sup>1</sup> Although Bhappu (2000) use 'dozoku', 'dozoku' is more approximate to the Japanese word 同族.

in both the *zaibatsu* –Japanese conglomerates- and *keiretsu* –business affiliations in Japan- is analogous to the *ie* –household in Japanese- in the *dozuku* –kinship groups in Japan-, with *honke-bunke* –indicating central and peripheral families- relationships providing the vertical hierarchy. Central or *honke* positions are occupied by firms with capital. The *honke ie* in the *dozuku* provided the *bunke ie* with capital. Similarly, as do banks in the *keiretsu*, holding companies in the *zaibatsu* provided capital to core industrial firms in their corporate networks. Relational ties between the individual heads of firms or *ie* are characterized by principles of *ko* (duty) and *on* (loyalty), similar to the ties that existed between *ie* in the *dozuku*. The shared rituals and ceremonies within and between firms or *ie* are outward expressions of their shared moral character’ (p.413).

Again, Bhappu’s (2000) insights into the logic of family as an FIL in the fields of Japanese automotive and electric manufacturing fields have an implication for Friedland & Alford’s (1991) SILs. Especially, the detailed historical transition of Japanese social relationships based on family relationships could be one possible variation of the logic of family as an SIL in a non-Western context. However, she does not clarify the link between her FIL and SILs.

In a nutshell, the majority of the existing research does not connect the logics identified in an organisational field (FILs) with Friedland & Alford’s argument. Exceptionally, Thornton and colleagues indicate the necessity of connecting FILs back to SILs, yet they remain unclear regarding ontological issues regarding these two (Thornton & Ocasio, 1999; Thornton, 2002; Thornton, 2004). This issue may be related to the ways of identifying institutional logics, which will be examined in the next section.

### **Necessity of CR perspective**

As mentioned above, exceptionally, a few researchers, especially Thornton and colleagues, refer to the connection between FILs and SILs. However, they do not clarify ontological status of these two logics. Furthermore, they are relatively silent regarding how to identify FILs in relation to SILs. It will be argued that these issues can be fruitfully addressed by adopting a CR perspective.

Thornton (2002) conducted in-depth interviews with key informants in the U.S. higher education publishing, and analysed textual data that informs historical transition of the U.S. publishing sector. Based on these data she identifies editorial

logic, emphasising reputation among editors, and market logic, emphasising return on investment, at the organisational field level. Most importantly, she connects these logics with societal logics. That is, the editorial logic as FIL is largely informed by the logic of profession as SIL, while the market logic as FIL is largely informed by the logic of market as SIL.

Furthermore, Thornton and colleagues consciously extend the original contributors' work (Thornton, 2004; Thornton et al. 2005). For instance, Thornton (2004) elaborated Friedland & Alford's notion of SILs derived from central social sectors to the following higher-order societal sectors: markets, corporations, professions, states, families and religions. In relation to Friedland & Alford's (1991) classification of societal sectors, Thornton and colleagues imply that bureaucratic states can be classified into separate social sectors of corporations and states. Thornton (2004) asserts that FILs are unlikely to be identical to the form of pure ideal types of SILs. Rather, one or some part of the ideal type of SIL can be represented in FILs in the real world setting (Thornton, 2004, p.42).

As seen above, lots of institutional scholars' identification of FILs have not necessarily been connected with SILs. Contrastingly, Thornton and colleagues' approach to the identification of logics explicitly aims to clarify the link between FILs and SILs. That is, according to their frameworks, it can be argued that there exist multiple SILs and some or a particular SIL becomes influential in the organisational field. However, Thornton and colleagues have not provided insights into ontological states of SILs and FILs.

This thesis argues that the issue cannot be solved by adopting constructivism, which has been most influential assumption in new institutional theory (Scott, 2001). Constructivism, by nature, cannot adequately conceptualise structures, which are equivalent to institutional logics (Leca & Naccache, 2006; Wry, 2009). As Archer (1995) argues, constructivism cannot separate structures from actors' agency in the analysis. Accordingly, the researchers drawing on constructivism have not adequately conceptualised the interplay of institutional logics. This can be overcome by adopting stratified ontology provided by critical realism (CR), which enables researchers to separately analyse structures and agency. This issue will be further examined in the next chapter.

### **Scarce attention to institutional reproduction, especially in the process of resistance to institutional change**

In order to critically evaluate the development and identify research gaps, the research direction and key concepts in this approach will be examined based on the systematic review of 48 articles drawing on the concept of institutional logics. In order to trace the development of the institutional logic approach, relevant articles were gathered. The procedure of selecting articles was as follows. Firstly, I conducted a keyword search with 'institutional logic' in JSTOR and EBSCO. As a result, 156 articles in JSTOR and 217 articles in EBSCO were identified (Access: 6<sup>th</sup> of July, 2010). These articles referred to 'institutional logic' at least once in the article. However, some articles referred to 'institutional logic' in the bibliography. Moreover, articles mainly in political science use 'institutional logic' in a significantly different manner from new institutional theory in organizational analysis. Thus these articles were excluded. Moreover, some articles only partially mentioned the term in the literature review section and did not focus on the term widely. After this procedure, several overlaps were found between articles in EBSCO and those in JSTOR. These articles were also excluded. Consequently, 46 articles were chosen. In addition to these articles, Thornton (2004), Thornton et al. (2005) and Thornton & Ocasio (2008) were included in the examination given the substantial contribution of Patricia Thornton to the institutional logic approach.

In this section, by examining the research focus of the existing literature in an institutional logic approach, it will be demonstrated that little is known about how actors reproduce the institutional arrangement over time, in general and resist institutional change driven by environmental jolts, in particular. This issue is important since the maintenance, including the period of resistance to institutional change, composes the important part of the dynamics of institutional arrangements.

Table 3.2 classifies the existing research in a institutional logic approach depending on the interplay of institutional logics. The majority of research focuses on a particular organisational field. In the replacement, the old institutional arrangement is replaced by a new institutional arrangement in an organisational field. The coexistence indicates competing institutional arrangements coexist in an organisational field. The maintenance means the retention of an institutional arrangement over time in an organisational field.

As seen in table 3.2, the majority of research focuses on the replacement of institutional logics in the organisational field. In addition to the replacement of the prevailing institutional logic, the coexistence of the prevailing institutional logics has also widely been addressed. In sharp contrast, maintenance of the prevailing institutional logic has rarely been focused upon. Others in table 3.2 include conceptual papers, those focusing on institutionalization and describing the status quo, which I called static analysis.

Table 3.2 Research focus regarding the types of interplay

Type of interplay	N of articles
Replacement	21
Coexistence	10
Maintenance	3
Others	15
Total	49

The majority of research argues that the old prevailing field-level institutional logics (FIL) and associated practice are replaced by new FIL and new practice, mainly due to environmental jolts (e.g., Suddaby & Greenwood, 2006; Thornton & Ocasio 1999; Thornton, 2002). Moreover, many articles indicated that prevailing institutional logics and associated practices can be transformed into the coexistence of the established and new institutional logics and practices due to environmental jolts (e.g., Dunn & Jones, 2010; Potter & Dowd, 2003; Reay & Hinings, 2009).

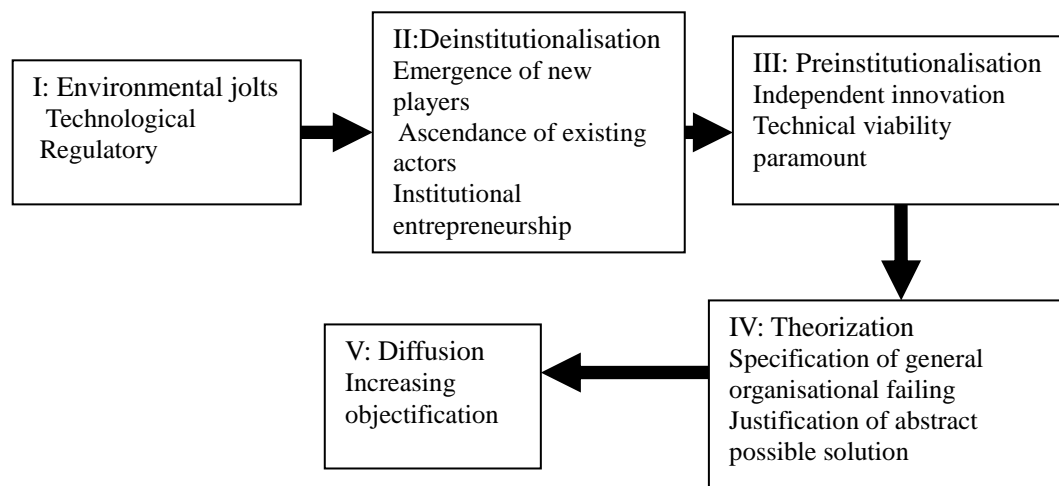
### **Replacement: Process model**

As seen above, by adopting the concept of an institutional logic, the elaboration regarding the analysis of institutional change has been observed in two distinctive manners. Firstly, the institutional environment has been elaborated into different interplay of institutional logics. In a nutshell, different institutional logics guide actors in different ways. Secondly, a source of institutional change has been associated with environmental jolts, which mean sudden and discontinuous events (Chung & Luo, 2008). In brief, environmental jolts provide opportunities for actors, especially institutional entrepreneurs, with a range of alternative institutional arrangements.

This is typically represented in Greenwood et al.'s (2002) process model of institutional change as seen in figure 3.1. Importantly, especially the environmental jolt and theorisation have been widely utilised in the institutional logic approach.

For instance, Rao et al. (2003) illustrate the essential role of the environmental jolt and theorisation in the replacement of FILs in the organisational field. They deal with elite French chefs, who have one or more Michelin stars. They identify a logic of classical cuisine and a logic of nouvelle cuisine. The main components of the logic are culinary rhetoric, rules of cooking, archetypal ingredients, role of the chef, and an organization of the menu. Chefs and gastronomic writers developed the French classic cuisine, originating from the French Revolution in 1789. This classic cuisine became institutionalised through cooking schools and professional associations. However, a May 1968 event in which several students were attacked by police officers provided an environmental jolt to the institutionalised French classic cuisine. In May 1968 event, truth, lightness, simplicity and imagination was emphasised and the event impacted upon various organisational fields in France (Rao et al. 2003). Importantly, these characteristics sharply conflicted with the logic of classic cuisine. Later on in 1970s, counter movement against the existing regime came to be widely observed. Culinary journalists, feeling sympathy to nouvelle cuisine, accelerated the shift of institutional logic. That is, culinary journalists drew on theorisation. In 1972, a monthly periodical that disseminated theorisation supporting nouvelle cuisine was created by culinary journalists. In this periodical, central themes were truth, lightness, simplicity and imagination. Most importantly, these four themes were represented in the May 1968 event. Later on in the 1970s, counter movements against the existing regime came to be widely observed. Ultimately, the new logic became institutionalised.

Figure 3.1. Process model of institutional change



Adapted from Greenwood et al. (2002, p.60)

As seen in stage I, institutional change in the institutional logic approach tended to be associated with an environmental jolt. Meyer (1982) defines a jolt as ‘a sudden and unprecedented event’ (p.515) and an environmental jolt is specifically associated with macro social dynamics (Chung & Luo, 2008). Particularly, a regulatory jolt has been focused on in the institutional logic approach (Dunn & Jones, 2010; Galvin, 2002; Glynn & Lounsbury, 2005; Rundall et al., 2004; Thornton, 2001; Thornton & Ocasio, 1999). That is, the sudden change in regulatory framework such as new legislation (e.g., Dunn & Jones, 2010) and new governmental policy (e.g. Thornton, 2002) behaving as an environmental jolt. An environmental jolt drastically influences actors in the field, since this may strengthen another institutional logic(s). For instance, due to an environmental jolt, a struggle may occur regarding ‘which logic should regulate which activities’ (Townley, 1997, p.263).

Environmental jolts tend to produce conflicts among competing logics and present the possibility of alternative institutional arrangements. In some cases, the environmental jolt results in a drastic change to the status quo (Suddaby & Greenwood, 2005). In a research study dealing with the U.S. financial field, Lounsbury (2002) identifies a regulatory logic (‘ensuring the safety and soundness of the financial system and dismantling the power of monetary trust’ (p.256)) and a market logic (the orientation is toward retail and more competitive). The 1960s and 1970s witnessed innovation in retail-oriented products and services such as credit cards, money market mutual funds, options, and discount brokerages. These



innovations provided opportunities with other service providers to ‘engage in activities historically restricted to banks’ (p.257). Furthermore, professionalization of finance through the founding of professional associations contributed to the decline of the regulatory logic and the proliferation of the market logic.

In a similar vein, Lounsbury & Pollack (2001) argue that the dominant institutional logic has shifted in U.S. higher education from a closed logic to open one. Lounsbury (2002) reports the shift of institutional logic from a regulatory one to a market one in the finance field. Also, Thornton & Ocasio (1999) as well as Thornton (2002) argue that the institutional logic operating in the higher educational publishing in the United States has shifted from editorial logic to market logic. As seen above, a number of researchers have reported the replacement of the organisational field level institutional logic.

At stage II, particular actors, institutional entrepreneurs, take initiative in institutional change project. As seen in the previous chapter, IEs can be defined as ‘organized actors with sufficient resources see[ing] in [changing institutional arrangement] an opportunity to realize interests that they value highly’ (DiMaggio, 1988, p.14). This definition of institutional entrepreneurs has been influential in the institutional logic approach. An issue regarding the definition of institutional entrepreneurs is related to the interests of actors other than institutional entrepreneurs. That is, interests of institutional entrepreneurs are, more or less, addressed in this definition, whilst interests of actors other than institutional entrepreneurs would appear to be overlooked in the existing research. To put it differently, although institutional theorists aim to accord ‘strategic’ agency to various actors by drawing on the concept of institutional work (Lawrence & Suddaby, 2008) and strategic responses (Oliver, 1991), the majority of research tends to emphasise the role of institutional entrepreneurs and overlook other actors other than institutional entrepreneurs (Delbridge & Edwards, 2008; Scott, 2001; Lawrence & Suddaby, 2008). This issue will be further discussed, and the adoption of the concept of business model, will be suggested in the next section.

In the following stages in the process model, institutional entrepreneurs advance the institutional change project (from stage III to stage V). At stage IV, the process model assumes theorization, which can be defined as ‘the deliberate use of persuasive language to legitimate or resist ... dominant institutional logics’ (Suddaby & Greenwood, 2005, p. 41).

In fact, many researchers in the institutional logic approach focus on significant roles of theorization in legitimating new institutional logics and associated practices (e.g., Nigam & Ocasio, 2010; Rao et al. 2003; Suddaby & Greenwood, 2005; Zajack & Westphal, 2004). As Rao et al. (2003) put it, theorization can take many forms:

[Theorisations] originate from many places, ranging from academic researchers to journalists, and can be communicated to the public in various ways, ranging from research articles to media articles (Rao et al., 2003, p.816).

Zajack & Westphal (2004) concentrate on firms listed in Fortune 500 or Forbes 500. Stock repurchase plans were viewed negatively in the 1970s and 1980s. However, in the mid-1980s, due to the shift from a corporate logic to an agency logic, repurchase plans were increasingly viewed positively. When a corporate logic was dominant, stock repurchase plans were regarded ‘as indications that managers lacked attractive investment prospects’ (p.449). In contrast, after the shift to an agency logic, repurchase plans were recognized ‘as a means of preventing managers from wasting free cash flow on empire-building projects’ (p.449). Investors' dissatisfaction with the performance of large companies grew in the mid-1970s and accordingly growing criticism toward executive members' diversification. This criticism is enhanced by the dissemination of agency theory by financial economists. This particular type of theorising which relies on specified cause and effects based on the principal-agent relationship can be a possible form of theorisation. Furthermore, this theorisation has been disseminated mainly through textbooks and formal education.

Sauder (2008) focuses on the U.S. legal education field. Legal education was previously dominated by professionals. However, increasing competitive pressure gradually intensified. This was further accelerated by the entrance of USN (U.S. News & World Report). This is because the rankings of law schools produced and disseminated by USN heightened the competition among law schools. In other words, this entrance of USN was considered to be a growing dissemination of particular forms of theorisation that emphasised competition among law schools.

In brief, the existing research indicates that theorisation can be disseminated through various channels. For instance, regarding Zajack & Westphal's (2004) research, financial economists disseminated agency theory in relation to the role of

managers in companies listed on Fortune 500 or Forbes 500. Similarly, theorisation through USN helped to change the institutional arrangement in the U.S. legal education field (Sauder, 2008).

In summary, it has been illustrated that the institutional logic approach argues that environmental jolts provide actors in the organisational field with opportunities for enabling alternative institutional arrangements. Importantly, certain actors, namely institutional entrepreneurs, launch institutional change projects when they have interests in changing the institutional arrangement. It should be noted that although a few exceptional studies have paid attention to defending rhetoric by incumbent actors, who aim to defend the established institutional arrangement (Misangyi et al., 2008; Nigam & Ocasio, 2010; Suddaby & Greenwood, 2005), the majority of work solely focuses on institutional entrepreneurs and their theorisation of change. Most importantly, what is missing in the previous research is that environmental jolts may enhance incumbent actors' adherence to the established institutional arrangement. This inadequate attention to the role of incumbent actors in analysing the interplay of institutional logics has a limitation. That is, it has resulted in the scant attention to the maintenance of the institutional arrangement, including the period of the resistance to institutional change. In the process of the reproduction of the established institutional arrangement and the resistance to institutional change, incumbent actors are likely to play central roles.

### **Maintenance and the period of resistance to institutional change**

The maintenance of the institutional arrangement has not necessarily totally been overlooked in the previous research. In fact, in table 3.2, three existing works have been identified to deal with institutional reproduction (Bhappu, 2000; Hyvonen et al., 2009; Misangyi et al., 2008). However, as seen below, this research cannot fully capture the involvement of incumbent actors to the maintenance of the institutional arrangement.

Hyvonen et al. (2009) as well as Bhappu (2000) analyse the institutional reproduction without directly referring to the vested interests of incumbent actors in their research and hence do not address the issue of the resistance to institutional change. Bhappu (2000) emphasises the influence of the institutional arrangements to actors in the organisational field. She argues that the family logic (emphasizing

solidarity of business affiliation) in the Japanese companies is based on the examination of historical transition of family concepts in Japanese society.

Hyvonen et al. (2009) argue that institutionalised decision-making, largely informed by the dominant institutional arrangement, enabled the organisation to maintain the status quo. In fact, they indicate that an ERP (Enterprise Resource Planning) implementation project was initiated in FDF (Finnish Defence Force) and it had the potential to change management accounting practices. Two organizational units in FDF, Defense Staff (DS) and Defence Forces Material Command (DFMC), responded differently to the pressure. While DS responded more actively, DFMC acquiesced. However, little has changed in terms of the two organizations' management accounting practice. This is because both of these organisational units share institutionalised decision-making. That is, uniformed officers already did substantial decision-making regarding the implementation of ERP before the accountants were finally involved the project. Thus, the new information system ended up reinforcing the status quo in terms of management accounting (Hyvonen et al., 2009, p.268).

In sharp contrast to the above mentioned two works, it has been shown that Misangyi et al. (2008), by way of exception, address vested interests of incumbent actors. They focus on Bosnia and Herzegovina's institutionalised corruption. According to Misangyi et al. (2008), social networks are created according to either a friend or an enemy basis. This social network has provided opportunities and resources (economic, cultural, social and symbolic) for maintaining the corruption-enabling institutional logic and associated practices, namely corruption and resisting institutional change. Institutional entrepreneurs, aiming to promulgate the new collective identities that are against the corruption, are likely to draw on rhetoric. However, those benefiting from the status quo, also utilise theorization in order to oppose change. For example, if the opponents of corruption argue that poverty is the outcome of corruption, their opponents claim that poverty is the cause of corruption and first and foremost, poverty needs to be addressed rather than corruption (Misangyi et al., 2008).

Importantly, as seen above, Misangyi et al. (2008) argue that those benefiting from the corruption support the corruption and those not necessarily benefiting from the corruption oppose the corruption. This attention to interests of both institutional entrepreneurs and incumbent actors provides useful insights into the involvement of

incumbent actors in the institutional arrangement. However, the interest here remains blurred.

That is, interests of actors in this research could be related to both monetary and non-monetary benefits. Misangyi et al.'s (2008) research does not deal with business organisations and thus this issue regarding interests in monetary and/or non-monetary benefits does not seem to affect the analysis. However, this issue will be particularly crucial in dealing with business organisations. This is because business organisations, by nature, need to generate revenue streams in order to survive. Therefore, it can be argued that actors in business organisations have interests in revenue streams and they are likely to protect these interests. However, the existing research cannot adequately capture this aspect.

As seen in the next section, this thesis argues that insufficient attention to institutional reproduction, especially in the period of resistance to institutional change, results from inadequate attention to actors' interests. This thesis suggests sharpening the scope of actors' interests and thus adopting the concept of the business model vis-à-vis that of practice in the analysis in order to embrace actors' interests in revenue streams. By doing that, the focus of the empirical research may be bound to business organisations, but on the other hand, the interests of actors in revenue streams can be clarified. This is because, revenue streams play crucial roles in the survival of, especially, business organisations (Madon et al., 2009; Reimann, 1982; Varadarajan, 2009) and the concept of practice cannot adequately capture actors' interests in revenue streams since it, by definition, concentrates upon legitimacy (Friedland & Alford, 1991).

### **Actors' interests in revenue stream**

This thesis argues that scarce attention to incumbent actors' interests partly result from overly broad definitions of 'interests' in new institutional theory. In other words, new institutional theorists treat actors' interests on an ad-hoc basis. As Leca et al. (2008) argue, new institutional theorists have basically adopted DiMaggio's (1988) definition of institutional entrepreneurs, in which interests of institutional entrepreneurs are broadly defined.

As seen in the previous chapter DiMaggio's (1988) explicit attention to interests of actors is contrasting with passive actors that earlier versions of new institutional theory had assumed. On the other hand, although DiMaggio (1988) tried

to narrow down interests of actors by specifying 'interests they value highly', it would appear that DiMaggio's (1988) usage of interests are, as a result, kept vague.

Presumably, focusing on a broader range of 'interests' has enabled the empirical research on various organisational fields especially including non-business sectors such as NPOs and countries. In fact, Galaskiewicz et al. (2006) focus on NPOs (Non-Profit Organizations) in the U.S. According to them, there are two different types of NPOs. One relies on donation, while the other depends on fees and earned income. Accordingly, they identify two different logics that are associated with these two different types of NPOs. They identify a donative logic 'in which nonprofits depend on donations and grants, which is based on relationships, a shared sense of mission, and trust' (p.342) and a commercial logic 'in which nonprofits depend on fees and earned income, which is based on price, quality, and consumer choice' (p.342). Most importantly, they argue, these two NPOs and according institutional logics coexist. This is because reputation among urban elites and other NPOs significantly influence the growth of donative types of NPOs, while reputation is of secondary importance for self-sustained NPOs.

Kim et al. (2007), focusing on the process of electing South Korean university presidents, deal with the institutional logic of developmental dictatorship (the authoritarian ideology) before the mid-1980s, and institutional logic of democracy after the mid-1980s. Furthermore, Kshetri (2007) argues that the old logic of the CCP (Chinese Communist Party) assumed that entrepreneurship leads to an income gap, which in turn generates social frustration and ultimately leads to distrust in the CCP. In contrast, the new logic of the CCP emphasises that a richer economy can enhance the respect for the CCP. Considering the political condition of China, it can be inferred that the logic of the CCP can be one of the most important organising principles in Chinese society.

However, especially where business organisations are concerned, this overly broad scope blurs the nature of interests of actors. This is because interests in the revenue stream play vital roles in business organisations (e.g., Schweiser, 2007). In order to specifically analyse business organisations, it would be fruitful to focus on actors' interests in the revenue stream. In order to explicitly deal with this issue, I suggest adopting the concept of a business model, which contributes to clarifying actors' interests in revenue streams.

Regarding this, institutional theorists tend to focus on the institutional arrangement and associated practices. This is because, as seen above, following the works of the original contributors of an institutional logic approach, Friedland & Alford (1991), adopted the original contributors' definition of an institutional logic, which emphasised symbolic constructs and, most importantly, material practices. In the next section, the potential advantage of adopting the concept of a business model vis-à-vis practice will be further illustrated.

### **Practice vis-à-vis business model**

As shown above, institutional theorists tended to focus on practice in analysing the dynamic process of institutional arrangement. The notion of practices in the existing research indicates a set of 'appropriate' activities guided by the institutional arrangement (Thornton & Ocasio, 1999; Thornton, 2002; Zajack & Westphal, 2004). In other words, practice embraces activities that are legitimated by the institutional arrangement. As seen below, this thesis does not intend to deny this notion of practice. Rather, it argues that the focus of the analysis can be sharpened and extended by adopting the concept of a business model. Most importantly, by the concept of a business model, actors' interests in the revenue stream can be better addressed as long as business organisations are concerned. This is because not only legitimacy but also revenue stream play significant roles in the survival of business organisations. In what follows, the concept of a business model embracing particular types of practices will be shown.

The definition of business model has been fuzzy (Casadesus-Masanell & Ricart, 2011; George & Bock, 2011; Schweizer, 2005). Furthermore, as Timeers (1988) points out, the term business model is frequently adopted without definition. In fact, in recent studies, Escobar & Vrendenburg (2011) treat the term business model without an articulated definition.

George & Bock (2011) examine the historical transition of research articles, which deal with the concept of a business model. Consequently, they argue that the existing body of knowledge regarding the concept of business model can be derived from the following six academic themes: (1) organisational design (Timmers, 1998), (2) the resource-based view (Mangenmatin et al., 2003), (3) narrative (Margetta, 2002), (4) the nature of innovation (Chesbrough & Rosenbloom, 2002), (5) the nature of opportunity (Downing, 2005), (6) transactive frameworks (Amit & Zott, 2001).

Regarding these, the essential component of the definition differs. However, it can be argued that any definition of the term involves particular types of practices related to the following themes: (1) organisational configurations (2) firms' internal resources (3) scenario for business activities shared in the organisation (4) technology (5) opportunities in the organisational environment (6) transactions.

Among these definitions, this thesis specifically adopts the definition of a business model developed in relation to transactive frameworks, which govern the exchange activities of a particular product, service or information. That is, a transactive framework defines key actors in the transaction and types of activities they engage in. The selection of this definition can be justified in relation to the revenue stream to incumbent actors. Put differently, Amit & Zott's (2001) definition of the concept of a business model captures the revenue stream by embracing the transactive frameworks that generate 'value through the exploitation of business opportunities'.

### **The concept of a business model for institutional logic approach**

The existing body of knowledge for an institutional logic approach has not totally overlooked the revenue stream to actors in the organisational field. Rather, the focus on this issue has been blurred. In fact, some of the previous research embraces the concept of business model. This is especially the case with previous studies focusing on business organisations.

For instance, Thornton's research on U.S. higher education publishing (Thornton & Ocasio, 1999; Thornton, 2002; Thornton, 2004) pays attention to the revenue stream of actors. Through the examination of American higher education publishers, they identify one set of practices which is underpinned by the profession logic and another that is supported by the market logic. The former practice, which was appropriate under the prevailing influence of the profession logic, indicates that publishers concentrate on enhancing their reputation and increasing sales. The latter practice, which was 'appropriate' under the prevailing influence of the market logic, means that publishers concentrate on improving the market position and increasing profits.

Obviously, a new and an old set of practices identified in Thornton's studies (Thornton & Ocasio, 1999; Thornton, 2002; Thornton, 2004) include appropriate activities that generate revenue streams. It can be inferred that despite the change in institutional arrangement, the publishers continued to create books and provided them



with customers in order to maintain the revenue stream. However, since Thornton & Ocasio (1999) do not focus on revenue streams, it is not necessarily clear whether there was a drastic change regarding the revenue stream in the American higher education publishing field before and after the institutional change. That is, especially the economic interests of American higher education publishers remain unclear in Thornton's research (Thornton & Ocasio, 1999; Thornton, 2002; Thornton, 2004)<sup>2</sup>.

By adopting the concept of a business model, the analysis can sharpen the focus on the vested interests of incumbent actors. The general concept of practice, a set of appropriate activities under certain institutional arrangements (e.g., Thornton & Ocasio, 1999), cannot adequately capture the aspect in which organizations provide products and services in exchange for the revenue stream. Consequently, I define the term business model as a specific set of practices consisting of transaction frameworks that address revenue streams.

### **Regulatory and technological jolts**

As seen in figure 3.1, many works drawing on the institutional logic approach have focused on environmental jolts, or more specifically on regulatory discontinuity, which tend to entail alternative institutional arrangement<sup>3</sup>. However, as seen below, an environmental jolt includes not only a regulatory jolt but also a technological jolt.

Thornton's research on U.S. higher education publishing (Thornton, 2002; 2004; Thornton & Ocasio, 1999) indicates that a discontinuity in governmental policy played a key role in enhancing the market logic in the American higher education publishing field. According to Thornton (2002), the U.S. government implemented a new policy in which they planned to construct a number of new colleges and universities in order to accommodate baby boomers. These constructions played key roles in transforming the institutional arrangement in the U.S. higher education publishing field. The new construction of colleges and universities enlarged the demand for college-level books. Consequently, the competition increased and publishers needed additional capital. In some cases publishers chose to be acquired by other companies since the market expansion attracted managers outside the field. In

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<sup>2</sup> It should be noted that Thornton's main focus lies in analysing the transformation of organisational structures rather than revenue stream.

<sup>3</sup> Regarding types of environmental jolts, Hoffman (1999) indicates both technological and regulatory discontinuities could be environmental jolts. However, as seen above, the majority of research has been focusing on regulatory jolts, which may lead to alternative institutional arrangements.

other cases, publishers chose to go public. Once the growth of the market stopped and started to decline in 1975, the competition became intensified. This increasing presence of competition, or the growing influence of the market logic, was represented by the establishment of magazines in the publishing field that provided information related to competitive position (Thornton, 2004). Furthermore, regarding the acquisition of publishers, an increasing number of investment bankers specializing in the publishing field (previously their speciality was not in the publishing field) came to make deals of acquisition of publishers.

Galvin (2002) indicates that the public attention logic was one form of the prevailing institutional logics in the U.S. healthcare field, which replaced the logic of the healthcare. Under the public attention logic, attention tended to be paid to patients as well as other non-medical professionals in legal, business and societal coordination. This is contrasting with the logic of the healthcare field that was predominantly focusing on the role of physicians and the medical professionals. According to Galvin (2002), the legislation of the Medicare Act of 1965 behaved as an environmental jolt. The Medicare Act of 1965 increased the governmental roles for health planning. In turn, previously taken-for-granted assumptions that medical doctors knew best were increasingly challenged. Consequently, the public attention logic came to increase its presence.

Similarly, Dunn & Jones (2010), focusing on the U.S. medical education field, identify a science logic and a care logic. They argue that ‘a science logic focuses on knowledge of diseases built through research and innovative treatments, whereas a care logic highlights physicians’ clinical skills used to treat patients and improve the health of the community’ (Dunn & Jones, 2010, p.116). According to them, growing numbers of medical schools have been newly established since 1963 due to a change in governmental policy. This decision behaved as an environmental jolt. In fact, these new medical schools have put an educational emphasis on primary care (care logic) rather than on medical research (science logic).

Rundall et al. (2004) identified an institutional logic favouring the separation of physicians and hospitals, and a market logic which emphasises efficiency and promotes organizational integration of physicians and hospitals in the U.S. medical field. They argue that the market logic enhanced its influence due to environmental jolts. Regarding this, they point out that two policy changes helped unfold the market logic. One was the change in payment to physicians and hospitals and consequently

the reduction in revenue of physicians and hospitals. Ultimately, hospitals and physicians started to seek ways to reduce the costs. The second policy change was that public and private health plans increasingly adopted competition for contracting with hospitals and physicians.

In a different manner, Glynn & Lounsbury (2005) illustrate an organisational jolt. They focus on the U.S. symphony orchestra field, or more specifically critics' reviews of the Atlanta Symphony Orchestra. They identify the aesthetic logic, emphasising artistic aspects of symphony orchestras, and the market logic, emphasising commercial aspects of symphony orchestras, in the organisational field. According to Glynn & Lounsbury, a strike by musicians of the Atlanta Symphony Orchestra made the blending of the market and the aesthetic logic salient. That is, this strike 'made vivid the problem of increasing resource constraints and the need to more consciously engage in ideas and practices related to the market logic at the risk of bastardizing the historically understood *raison d'être* of symphony orchestras' (p.1034). As seen in this work, jolts are not necessarily limited to discontinuity in governmental policy. Glynn & Lounsbury's emphasis on a strike can be called an organisational jolt vis-a-vis an environmental jolt.

Although the majority of works reviewed above deal with a drastic change in regulatory policy as an environmental jolt, Hoffman (1999) indicates both technological and regulatory discontinuities could be environmental jolts. However, as seen above, the majority of research has been focusing on regulatory jolts.

Technological jolts or technological discontinuities have typically been analysed in relation to innovation management (Birkinshaw et al. 2007; Christensen, 1997; Noke et al. 2008; Tushman & Anderson, 1986). As Tushman & Anderson (1986), drawing on Rosenberg (1972), put it, technology can be defined as 'tools, devices, and knowledge ... that create new products or services' (p.440). Tushman & Anderson (1986) argue that technology can be either continuous or discontinuous in terms of social and economic impacts. They assume a cycle in the development of technology. That is, 'technological change is a bit-by-bit, cumulative process until it is punctuated by a major advance' (Tushman & Anderson, 1986, p.441). Indeed, this 'major advance' can be called technological jolts or technological discontinuities.

It should be clear that technological jolts or technological discontinuities shake the organisational field (Anderson & Tushman, 1990; Tushman & Anderson, 1986). Consequently, product replacement may take place. In fact, according to Marcher &

Richman (2003), Kodak had played a leading role in chemical-based photography. However, as the digital technology develops, digital cameras increasingly replaced chemical-based photography, Kodak faced a number of difficulties (Marcher & Richman, 2003). Importantly, as Marcher & Richman (2003) indicates, the difficulties result from discontinuity between technology underpinning the film camera and that underpinning the digital camera.

Furthermore, technological jolts have been observed in various organisational fields: the replacement of piston engines by jet engines, the replacement of mechanical typing by electronic typing, the replacement of x-rays by CT scanners and the replacement of discrete transistors by integrated circuits (Anderson & Tushman, 1990; Tushman & Anderson, 1986).

As seen above, technological jolts have mainly been treated in innovation management. Comparing the research dealing with the technological jolt with that dealing with the regulatory jolt, important differences can be pointed out. Regarding the primary focus of the research, the research dealing with the regulatory jolt tends to focus on the institutional arrangement and associated practice, while that dealing with the technological jolt focuses on the product of firms. In other words, the existing research dealing with the technological jolt seems to overlook the impact of technological jolt to the institutional arrangement and associated practice.

### **Research gaps**

As seen in the previous chapter, this research draws on institutional theory, especially theory drawing on the concept of an institutional logic in the analysis of the process regarding the institutional arrangement. Recent studies have provided useful insights especially into the role of rhetoric. However, there are shortcomings as seen in this chapter.

Firstly, the existing research has not provided sufficient insights into the conceptualisation of institutional logics. With respect to the relationship between FILs and SILs, Thornton & colleagues argue for the necessity to connect these but do not explain the ontological issue regarding the connection. This thesis argues that the ontological issue cannot be solved by adopting constructivism, which has been most influential assumption in new institutional theory (Scott, 2001). This is because constructivism cannot separate structures from actors' agency in the analysis (Archer, 1995). Consequently, constructivism cannot adequately conceptualise structures,

which are equivalent to institutional logics (Leca & Naccache, 2006; Wry, 2009). In fact, researchers drawing on constructivism have not adequately conceptualised the interplay of multiple SILs, which shape FILs. Furthermore, constructivism cannot provide a systematic procedure for identifying FILs and SILs in the focal organisational field. Importantly, these issues can be overcome by adopting the stratified ontology provided by CR, which enables researchers to analytically separate structures and agency (Archer, 1995). Regarding structures, SILs and FILs can be conceptualised as follows. Depending on the context, SILs shape FILs in the deepest domain of the reality called the domain of the real. FILs result in institutions in the domain of the actual. Finally, actors experience institutions in the domain of the empirical. According to the CR perspective, these stratified relationships can be analysed by drawing on retroduction, in which researchers read through deeper domains of reality by starting from the domain of the empirical. These issues related to CR will be further examined in the next chapter.

Secondly, we still do not know much about how incumbent actors reproduce FILs over time, in general, and resist institutional change driven by environmental jolts, in particular. As demonstrated above, the existing research predominantly focuses on the replacement of FILs. In contrast, studies have rarely dealt with the reproduction of the institutional arrangement especially in the period of resistance to institutional change. The previous research has provided useful insights into process in which institutional change takes place. Particularly, as seen in chapter 2, the previous research has elaborated types of rhetoric predominantly in relation to institutional entrepreneurs. However, little is known about how incumbent actors utilise rhetoric in order to resist institutional change.

The third research gap is related to the second research gap. It can be pointed out that institutional scholars tend to overlook vested interests of incumbent actors regarding the institutional arrangement. Importantly, this thesis argues that the deflected attention to incumbent actors' interests result from the predominant focus on actors' practices in the analysis. In order to capture one of the primary interests of incumbent actors, especially those in business organisations, this thesis demonstrates the necessity to sharpen the scope of the notion of practice. In order to achieve this, it was suggested to sharpen the concept of practices by adopting the concept of a business model, which can be defined as a transactive framework addressing revenue streams (Amit & Zott, 2001). By employing the concept of a business model,

incumbent actors' interests in revenue streams can be addressed. This is particularly important in the analysis of business organisations, in which not only legitimacy but also revenue streams play vital roles in their survival.

The final research gap is related to types of environmental jolts. The existing research predominantly focuses on regulatory jolts as drivers of institutional change. However, environmental jolts include not only regulatory ones but also technological ones. Importantly, there might be a difference between regulatory jolts and technological jolts in terms of its influence to actors in the organisational field. It could be argued that the state legitimate or regulate a new practice in regulatory jolts. On the other hand, technological jolts may shape a new product in the organisational field. A new product may result in a new practice. Therefore, these two different types of environmental jolts might affect incumbent actors differently.

### **Research questions**

From these research gaps, the following research questions can be drawn:

1. What is the relationship between institutional logics at organisational field level (FIL) and institutional logics at societal level (SIL)?
2. How do incumbent actors resist institutional change projects by way of rhetoric?
3. What are actors' vested interests in resisting institutional change?
4. What differences can be observed between institutional change projects initiated by technological jolts and regulatory jolts?

These research questions respond to the abovementioned research gaps in the previous research.

Of these questions, the first one can be addressed by employing Critical Realism (CR). That is, the FILs and SILs can be better conceptualised by adopting the stratified ontology provided by CR. In a nutshell, stratified ontology conceptualises FILs and SILs in the deepest domain of the reality, namely the domain of the real. Furthermore, CR has an implication for the rest of the research questions. In order to investigate deep structural influences, CR suggests retrodution, in which a researcher read through deeper domains of reality from the observable events. This procedure will be examined in the next chapter.

## **CHAPTER 4**

### **METHOD**

#### **Introduction**

In what follows, philosophical positions adopted in new institutional theory are firstly explained. Then, I will clarify the philosophical underpinnings of this research. Institutional theory was proliferated under the strong influence of constructivism. However, especially in relation to the institutional logic approach, a constructivist assumption has several defects. Importantly, SILs and FILs remain blurred under a constructivist assumption. As a philosophical backbone of this thesis, CR is examined. It will be demonstrated that ontological and epistemological assumptions of CR would be fruitfully utilised for conceptualising the relationship among SILs, FILs and actors' agency. Then, I will clarify the retroduction procedure adopted in this thesis. CR perspective examines the structural empirical tendency, actors' interests, time and context in order to analyse the outcome of the social phenomena (Houston, 2010). Following Houston (2010), the four essential steps to achieve retroduction are addressed. These four steps include asking transcendental questions, clarifying hypothetical relationships among theoretical concepts, the collection of evidence (data), and the elaboration of the hypothetical relationships among theoretical concepts by analysing evidence.

#### **Critical Realist perspective on an institutional logic approach**

This thesis argues that the first research gap results from the conflation of structure and agency in previous research. That is, the previous research on the institutional logic approach has been based on constructivist ontology, which has been a tradition in new institutional theory since the seminal work of Berger & Luckmann (1967). Importantly, constructivism has not treated structures and agency as analytically separable entities (Leca & Naccache, 2006). This is partly because they only have flat ontology and cannot treat systematically the interplay of multiple structures (Sayer, 2001), which is represented in the flawed conception of FILs and SILs in an institutional logic approach. CR, especially its stratified ontology, could fruitfully inform an institutional logic approach, especially the link between FILs and SILs. Leca & Naccache (2006) as well as Wry (2009) also draw on the CR perspective in conceptualising institutional logics. In what follows, mainly drawing on these works,

the implication of stratified ontology for an institutional logic approach will be examined.

CR makes the distinction between the domain of the real, the domain of the actual and the domain of the empirical (Bhaskar, 1975). In the deepest domain of the reality, CR assumes the domain of the real (Ackroyd & Fleetwood, 2000). The domain of the real indicates multiple structures, which CR assumes are always preexisting givens (Fleetwood, 2008; Leca & Naccache, 2006). Structures can be physical or social and most importantly entail a generative mechanism, which is ‘capacities to behave in particular ways’ (Sayer, 2000, p.11). Ackroyd & Fleetwood’s (2000) example illustrates the nature of generative mechanisms. They argue that an aircraft, even if it remains locked in a hangar, has the capacity to fly. Similarly, Ackroyd & Fleetwood (2000) exemplify a manager’s capacity to exercise control, even if it is not explicitly exercised. Godard (1993) puts this in a succinct manner:

[Social phenomena] occur subject to relatively enduring economic and social-structural arrangements... These arrangements do not strictly determine action, but they constitute the objective reality within which it takes place, and hence are reflected in the motives and meaning system of actors...not in the form of determinate outcomes but rather in the form of “empirical tendencies” (Godard, 1993, pp. 290-291)

Empirical events may be caused by the generative mechanisms, which originates from a particular structure and tend to be influenced by other generative mechanisms derived from other structures. Therefore, it should be noted that the existence of a particular structure does not necessarily mean a particular event must happen. Rather, the existence of a particular structure means that a particular event will or can happen under certain conditions (Tsang & Kwan, 1999, p.762). As Sayer (2001) argues, the same events such as job loss could occur through a different combination of structures and generative mechanisms. CR assumes that the domain of the real comprises multiple structures with generative mechanisms. These multiple generative mechanisms interplay in the domain of the real (Bhaskar, 1975).

The previous research regards institutional logics as equivalent to structures in the domain of the real (Leca & Naccache, 2006; Wry, 2009). This thesis supposes that



multiple SILs, depending on the interplay such as counteraction, interaction and combination, result in FILs.

The SIL entails generative mechanisms that will or can guide actors in a particular manner under certain conditions (Godard, 1993, pp.290-291). Thornton (2004) and Thornton et al. (2005) demonstrates ideal types of SILs. That is, as seen in table 4.1, she illustrates certain properties of the market logic, the corporation logic, the religion logic, the family logic, the state logic and the profession logic. She draws on Max Weber's classical literature, 'Economy and society' in giving richness and depth to ideal types of SILs. Importantly, although Thornton (2004) as well as Thornton et al. (2005) do not call these generative mechanisms, it can be argued that these properties can be examples of generative mechanisms derived from SILs.

Table 4.1 Suggested conceptualisation of generative mechanisms derived from SILs

Key characteristics	<b>Markets</b>	<b>Corporations</b>	<b>Professions</b>	<b>States</b>	<b>Families</b>	<b>Religions</b>
Economic system	Investor capitalism	Managerial capitalism	Personal capitalism	Welfare capitalism	Personal capitalism	Occidental capitalism
Sources of identity	Faceless	Bureaucratic roles quantity of production	Personal reputation quality of innovation	Social class political ideology	Family reputation father-son relations	Occupational & vocational association with deities
Sources of legitimacy	Share price	Market position of firm	Personal expertise	Democratic participation	Unconditional loyalty	Importance of magic in economy
Sources of authority	Shareholder activism	Board of directors management	Professional association	Bureaucratic domination political parties	Patriarchal domination	Personal charisma of prophet power & status of priesthood
basis of norms	Self interest	Employment in firm	Membership in guild	Citizenship in nation	Membership in household	Membership in congregation
Basis of attention	Status position in market	Status position in field	Status position in network	Status position of interest group	Communism of household	Relation of individual to supernatural forces
Basis of strategy	Increase efficiency of transactions	Increase size & diversification of firm	Increase personal reputation & quality of craft	Increase community good	Increase family honor, security and solidarity	Increase magical symbolism of natural events
Learning mechanisms	Competition prices	Competition training & routines subunit of firm	Cooperation apprenticing relational network	Popular opinion leadership	Sponsorship	Analogy & parable formulae of prayer routinization of preaching
Informal control mechanisms	Field analysts	Organization culture	Celebrity professional	Backroom politics	Family politics	Worship of calling
Formal control mechanisms	Enforcement of regulation	Board & management authority	Internal & external peer review	Enforcement of legislation	Rules of inheritance & succession	Rationalization of usury & norms of taboos
Forms of ownership	Public	Public	Private	Public	Private	Private
Organization form	Marketplace	M-form organization	Network organization	legal bureaucracy	Family partnership	Religious congregation office hierarchy

Source: Thornton (2004, pp.44-45)

The generative mechanisms originating from a particular SIL is influenced by other generative mechanisms derived from other SILs (Sayer, 2001). Possible interplay of SILs could include interaction, counteraction and combination (Wry, 2009). As a result of the interplay of SILs, all or some generative mechanisms of a particular SIL or particular SILs tend to be influential in the organisational field for a lengthy period of time (Thornton & Ocasio, 2008). This 'situated' interaction of multiple generative mechanisms in the organisational field can be understood as giving rise to FILs.

As seen already, Thornton & Ocasio (1999) argue that the editorial logic in the American higher education publishing field can be derived from the profession logic, while the market logic in the organisational field can be parallel to the market logic at societal level. Based on CR, it can be understood that the interplay of multiple generative mechanisms derived from SILs resulted in the editorial logic and the market logic as FILs. Importantly, generative mechanisms derived from one of the SILs particularly become influential in both editorial and market logics as FILs. That is, the editorial logic as FIL has characteristics of the profession logic as an SIL, while the market logic as an FIL has distinctive characteristics of the market logic as an SIL.

Moreover, more than one SIL could become influential in an FIL. Nigam & Ocasio's (2010) work can provide an example. They identified the logic of managed care as an FIL in the American medical field. Importantly, they argue that this can be derived from the mixture of the market logic and the corporate logic as SILs. According to the CR perspective, the interplay of multiple generative mechanisms derived from SILs let the market logic and the corporate logic coexist in a complementary manner and become influential in the logic of managed care as FIL.

In the domain of the actual, the interactions of generative mechanisms shape relatively durable events (Bhaskar, 1975). In relation to an institutional logic approach, these durable events can be called institutions, which can be defined as recurring patterns of actions, in the organisational field (Leca & Naccache, 2006; Wry, 2009). In other words, in relation to this thesis, FILs in the domain of the real shape institutions in the domain of the actual. The difference between institutions and institutional logics can be summarised as follows: institutions indicate 'the rules of the game' while institutional logics point to 'the underlying principles of the game' (Leca & Naccache, 2006, p.632). That is, compared to institutional logics, institutions can be limited by applicable space and scope.

Actors have direct access to the domain of the empirical by experiencing events. It should be noted that these experiences do not necessarily indicate the passive ones such as simply accepting the status quo. Rather, in some cases, actors challenge the status quo (Archer, 2000). CR provides helpful insights into the role of actors' agency or self-direction (Leca & Naccache, 2006). That is, CR does not indicate the strict direction of empirical phenomena. Rather, CR assumes not only actors' acceptance of the status quo, but also actors' rejection of it (Godard, 1993). In relation to an institutional logic approach, in the domain of the empirical, the previous research points to 'actors' actions and the actors' empirical experience and perceptions' (Leca & Naccache, 2006, pp.631-632). That is, actors experience institutions shaped by FILs. In an institutional logic approach, this experience of institutions is called practice, in which actors 'ascribe meaning to their behavior, but they may not be fully aware of the structures/logics and institutions' (Wry, 2009, p.161).

As seen in the previous chapter, this thesis particularly focuses on business models in the domain of the empirical. Practices include not only those constructing a transactive framework, involving the generation of revenue streams. However, in order to illustrate incumbent actors' interest in revenue streams, this thesis focuses on the business model, which has a narrower scope than the concept of practices. As seen in chapter 3, following Amit & Zott (2001), this thesis regards the concept of business models as transactive frameworks that direct the exchange of products, services and information, resulting in revenue for them.

It should be noted that the practice here does not indicate the passive acceptance of the business model. Rather, institutions may not precisely guide actors (Godard, 1993, pp.290-291). That is, there remains certain space for actors' agency. Therefore, actors maintain or change the established business model depending on their interests in the revenue stream.

### **Methodological implication**

The epistemology of CR supposes that the real world is not directly known as mentioned above. Thus, we cannot directly approach the real, structure and generative mechanisms. As Archer (1995) indicates, researchers need to examine the domain of the empirical in order to develop reasoning regarding the domain of the actual and the domain of the real. As Wry (2009) rightly argues, structures usually cannot be directly

observed. Rather, it needs to be inferred from the recurring patterns of actions in the domain of the actual, which actors may not be conscious of:

Structures/logics cannot be observed directly; rather their influence is read through the recurring and self-reinforcing patterns of action that they produce...CR refers to this level of reality as the 'domain of the actual'...and the equivalent concept in [new institutional theory] is 'institutions' (Wry, 2009, p.160).

Regarding this, CR adopts retroduction rather than induction or deduction (Blaikie, 2007). Retroduction indicates a reasoning of structure and generative mechanisms from observable phenomenon. According to Modell (2009), instead of retroduction, the concept of abduction needs to be adopted since the concept of abduction does mean the approach to read through the structural influence to the generation of an event. He argues that this concept of abduction dates back to Peirce (1960). However, in this thesis, the term retroduction is adopted since this term has become widespread.

Retroduction is different from induction as well as deduction. This is because the induction approach tends to focus on generalisability from observable events, while deduction indicates the direct generation of hypotheses from previous studies and the observable events are utilised for establishing regularity of events. As seen above, departing from the domain of the empirical, researchers drawing on CR aim to read through the deepest structural generative mechanisms, which inform empirical tendencies, in order to explain the observable event.

## **Retroduction**

Epistemology and ontology are deeply associated with the choice of appropriate data collection methods (Mason, 2002; Sayer, 2000). CR assumes that structures cannot be directly observable. However, in order to consider structural influence in the explanation, CR researchers have elaborated a methodological approach in which researchers can read through the structural influences. In fact, as indicated in the previous chapter, CR researchers suggest retroduction in which researchers read through deeper domain of the actual and real by directly observing phenomena at the domain of the empirical.

As Houston (2010) puts it, the CR perspective assumes that observable events are caused by generative mechanisms derived from structures with the mediation of context, time and agency:

Outcome = Context + Time + Generative Mechanism + Agency (Houston, 2010, p.76)

Furthermore, as seen in table 4.2, Houston (2010) suggests four stages, which are necessary to achieve retroduction. In what follows, by referring to Houston (2010), four steps of retroduction adopted in this thesis are illustrated. Firstly, a researcher aiming to conduct retroduction asks transcendental questions. According to Houston (2010), a transcendental question inquires about deep level structural forces such as ‘what must be the case in order for events to occur as they do?’ (pp.82-83).

Table 4.2 Retroduction

Step 1	Asking transcendental questions
Step 2	Developing a working hypothetical relationships among theoretical concepts in order to address the question in terms of: (a) the generative mechanisms at play (b) the role of context, time and agency
Step 3	Seeking evidence of hypothetical relationships among theoretical concepts by looking for the effects of generative mechanisms and their interplay with context, time and agency
Step 4	Elaborating, confirming, falsifying or reworking hypothetical relationships among theoretical concepts and seeking further evidence

Adapted from Houston (2010, p.83)

Secondly, a research study needs to provide hypothetical relationships among theoretical concepts that aim to address the transcendental question. In establishing a hypothetical relationship among theoretical concepts, a researcher may draw on logical inferences and theoretical knowledge. Regarding hypothetical relationships among theoretical concepts, Houston (2010) argues that the form may be metaphors (p.84). For example, in order to provide a hypothesis, a researcher examining formal organisations could utilise metaphor such as formal organizations as machines,

phychic prisons or organic entities (Houston, 2010). Importantly, as Catstello (2000) indicates, metaphors utilised need to be bundled 'with mechanisms which are familiar' (p.165). As seen above, Thornton's (2004) conceptualisation of institutional logics as SILs shown in table 4.1 can be metaphorical since they adopt metaphor of families, religions, states, corporations, markets and professions. Furthermore, these institutional logics entail generative mechanisms. Therefore, it could be considered that these can be employed as metaphors.

Thirdly, a researcher collects evidence for hypothetical relationships among theoretical concepts. In this data collection process, triangulation of data collection methods may be fruitfully utilised in order to 'capture the complexity of the objective and subjective dimensions of social life' (Houston, 2010, p.84). Downard & Mearman (2007) argue that triangulation contributes to achieving retroduction.

Finally, a researcher continuously elaborates hypothetical relationships among theoretical concepts. When the hypothetical relationship among theoretical concepts looks robust, a researcher intentionally collects data that may challenge the hypothetical relationships among theoretical concepts. In turn, a researcher may need to modify the hypothetical relationships among theoretical concepts. This may be an iterative process. When a researcher confirms that 'there is a robust connection between hypothetical relationships among theoretical concepts and the patterns of social activity observable in the empirical world with no new themes emerging' (Houston, 2010, p.85), it is likely that a researcher collects enough data that answers the transcendental questions initially asked.

### **Step 1 Transcendental questions**

In what follows, these four steps for enabling retroduction in relation to this thesis will be explained (Houston, 2010). As Houston (2010) indicates the CR perspective aims to ask transcendental questions as a first step of retroduction. According to Houston (2010), transcendental questions indicate those inquiring about structural empirical tendencies.

Importantly, the research questions shown above point to structural influences. That is, the first research question inquires about the relationship between SILs and FILs, both of which locate in the domain of the real. The second research question deals with actors' interests which are influenced by structural empirical tendencies. Moreover, the third research question focuses on structural influences to observable

events in the process of incumbent actors' resistance to institutional change by way of rhetoric. Furthermore, the fourth research question aims to compare the third research question depending on the types of environmental jolts. Therefore, these research questions can be called transcendental questions.

## **Step 2 Hypothetical relationships among theoretical concepts**

As Houston (2010) as well as Castello (2000) suggest, this thesis utilises institutional logics as metaphors in generating hypotheses. In summary, by drawing upon the concept of institutional logics as SILs, this thesis hypothesises the following relations between theoretical concepts (1) the link between SILs and FILs, (2) economic interests of incumbents, (3) mechanism of resistance (4) different effects between a regulatory jolt and a technological jolt.

### **The link between SILs and FILs**

Thornton et al's (2005) ideal types of SILs can be considered as generative mechanisms. AN SIL entails several generative mechanisms. Depending on time and context, generative mechanisms originating from an SIL are influenced by other generative mechanisms derived from other SILs (Houston, 2010; Sayer, 2001). The interplay between SILs includes interaction, counteraction and combination (Wry, 2009). As a result of the interplay, all or some aspects of a particular SIL or particular SILs tend to be apparent in the domain of real (Thornton & Ocasio, 2008). It should be noted that the interplay of multiple generative mechanisms can be transformed or reproduced over time (Archer, 1995; Fleetwood, 2000) and thus the outcome needs to be regarded as temporary. This 'situated' outcome of multiple generative mechanisms in the domain of real can be understood as FILs. In this case study, the following link can be hypothesised:

In the domain of the real regarding the publishing field, the family logic as an SIL and the state logic as an SIL coexist and thus several generative mechanisms become influential. This 'situated' interaction is an FIL.



### **Economic interests of incumbent actors**

In the domain of the actual, FILs shape relatively durable events (Bhaskar, 1975). In relation to an institutional logic approach, these durable events can be called institutions, which can be defined as recurring patterns of actions, in the organisational field (Leca & Naccache, 2006; Wry, 2009). Actors have direct access to institutions in the domain of empirical. In an institutional logic approach, this experience of institutions is frequently called practice, which indicates institutionally legitimated sets of activities. Importantly, the concept of practice include business model which indicates a transactive framework that defines key actors in the transaction and types of activities they engage in in order to obtain revenue stream by adding value to products, information or service through transactions (Amit & Zott, 2001). Incumbent actors are motivated to resist institutional change, when they perceive threatening influence to the established business model. In this case study, the following relationship can be hypothesised:

Incumbent actors resist the institutional change, if the revenue stream derived from the established business model, which is shaped by an FIL, is likely to be threatened by the institutional change.

### **Mechanism of resistance**

In resistance, in addition to the content of rhetoric, the role of the dissemination channel and mobilised resources play significant roles. Incumbent actors draw on various types of rhetoric in order to resist institutional change. Furthermore, in order to enable the resistance to institutional change, essential resources such as political, economic or cultural ones need to be mobilised through ‘appropriate’ dissemination channel in order to block institutional change. These resources might be shared by a number of actors or owned by particular actors. With respect to the former case in which the owner of essential resources for enabling resistance to institutional change is dispersed throughout the general public, the effective dissemination channel needs to embrace a wider audience. Regarding the latter case in which the ownership of essential resources is quite limited in number, the dissemination channels may either embrace these particular actors or a wider audience including these particular actors. In this case study, the following relationship can be hypothesised:

In resistance, in addition to rhetoric, incumbents need to mobilise essential resources such as political, economic or cultural ones through influential dissemination channel of rhetoric.

### **Different effects between a regulatory jolt and a technological jolt**

A regulatory jolt entails the state's direct intervention in the organisational field by legitimating or regulating a new practice through legislations. Thus, a practice introduced as a result of a regulatory jolt may be bound to a particular institutional arrangement, which the state prefers. On the other hand, a new practice derived from a technological jolt can be underpinned by different institutional arrangements over time since there seems to be little constraint on the underpinning institutional arrangement compared with that derived from a regulatory jolt.

A new practice introduced by a technological jolt results in greater change in terms of underlying institutional arrangement compared to that derived from a regulatory jolt. This difference impacts on incumbent actors' resistance to institutional change in terms of timing. That is, incumbent actors resist institutional change when they perceive a threatening influence of a new practice to the established practice in terms of revenue stream. Since the new practice introduced by a technological jolt result in greater change in terms of the underpinning institutional arrangement, resistance to institutional change is more contingent. Therefore, in this case study, the following relationship can be hypothesised:

A new practice derived from a technological jolt can be underpinned by different institutional arrangements over time and cause greater change in the organisational field compared to one derived from a regulatory jolt.

## **Step 3 Evidence**

### **The selection of research site**

In order to collect evidence supporting the abovementioned hypothesised relationship between theoretical concepts, this study adopted a case study as a research strategy and collected textual and semi-structured interview data. According to Yin (2003: 5) a case study is particularly appropriate when the form of research questions consist of 'how' and 'why' types. In addition, case studies are useful when participants'

behavioural events are uncontrollable and the focus of the research is on contemporary events.

In order to analyse and flesh out the resistance to institutional change, the Japanese publishing field was chosen as an appropriate research site. This is because the Japanese publishing field had been said to be one of the least changeable fields in terms of the business model (e.g., Kinoshita, 1997; Murase, 2010). Furthermore, two different kinds of environmental jolts (a regulatory jolt and a technological jolt) have been observed in the Japanese publishing field in the past few decades (Tsuruta, 2001; Uemura, 2010), which had potential to drastically transform the institutional arrangement in publishing.

With respect to a regulatory jolt, the majority of the deregulation had been successfully implemented by the regulatory agent in the 1990s (e.g., Chujo, 2007). In brief, the regulatory agent, the Japan Fair Trade Committee (JFTC) tried to abolish many of the exemptions from the Antimonopoly Act in order to strengthen market competition, which had not been influential in the institutional arrangement in publishing. Most importantly, the review aiming for the abolition included the fixed price system, known as RPM for certain copyrighted products including publications. In contrast to the majority of industrial sectors, incumbents in the publishing industry successfully resisted the regulatory agent (e.g., Tsuruta, 2001). In February 2012, RPM for certain copyrighted products remains in place.

Regarding a technological jolt, new business models utilising the e-dictionary and the e-book reader was introduced in the publishing field. Importantly, these business models had been increasingly underpinned by the market logic, which had been kept weak in publishing. While some electric appliance makers successfully diffused the e-dictionary, two electric appliance makers (Sony and Panasonic) retreated from the e-book reader in 2008 (Uemura, 2010). Furthermore, regarding the diffusion of the e-dictionary, dictionary publishers have launched an opposition campaign since 2003.

As seen above, the incumbents in the publishing maintained the established business model for a lengthy period of time. Furthermore, two different types of environmental jolts were observed and the incumbents resisted them. Therefore, the Japanese publishing field was regarded as an appropriate research site for this thesis.

### **Employed method in my research area**

In my research area, one characteristic common in studies is that they tend to choose case study as a research strategy. The method employed by institutional scholars can be classified into three types. In what follows, I firstly examine research adopting quantitative research. Then, I evaluate studies adopting qualitative method and finally I analyse studies that adopt triangulation.

Authors employing quantitative research have similar characteristics in their research. In terms of presentation, they introduce hypotheses drawn from the existing literature and statistically test them (e.g., Lee & Paruchuri, 2008; Beck & Walgenbach, 2005; Daniels et al., 2002). In addition, researchers adopting quantitative methods tend to focus on the effect of the institutional arrangement on actors rather than processes regarding the creation, disruption and maintenance of the institutional arrangement, which is one of the main foci of this study. For instance, Beck & Walgenbach (2005) deal with the adoption of ISO 9000 standard in organisations. Importantly, their central focus lies in the degree of institutional effects requesting the adoption of ISO 9000 standard in relation to technical efficiency of the standard.

Qualitative methods employed in institutional analysis include interviews (e.g., Vermeulen et al., 2007), textual analysis (e.g., Munir & Phillips, 2005; Özen & Berkman, 2007; Wicks, 2001) and participant observation (e.g., Zilber, 2002). In contrast to researchers adopting quantitative methods, their focus would look not on testing hypotheses but on process regarding the changing aspects of the institutional arrangement. For example, by employing participant observation, Zilber (2002) describes and analyses processes of institutional change. Zilber emphasises meaning in her research site, an Israeli rape crisis centre, where feminist-oriented actors were gradually influenced by counselling-oriented actors. According to her, while the former actors focused more on political activities such as lobbying, the latter concentrated on treatment or counselling of victims rather than political activities. This line of research is close to mine in terms of the research focus, but as indicated above, my research aims to complement one data source with another data source.

There are two types of triangulation employed in institutional analysis. That is triangulation between qualitative and quantitative methods (e.g., Dirsmith et al., 2000; Jones, 2001; Thornton, 2002; Washington, 2004) and triangulation within qualitative methods (e.g., Durand & McGuire, 2005; Khan et al., 2007; Kitchener, 2002; Laurila & Lilja, 2002; Lawrence & Phillips, 2004; Lounsbury & Pollack, 2001; Munir, 2005).

Thornton's (2002) research can be an illustrating example of triangulation between qualitative method and quantitative method. She uses in-depth interviews at the initial stage of research and creates her hypothesis based on interview analysis complemented by the existing literature. The generated hypotheses are statistically tested at the second stage of her research. It would appear that she combines both methods in order to enhance validity of the research rather than giving richness to the explanation.

Munir (2005) conducts a case study on firms which manufacture photographic products such as cameras, camera cases and film to name a few and collects data from multiple sources. Firstly, he gathered textual data such as existing company documents, annual reports and business magazines. Secondly, the data were gathered at trade conferences as well as interviews with senior executives. He analyses interactions among actors, most importantly theorisation of change, through which events are delineated. It would seem that he uses multiple data sources aiming to give richness to his explanation. This type of data usage seems most relevant for my research.

### **Data collection method**

As Mason (2002) argues, the data collection method needs to be determined by examining appropriateness in addressing research questions. Particularly with respect to actors' involvement in a business model, direct observation would appear to provide deeper insight into the operation. However, my research questions are associated with the whole field of publishing and it seems difficult to cover the whole with direct observation. Thus, the combination of interview and textual data would appear to be an appropriate data collection method as seen below.

In order to answer my research questions, some data were available in the form of textual data. Textual data were mainly from industry journals and both actual and implied readers of the textual data were limited to the incumbents in the publishing (publishers, wholesalers and bookstores). Therefore, sometimes the background contexts were omitted in the documents. These omissions included interactions between incumbents and shared history or episodes that were, more or less, taken-for-granted for the incumbent actors in the publishing. Therefore, semi-structured interview data, in part, complemented the textual data since interviewing incumbents provided me opportunities to ask several questions regarding these taken-

for-granted aspects. Furthermore, industry journals as well as other textual data were written from a specific viewpoint, especially representing the benefit of the incumbents in the publishing. Therefore, they were not necessarily congruent with my research focus. By conducting semi-structured interviews, I could overcome this issue to some extent.

However, it should be clear that not only textual data, but also interview data, has socially constructed aspects. In what follows I will examine socially constructed aspects of interview data and textual data. Although CR assumes the existence of structures without our identifying them, this philosophical position accepts moderate social construction as seen already in terms of epistemology. In relation to my research questions, socially constructed aspects of data need to be examined in order to take into account the socially constructed aspects of data.

### **Social construction of textual data**

This research acknowledges the socially constructed aspect of textual data although this thesis assumes that there is the domain of the real which exists independent of the social construction process. Atkinson & Coffey (2004) argue that documentation is not the thing which directly reflects the facts out there, rather the things which are socially constructed.

[I]t is important to realize that documentary reality does not consist of descriptions of the social world that can be used directly as evidence about it. One certainly cannot assume that documentary accounts are “accurate” portrayals in that sense. Rather, they construct their own kinds of reality. It is, therefore, important to approach them as texts. Texts are constructed according to conventions that are themselves part of a documentary reality. Hence, rather than ask whether an account is true, or whether it can be used as “valid” evidence about a setting, it is more fruitful to ask ourselves questions about the form and function of texts themselves (p. 73).

With respect to textual data, following Atkinson & Coffey (2004), actual readers and authors as well as implied ones need to be considered in order to understand the socially constructed aspects of textual data. In the case of the Japanese publishing field, *Shinbunka* (New Culture), the articles in the industry journal for the publishing

sector, for the past 30 years, were gathered related to the research question. Regarding the readership of this industry journal, the main target is incumbents in the publishing field. It is written by publishing journalists and unlike most of the newspapers, *Shinbunka* uses active voice in some parts and seems to enlighten the incumbents in the publishing.

### **Social construction of interview data**

Silverman (2006, pp. 117-132) argues that there are different approaches to interview data. That is, positivism, emotionalism and constructivism. In brief, positivism deals with interview data as the fact 'out there'. For positivists, the interview 'is to generate data which hold independently of both the research setting and the researcher or interviewer' (p. 121). Thus, the positivist regards both the interviewee and the interviewer as objective.

Emotionalists' purpose is to elicit 'authentic accounts of subjective experience' (Silverman, 2006, p. 123). Vital for emotionalists is to construct rapport with interviewees and to refrain from guiding them to the interviewer's interest. Therefore, 'while positivists regard departure from an interview schedule as a possible source of bias, emotionalists may actively encourage it' (p. 123). For the emotionalists, both interviewer and interviewee are considered to be the '(emotionally involved) subject' (p. 124). As a result, emotionalists tend to use open-ended interviews. However, Silverman (2006) casts doubt on the emotionalists' self-evident assumption of 'unique human experience and emotions' (p. 125) expressed in what respondent interviewees say.

According to Silverman (2006), the difference between emotionalism and constructionism can be summarized as follows; while emotionalism deals with what the interviewee says as an authentic way of acquiring interviewee's experience, constructivism considers interviewer-interviewee interaction, itself, as a topic (Silverman, 2006, p. 128). Therefore, as Holstein & Gubrium (2004) assert, it is vital to examine 'what is said in relation to how, where, when, and by whom experiential information is conveyed, and to what end' (p. 158).

As shown above, positivist and emotionalist preferred types of interview are structured and open-ended, respectively. Importantly, those researchers that acknowledge the socially constructed aspects of any interview (structured, semi-structured, and open-ended interviews) data. Among others, this study adopted semi-

structured interviews, since my research questions have a certain direction as represented in the research questions. This is congruent with the notion of Mason (2002) stating researchers employing semi-structured interviews ‘conceptualize [the role of researchers] as active and reflective in the process of data generation’ (Mason, 2002, p. 66).

In examining what the interviewees say, it would seem necessary to consider respondents’ interpretation according to their own frame of reference (Thomas, 2004, p. 151). For instance, as examined in the following chapters, when incumbent actors in the Japanese publishing field referred to theorisation, their evaluation of theorisation in terms of effect varied: from those giving positive evaluation to those giving negative evaluation. In order to understand their statements, social construction processes need to be considered. That is, those incumbent actors that play central roles in the industrial association tend to evaluate incumbent actors’ activities positively. This is because they played central roles in organising activities undertaken by the industrial association and denying those activities means denying themselves. Therefore, relying on a single source of data seems to be unreliable and thus implies the necessity of data triangulation.

In summary, the semi-structured interview and textual analysis was adopted for this study. However there are arguments regarding the combination of methods. The discussion of this issue follows the next section in relation to the issues of validity, reliability and triangulation.

### **Validity, Reliability and Triangulation**

Silverman (2006, pp. 271-314) argues that reliability and validity are vital since the objectivity and credibility is sometimes criticised with regard to qualitative research. Without reliability and validity, ‘the only reason the reader of the research might have for accepting the conclusions of the investigator would be an authoritarian respect for the person of the author’ (Kirk & Miller, 1986, p. 20). Gephart (2004, p. 456) points out that ‘qualitative research lacks the explicit coefficients and criteria for evaluating and falsifying hypotheses that the quantitative researcher has developed’. Similarly, Lincoln & Guba (1985) identify the perceived weakness of qualitative research as follows:



[Qualitative researchers] soon become accustomed to hearing charges that [qualitative] studies are undisciplined; that he or she is guilty of “sloppy” research, engaging in “merely subjective” observations, responding indiscriminately to the “loudest bangs or brightest lights.” Rigor, it is asserted, is not the hallmark of [qualitative research]’ (Lincoln & Guba, 1985, p. 289).

That said, quantitative researchers have developed validity and reliability as quality concepts (Golafshani, 2003; Stenbacka 2001). According to Hammersley (1990: 57) validity can be defined as ‘truth: interpreted as the extent to which an account accurately represents the social phenomena to which it refers’. Reliability is ‘the extent to which a measurement procedure yields the same answer however and whatever it is carried out’ (Kirk & Miller, 1986, p. 19).

However, with respect to the relationship between reliability and validity, Mason (2002, p. 187) claims overly emphasising reliability ‘inappropriately overshadows more important questions of validity’. This potentially results ‘in a nonsensical situation where a researcher may be not at all clear about what they are measuring (validity), but can nevertheless claim to be measuring it with a great deal of precision (reliability)’. As Gephart (2004, p. 455) asserts, qualitative research ‘is open to unanticipated events, and it offers holistic depictions of realities that cannot be reduced to a few variables’. Thus, qualitative method, in general, would look suitable for securing validity. Moreover, with respect to validity, Yin (2003) argues that data triangulation enhances this. Denzin (1989: 236-244) introduces four types of triangulation— (1) data triangulation, (2) investigator triangulation, (3) theory triangulation and (4) methodological triangulation. My research adopted data triangulation and method triangulation.

However, triangulation has been criticised in terms of epistemological concern. Silverman (2006 p, 291) claims ‘methods, often drawn from different theories, cannot give us an ‘objective’ truth’. Similarly, Denzin (1989 p. 247) claims that ‘[e]very method reveals a different slice of the social world’ and cannot be easily integrated without consideration. These criticisms toward triangulation need to be addressed when the researcher acknowledges socially constructed aspects of data. This is because different data obtained from different methods involve different types of the social construction process. Therefore, critics point out the difficulty in consistently combining different types of data obtained from different methods in a single picture.

Regarding this, Denzin (1989, p. 246) argues that '[o]bjective reality will never be captured' and thus he suggests concentrating on deepening the understanding of the empirical phenomena. Similarly, multiple sources of data could be used in order to give 'flesh' or richness to the case study analysis (Goodstein & Velamuri, 2009). In other words, some researchers encourage triangulation in order to enhance 'rigor, breadth, complexity, richness and depth to any inquiry' (Denzin & Lincoln, 2000 p. 5).

This thesis, in addition to giving richness, aims for triangulation. As indicated above, this thesis adopts a CR perspective and thus aims to achieve retroduction. In relation to retroduction, Downard & Mearman (2007) argue that triangulation plays a central role in 'retroductive activity' (Downard & Mearman, 2007, p.89). This is because multiple data sources enable a researcher to better read through the structural empirical tendency rather than relying on a single data source. In what follows, I will explain the actual data and my analysis procedure.

### **Analysis of textual data**

In this case study, I collected textual data and semi-structured interview data as major data sources. First of all, relevant articles in *Shinbunka* (*New Culture*) from 1973 to 2008 were examined in order to create a chronicle of events. *Shinbunka* is a weekly journal of the publishing field. Approximately, 500 entries were found relevant for the institutionalised practice and the activities related to two examples of environmental jolts. The procedures for choosing these relevant articles were as follows: Firstly, articles containing at least one of the following keywords were picked up by using an index of *Shinbunka*: the fixed price system, the JFTC, electric appliance makers. Then, each article's relevance was examined and irrelevant articles were physically excluded. These irrelevant articles included essays by established figures (mainly novelists) and not primarily concerned with these topics. Finally, relevant articles were scrutinized.

These data were repeatedly read and examined in order to capture big picture of the whole incident. The examination of these sources of textual data has provided insights into the influence of environmental jolts to the organisational field. Due to the pressure from the U.S. government by means of Japan-U.S. Structural Initiative Impediments (SII), the JFTC increasingly narrowed down the Antitrust Law exemptions in 1990s, which included the review of the fixed price system in the publishing field. The JFTC had issued a number of official documents in order to convince the incumbents (publishers, wholesalers, retailers) to abandon the fixed price

system. However, the incumbents launched an opposition campaign to the JFTC. The campaign was conducted through leaflets, books and newspapers. Ultimately, in 2001, the JFTC officially concluded that they would refrain from reviewing the fixed price system in the publishing field.

The second example of environmental jolt was rapid development in semiconductor memory. Consequently, electronic makers attempted to introduce new business models leveraging the e-dictionary and the e-book reader, to the field. The development of semiconductor memory was considered to be an environmental jolt, which provided opportunities for electric appliance makers to introduce new business models leveraging the e-dictionary and the e-book reader. Several electric appliance makers were identified to introduce electronic dictionaries in the 1980s, while two electric appliance makers—Sony and Panasonic— introduced electronic book readers in 2004. While electric appliance makers continued to manufacture the electronic dictionary, Sony and Panasonic retreated from the market in 2008. Furthermore, since 2003, the Dictionary Publishers' Association launched an annual campaign to oppose the e-dictionary through disseminating brochures to high school teachers.

In fact, the examination of the articles in *Shinbunka* enabled this study to create a chronicle of major events in the Japanese publishing field in relation to both regulatory and technological jolts as seen in table 4.3. It should be noted that the articles did not explicitly mention the link between a regulatory jolt case and a technological jolt case. However, as seen in chapter 7, particularly the regulatory jolt provided an important context for the interaction between incumbents in publishing and electric appliance makers. That is, the regulatory jolt enhanced price competition among electrical appliance retailers, which affected the response by the incumbents in publishing to a change derived from a technological jolt.

Table 4.3 Chronicle of key events in the Japanese publishing field

	<b>Regulatory jolt</b>	<b>Technological jolt</b>
1979		First electronic dictionary, which was enabled by the development of the semiconductor memory (A technological jolt)
1990	Japan-U.S. SII (A regulatory jolt)	
1995	The JFTC issued controversial report	
	Incumbents in the publishing and newspaper launch campaign opposing to the JFTC	
1998	The JFTC issued the second report Incumbents launched flexible operation of RPM (till 2001)	
2001	The JFTC retreat	
2003		The Dictionary Publishers Association launch annual campaign
2004		Sony & Panasonic introduced electronic book readers
2008		Sony & Panasonic retreat

Source: *Shinbunka* articles

Furthermore, the examination indicated the importance of data that address the following five aspects: the incumbents' perception of the established business model, the impact of the two types of environmental jolts, the JFTC's and the electric appliance makers' interests and intention of the activities, the incumbents' interests and intention of the responses to them, and the connection between the above three aspects. This is because further investigation of these four aspects was considered to be essential to provide insights into my research questions.

In turn, other textual data were collected. These textual data included books and academic/industrial articles dealing with the relationship between the incumbents in the publishing and two types of environmental jolts. Furthermore, regarding a regulatory jolt, the official documents with respect to Japan-U.S. SII, the JFTC annual

reports, official minutes of national Diet meetings related to the exemption of RPM for publications, and relevant newspaper articles during the newspaper campaign were sought. With respect to the technological jolt, the electric appliance makers' brochures of the e-dictionary and the e-book reader, dictionary publishers' brochures used for claiming the importance of the printed dictionary were gathered.

In addition to additional textual data, semi-structured interviews were conducted in order to further provide 'flesh' into the chronicle (Goodstein & Velamuri, 2009) as well as, most importantly, contribute to triangulation. Some of the textual data were provided by the interviewee, which was not expected before the interview. These data included facsimiles and conference minutes of several meetings (incumbents gathered in order to consider possible responses to the JFTC and negotiation process between electric appliance makers and incumbents<sup>4</sup>). These data were especially useful for reconstructing the response of incumbents to the JFTC.

### **Semi-structured Interviews**

As indicated above, the following issues were particularly focused in semi-structured interviews: incumbents' perception of the established business model, the incumbents' interests and intention of the responses to institutional change, the JFTC's and the electric appliance makers' interests and intention of the activities.

Questions in my semi-structured interviews were flexible but had a certain direction. In preparing for questions for semi-structured interviews, I followed Mason's (2002) suggestion regarding a way of preparing a loose format for the semi-structured interview (pp.67-72). That is, the researcher breaks down main research questions into sub research questions. Then, the researcher develops the sub research questions into possible research topics and based on these research topics the researcher finally constructs a loose interview format, which can be flexibly used during the interview.

The main research questions were broken down into three sub research questions. These research questions correspond to three research topics of institutional logics, business models and interests. In turn, appropriate questions were generated in each of the research topics. The details of this procedure regarding the regulatory jolt

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<sup>4</sup> It is not legal to disclose the contract between electric appliance makers and publishers, thus I could not access the contract itself.

case can be found in Table 4.4 and 4.5 in the appendix. For instance, sample questions drawn from this procedure include the following questions:

- What do you think about the fixed price system in the Japanese publishing field and why?
- Which actors are most important for your daily business? Could you explain how you make money?
- What has changed before and after the Japan-U.S. SII in relation to your daily activity?

During the interview, I also drew on a ‘perspective widening question’ (Legard et al., 2003). A perspective widening question attempts to broaden the interviewees’ perspective and discover wider meaning and richness by encouraging them to consider an issue from different directions. For instance, in relation to the abovementioned three sample interview questions, I utilised the following perspective widening question:

- Are there any factors that could influence the transaction?

By asking a perspective widening question, the interviewer could leave room for the interviewee to talk more about the topic. Although the sample perspective widening question directly relates to the third sample question, a perspective widening question could be used for other research topics as well.

### **Theoretical Sampling**

I conducted 51 semi-structured interviews with 45 informants<sup>5</sup>. The lengths of the interviews varied from one to two hours each, with most interviews being tape-recorded and transcribed. The detail of the interviewees list can be found in table 4.6 in the appendix. The interview data were collected in the two different periods. The

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<sup>5</sup> Regarding Wholesaler B interviewed 27<sup>th</sup> of September, 2004 and 16<sup>th</sup> of October, 2009 and Retailer G interviewed on 30<sup>th</sup> of June, 4<sup>th</sup> of August and 12<sup>th</sup> of November, 2005, there were multiple respondents. Regarding Wholesaler B, there were 3 respondents. However, most of the time, 1 manager responded to my question and 2 other subordinates were there for their educational purpose, while the manager talked. Regarding Retailer G, the secretary attended the interview, who sometimes took a photocopy or provided some additional textual data (such as leaflets of the industrial association and newspaper articles on the fixed price system) upon the interviewee’s request.

first round data collection was mainly focusing on the regulatory jolt, whilst the second round data collection was focusing on the technological jolt. However, the second round interviews had an aspect of following up the first round interview data collection. When it was considered to be relevant in the second round interview, I included questions regarding the regulatory jolt including the JFTC.

The majority of the interviews were conducted in Tokyo. This is because most of the headquarters of the incumbents are located in Tokyo. I visited one out of 45 informants three times and four out of 45 twice. As Legard et al. (2003) point out semi-structured interviews should be tape recorded in order to preserve language use of interviewees. In other words, what the interviewee said as well as how the interviewee said it matters in the semi-structured interview. This is because interviewee's response tends to indicate subtle nuance of their opinion. In fact, some of the interviewees' voice became louder when they talked about something they valued highly. Similarly, some of the interviewees tended to use particular phrases such as 'ummm' 'ahhh', when they found it difficult to answer the question. These subtle differences informed me of a deeper understanding of how the interviewees perceive the phenomena.

I was not allowed to tape-record a certain number of interviews (N=9), due to my inability to procure those interviewees' permission to do so. Especially, the small size retailers responded to my interview at the cashier and the interviewees did not feel comfortable if the dialogue was recorded since they had to respond to the customers. Similarly, the interviewee who responded to my interview at the offices did not allow me to record the conversation since other employees talked over the phone with other organizations. However, I made transcripts of those from handwritten notes. I sent out transcripts to interviewees and the majority of them gave me some corrections or further accounts on some issues in the transcription. Furthermore, when it was considered to be necessary, I sent e-mails or called the respondent regarding the transcript for clarifying his/her intention. All interviews were conducted at the interviewee's customary place of employment. Interviews were conducted on a not-for-attribution basis. In several interviews, documents such as personal correspondence and personal memorandum records were obtained from the informants, which were especially useful in reconstructing interactions between the players.

The sampling technique in this study is informed by the notion of theoretical sampling to a great extent. The sampling in quantitative methods aims to establish a sampling frame before the actual data collection and the emphasis is on enhancing the representativeness of the whole sample frame (Bryman & Bell, 2003). In contrast, theoretical sampling is 'responsive to the data rather than established before the research begins' (Corbin & Strauss, 2008, p.144). Corbin & Strauss explain the basic procedure of theoretical sampling as follows:

Analysis begins after the first day of data gathering. Data collection leads to analysis. Analysis leads to concepts. Concepts generate questions. Questions lead to more data collection so that the researcher might learn more about those concepts. This circular process continues until the research reaches the point of saturation; that is, the point in the research when all the concepts are well defined and explained (Corbin & Strauss, 2008, pp.144-145).

As seen already, the ultimate aim of this research is to provide new insights into the reproduction process of the institutional arrangement—especially the moment of the resistance to institutional change—by drawing on the following concepts: institutional logic, business model, environmental jolts. In the process of collecting interview data, the emphasis was on deepening the understanding of these concepts and its connections.

#### **Step 4 (Elaboration)**

##### **Analytical Procedure of Data**

As mentioned above, theoretical sampling allowed me to analyse the interview data right after I conducted the first interview and respond flexibly to the further collection of interview data. In fact, with one exception (an interview with a person who retired from one of the electric appliance makers, on 9<sup>th</sup>, October, 2009 since I had two interviews on the same day), the interview transcription was made on the day I conducted an interview. Even regarding this exception, I made the transcription the next day. This allowed me to have opportunities to reflect on the content of the interview. I sent the transcript to the informant. In some cases, additional information as well as some corrections on the transcription were given by the informant.



The transcribed semi-structured interview data were analysed by employing CAQDAS (Computer aided qualitative data analysis software). Specifically, I used MAX-qda. Although some critics point out the use of CAQDAS leads to the alienation of the researcher from the data, CAQDAS would provide insights into the concepts that could structure the data, which tend to be hidden in the analysis without CAQDAS (Kelle, 2004). This was the case in my analysis since I needed to deal with the massive amount of data and the deeper exploration would not have been possible without CAQDAS. Especially, as I mention later, the coding function and memo function were helpful for dealing with the interview data and textual data.

All of the interview data was iteratively analyzed and analysis followed the procedure below. In this analysis drawing on MAXqda, coding was one of the most critical issues (Kelle, 2004, p.478). That is, a question regarding the appropriate term for coding and the appropriate inclusion/exclusion of phenomena for a coding does not have one right answer. In this research, as Kelle (2004) suggests, the following two codes were utilised: codes deducted from previous empirical research and codes emerging through the analysis. The former codes included institutional logic, business model, environmental jolts, which can be called 'starting list' (Miles & Huberman, 1994). The latter coding was developed under the starting list in actual analysis in a flexible manner. The examples of the latter coding include mobilising political resources, avoidance of electric appliance makers for maintaining the established business model, and theorisation of resistance, which were generated under the concept of a business model.

Coding was given to the interview transcripts by employing MAX-qda. To do so, interview transcriptions were transformed to rich text format. In order to maintain the original context, the transcription of interview data was in Japanese. However, theoretical concepts including start lists are all from English literature and, most importantly, this thesis is written in English, the coding and memo was conducted in English.

Firstly, the first round interview data for the regulatory jolt case were analysed. By referring to the start list and categorised into either of them some parts are categorized into more than one code. Under the start list, several sub-codes were created and the lines of interview data were categorized. Importantly, this process was iteratively conducted between theoretical concepts and the interview data. An illustrating example can be found in sub codes of 'institutional logic'. Several

generative mechanisms represented in Thornton (2004) were included in sub codes of 'institutional logic' and interview data were classified under the sub codes. In creating sub codes, interview data were examined and several generative mechanisms were included as sub codes. This was not straightforward. Rather, there were iterative examination between the concepts and data. Lines of interview data were examined by referring to generative mechanisms derived from the previous research. Importantly, during this process when one of the generative mechanisms was included in the sub code, the entire interview data were examined again in order to investigate whether other lines of interview data can be classified into the identical generative mechanism as sub code.

In categorizing lines of interview data in each code, memo function was utilized in two manners. On the one hand, relevant data such as textual data and relevant literature were put down on the memo with highlighted lines in order to triangulate the findings and clarify the links with the relevant literature. This was one of the advantages of drawing on CAQDAS in this thesis. This function allowed me to systematically deal with both interview and textual data.

On the other hand, this memo function was used to record the analysis procedure such as when one code was merged with another code or a new code was created. This process was not straightforward. When a new code was created, the relevant entries were examined again and sometimes the codes were merged. By putting down this process in the memos, I could progress with the analysis effectively. For example, theorisation for maintaining the institutionalised practice was developed as follows: 'emphasising privilege of publications' and 'incumbents' argument' merged under rhetoric. Moreover, avoidance of the electric appliance makers emerged through the following process: 'not cooperating with electric appliance makers', 'superficial link with electric appliance makers' and 'ignoring electric appliance makers' were firstly generated and these three were merged under 'avoidance of electric appliance makers for maintaining the institutionalised practice'.

After the regulatory jolt case, the second round interview data, mainly focusing on the technological jolt, were analysed on the basis of codes generated through the analysis of the first case. In the analysis of the second round interview data, several new categories were necessary to categorize the interview data such as 'avoidance of electric appliance makers'. Moreover, with the generation of new

categories from the analysis of the second round interview data, the first round interview data were examined again.

Through the examination, the two different types of environmental jolts and created opportunities for the JFTC and the electric appliance makers, incumbent actors' responses to the environmental jolts were iteratively fleshed out.

## **Conclusion**

In this chapter, the detailed procedure of retroduction was explained. This thesis follows four steps, suggested by Houston (2010), to achieve retroduction. Firstly, the transcendental questions, which address structural empirical tendency, were clarified.

As a second step, hypothetical relationships between key concepts that this thesis examines were illustrated. These key concepts include environmental jolts, institutional logics with generative mechanisms and business models.

Thirdly, sources of evidence this thesis draws on were clarified. That is, the research site and data collection method was explained. The Japanese publishing field was selected as an appropriate research site. This selection reflects the fact that actors in the Japanese publishing field had more or less reproduced the business model for a lengthy amount of time despite the two different types of environmental jolts—a regulatory jolt and a technological jolt. Furthermore, textual data and semi-structure interview data were adopted for examining the case in the Japanese publishing field. This selection reflects the compatibility between the method and the research questions (Mason, 2002). Furthermore, in addition to giving richness to the analysis, triangulating textual data and interview data was justified in relation to retroduction.

As a final step of achieving retroduction, elaboration of the hypothetical relationship among theoretical concepts was explained. A chronicle was made regarding major events by analysing certain textual data (industry journals). Furthermore, the analysis of certain textual data highlighted the importance of additional data. Along this line, I conducted interviews and analysed interview data with the aid of MAX-qda. In analysing interview data, I utilised memo function and made links between interview data and textual data. Most importantly, this analysis was iteratively conducted—repeatedly moving between theoretical concepts and empirical findings.

## **CHAPTER 5**

### **THE BASIS FOR THE CASE STUDY**

#### **Introduction**

The incumbent actors in the Japanese publishing field had shared the business model, an institutionally legitimated activities composing transactive framework that generate a revenue stream. By focusing on business models that have a narrower focus than practices, as indicated already, one of the incumbent actors' primary interests, namely revenue streams, can be illustrated.

In the established business model, publishers, wholesalers and bookstores engaged in the transaction of books and magazines. Moreover, the established business model had two characteristics: wholesalers' determination of the combination patterns of publications sent to bookstores and wholesalers' governance of the transaction such as establishing transaction rules including the fixed price system combined with free return policy.

It could be argued that the experience of an institution of incumbent actors shaped the established business model. This institution had reproduced personal capitalism, business affiliation and central distribution of books and magazines. Importantly, the institution was shaped by the complementary coexistence of generative mechanisms derived from the family logic and the state logic as SILs.

Some generative mechanisms derived from the family logic and the state logic as an SIL had been influential in the Japanese publishing field at least after World War II (WWII). As certain aspects of generative mechanisms, the family logic could guide actors to develop personal capitalism and to shape business affiliations in the organisational field (Bhappu, 2000; Thornton et al., 2005). Furthermore, as a certain capacity of a generative mechanism, the state logic could guide actors to centrally distribute resources among actors (Thornton, 2004).

Several generative mechanisms of the family logic as an SIL had been influential in many of the industrial sectors including the Japanese publishing field. Furthermore, a generative mechanism derived from the state logic as an SIL was strengthened during WWII when the government ensured the censorship by merging wholesalers into one single policy concern. After the war the policy was dismantled. However, even after the war, the state logic as an FIL retained its influence. This is because those working for the policy concern stayed in the organisational field by

establishing new wholesalers that distributed publications censored by the government. It is not necessarily clear how generative mechanisms derived from the family logic as an SIL informed the field during WWII. However, as will be demonstrated, generative mechanisms derived from these two SILs had coexisted in a complementary manner for a lengthy period of time.

Finally, contextual factors related to environmental jolts, namely a regulatory jolt (the U.S. pressure regarding the competition policy) and a technological jolt (rapid development of the semiconductor memory), are briefly introduced. In the following chapters, impacts of a regulatory jolt (chapter 6) and a technological jolt (chapter 7) will be examined.

### **The established business model in the Japanese publishing field**

In the organisational field of Japanese publishing, the main actors include incumbents and the regulatory agency, namely the JFTC. The incumbents are composed of publishers, wholesalers and bookstores.

Importantly, in the Japanese publishing field, incumbents have shared a business model for the past several decades (Murase, 2010). Under the established business model, transactions had been conducted by the following sequence: publishers create publications, which were intermediated by wholesalers to bookstores, where consumers buy books or magazines. It should be noted that the creation and distribution of publications involves authors and consumers, which play important roles in the business model shared in the publishing field. However, this study does not include these actors in the analysis due to the constraint in time and budget of this research.

This established business model had two notable characteristics. The first characteristic was that wholesalers determine the combination of publications sent to the bookstore based on the past sales record (e.g., Kinoshita, 1997). This is called *haihon*, which literally means rationing books. The primary emphasis of this distribution pattern has been on publications with mass circulation, namely magazines and blockbuster books (Choi, 2006). Secondly, wholesalers govern transaction rules such as the adoption of the fixed price system, formally known as Resale Price Maintenance (RPM), combined with free return policy (Choi, 2006; Kinoshita, 1997; Murase, 2010).

Wholesalers had the past sales record of the past titles from each publisher as well as their sales performance in each bookstore. The examination of these data enabled wholesalers to offer distribution patterns customised to bookstores. These distribution patterns were several hundred in number and widely used for distributing magazines and books (Choi, 2006). In brief, this method of distribution focused on books in mass circulation and magazines. This is because slight differences in sales are ignored and considered to be parts of certain types of pattern (Kinoshita, 1997). A bookstore owner illustrated this aspect in my interview:

[O]ur store's performance was better than the previous year and our pattern has been upgraded and this year's pattern includes more blockbuster books (24<sup>th</sup>, September, 2004).

As exemplified above, wholesalers had put their emphasis on mass-circulated publications by operating in accordance with the established business model.

Regarding the second characteristic of the established business model, the legal basis for the fixed price system for printed publications was provided when the *Antimonopoly Act*, enacted in 1947, was revised and exemptions were made in 1953 to prohibit fixing the price for certain copyrighted products and daily products such as cosmetics and drugs. While the exemption for daily products was gradually narrowed down in its scope and ultimately abolished in 1997, the exemption for certain copyrighted products including publications, newspapers and music CDs still continues.

RPM had been combined with a free return policy (Kinoshita, 1997). The majority of incumbents interviewed in the study believed that price fixing is not separable from the free return policy. During the interviews, I learned that most incumbents subscribe to *New Culture*, which tends to disseminate the argument that these two are inseparable. For instance, an article dealing with price fixing and free return describe these two as 'two tires of a wheel' (27<sup>th</sup>, Jan, 2000). Despite the belief that free return policy is inseparable from the price fixing practice in publishing, actually, some industrial sectors in Japan adopt a free return policy without fixing the price of products such as garments (Matsumoto, 2002), watches and drugs (Kamo, 1997). RPM has a characteristic as a legal exemption and the exemption of RPM legally allows the publishers to control the retail price; but in reality, wholesalers

govern the price fixing in the Japanese publishing field. Moreover, although fixing the price of printed books and free return policy was not a legal requirement, incumbents strongly adhered to it.

### **The wholesalers' dominant roles**

As represented in characteristics of the established business model, wholesalers play dominant roles in the publishing field. The number of wholesalers was far smaller compared to those of publishers and bookstores. In 2006, there were 4,361 publishers and 18,156 bookstores. In contrast, the number of wholesalers across Japan was only 29 in 2010. These data were obtained from the Wholesalers' Association (<http://www.torikyo.jp/gaiyo/kaiin.html>). Furthermore, the concentration ratio of the three largest wholesalers after 1999 had been over 80% according to the data obtained from the JFTC. The largest wholesaler's annual sales in 2005 were about 701 billion JPY (£ 5 billion), the second largest 648 billion JPY (£ 4.6 billion), and the third largest, 109 billion JPY (£ 0.78 billion)<sup>6</sup>. Thus, it could be inferred that the top two wholesalers in particular have played key roles in the distribution of publications. This will be further illustrated in the following sections.

### **The relationship between wholesalers and publishers**

Wholesalers played the gate-keeping roles in relation to publishers. That is, they controlled the entry of newcomer publishers by differentiating transaction conditions to them from the established publishers. As Kinoshita (1997) argues, this could be a violation of the Antimonopoly Act, but the JFTC had not taken critical actions until the mid 1990s when the JFTC aimed to abolish the fixed price system. A publisher indicates this as follows:

[M]ost important thing for the publishers is to find a wholesaler that agrees to distribute your books...If you are a newcomer publisher, you may need to ask another publisher to distribute your books since wholesalers do not agree to handle your books that easily (interview with a publisher, 23<sup>rd</sup>, October, 2005).

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<sup>6</sup> In this thesis, £ 1 is assumed to be 140 JPY.

This is because the emphasis on the existing distribution system was not on books with a small circulation but on magazines and mass circulated books (Choi, 2005). Newcomer publishers would be likely to deal with books with a small circulation.

As Kinoshita (1997) indicates, the incumbents in publishing rarely disclosed the official data that indicate the powerful roles of wholesalers in relation to publishers. However, exceptionally, the Wholesalers' Association once disclosed data regarding the status of the opening of commodity accounts for books for the top two wholesalers, from 1995 to 1999, as seen in table 5.1. This was because the JFTC that enforced the Antimonopoly Act reviewed the publishing industry in 1990s and required the industry to provide the data regarding this issue (an interview with a bookstore, 4<sup>th</sup> August 2005).

Table 5.1 illustrates the degree of difficulty for new bookstores to start transactions with the largest two wholesalers. According to table 5.1, the availability ratio (No of accounts opened by the largest two wholesalers / No of application by bookstores to the largest two wholesalers) was not necessarily low. However, newcomer publishers were usually presented with unfavourable conditions, and if they did not agree to those imposed conditions, they were referred to other wholesalers. Such unfavourable conditions included extra payments to wholesalers, which wholesalers justified as 'insurance' against returned publications—the amount of which tends to be high amongst newcomers (Kinoshita, 1997). Furthermore, they were often required to pay commission for distributing publications.



Table 5.1 The status of the opening of commodity accounts for the top two wholesalers

Year	Nos of application	Nos of account opened	Availability	Nos of publishers refused
1995	80	67	83.8%	13
1996	100	78	78.0%	22
1997	83	56	67.5%	27
1998	82	73	89.0%	9
1999	90	70	77.8%	20
Total	435	344	79.1%	91

Source: Document issued in August 2000 by the Japan Publication *Wholesalers' Association*

An illustrative example of the business conditions presented by the wholesalers to newcomer publishers was Publisher-C, which has built and operated direct consumer sales channels (i.e., from Publisher-C to bookstores). While Publisher-C solely employed direct sales in the beginning, they started to deal with a medium-sized wholesaler because they required a search system that was operated by wholesalers—without this search system linking almost all the bookstores, Publisher-C could not receive an order from a bookstore that had not previously dealt with Publisher-C. When Publisher-C started to seek wholesalers as trading partners, they firstly negotiated with the two largest wholesalers. However, Publisher-C did not agree with the business conditions for newcomer publishers presented to them—one of which was a demand for an extra payment amounting to 5% of the transacted amount:

We negotiated with two largest wholesalers regarding the transaction condition. But one of which presented an unacceptable condition. I mean they required us to return 5 % of sales.... We just wanted to transact with a wholesaler, because if we do not have transaction with any wholesalers, our books will never appear in database, which are operated by wholesalers and possessed by almost all bookstores (interview with a publisher, 15<sup>th</sup>, July, 2004).

As is seen in the case of Publisher-C, newcomers were particularly subject to unfavourable business conditions required by large wholesalers. Although Publisher-C sought a medium-sized wholesaler, most of the new publishers, as illustrated in Table 6.5, yielded to conditions suggested by the largest wholesalers.

Distribution of books predominantly utilised *haihon*, in which wholesalers determine the combination of books and magazines sent to bookstores, combined with the fixed price and free return policy. When a publisher did not follow the routine procedure of book distribution, wholesalers exerted pressure on a publisher. For instance, a publisher indicates the possible sanction as follows:

In case a bookstore owner directly calls us, asking us to send our books immediately, we sometimes use parcel delivery service. Actually, this is violating rules in the field. Of course, this is a bit risky if wholesalers find out this sort of thing...When wholesalers found out, what would happen? In extreme cases, say, if we discount books via parcel delivery route, wholesalers may charge us a penalty. But, it's extreme case, rather, we would feel uncomfortable or feel guilty (Publisher, 15th, Feb, 2010)

A similar kind of possible sanction has been reported by previous research (e.g. Kinoshita, 1997). For example, Kinoshita (1997) argues that although the irregular or violation of the usual distribution rules may not frequently happen, when it happens, wholesalers may warn the publishers to pay additional fees as indicated in the above example.

### **The relationship between wholesalers and bookstores**

One bookstore indicates that they totally left the management of the contract to the wholesaler:

We [the retailers] do not have [enough] time to form the contract [with the wholesalers], since the publishers issue more than 70,000 titles per year...I think master copy of the printed form is with them [a wholesaler] (interview with a bookstore, 20<sup>th</sup>, June, 2005)

In fact, wholesalers' roles seem to be essential in enabling the daily operation of the bookstore.

Furthermore, wholesalers police bookstores regarding transaction rules associated with the established business model. A discount book campaign was held in one of the largest bookstores, *Libro*, in Tokyo from 5<sup>th</sup> to 10<sup>th</sup> of October in 1994. According to Taguchi (2007), who worked for *Libro* at the time of the discount book campaign, several small and medium sized publishers, mainly dealing with books in humanities and social sciences, initiated this bargain book campaign. Taguchi (2007) points out that these several publishers were concerned about the possibility that growing deregulation by the Japanese government may threaten the fixed price system for publications in the future. In order to set up an alibi for demonstrating that the publishing field is flexibly operating a fixed price system and there was no need to abolish the fixed price system, these publishers attempted to appeal to bookstores to launch a bargain book campaign. In turn, *Libro* agreed to launch a bargain book campaign. In this campaign, books were sold with 20 to 70 % discount from the listed price. Regarding this, according to an article in *Shinbunka*, a weekly industry journal for the publishing field, on 22<sup>nd</sup> of September, 1994 several members of the Wholesalers' Association exerted pressure on this bargain book campaign. *Shinbunka* reports that wholesalers pointed out the fact that *Libro*'s discount book fair utilises 'worn books' that are regarded as dirty and they criticised the laws, complaining that the criteria regarding 'worn books' are ambiguous. Furthermore, the titles claimed to be 'worn books' are sold with fixed price in other bookstores except *Libro* during the bargain book campaign (Taguchi, 2007). In turn, several large publishers that firstly agreed to participate in the discount book campaign abandoned their participation at the end of September that same year (Taguchi, 2007, pp.244-268).

Apart from the above mentioned bargain book campaign, a limited number of discounted books had been distributed by *Yagi-shoten*, a medium sized wholesaler, since 1934. Most importantly, discounted books that *Yagi-shoten* dealt with were those books and magazines, of which publishers declared they would no longer fix the price. It could be considered that *Yagi-shoten* had been able to operate without being intervened upon by other wholesalers. This is because *Yagi-shoten* had paid enough attention not to mix the fixed priced book with the discounted book. That is, once a title of the book was handled by *Yagi-shoten*, they made sure that the same title would no longer exist in the market at the fixed price. To do so, *Yagi-Shoten* rubber-stamped

‘B’, indicating ‘bargain books’, on all of the discounted books. Furthermore, *Yagi-shoten* did not deal with blockbuster books (Choi, 2005). Rather, they focused on books that publishers wished to withdraw from the market.

Regarding the distribution of books, *Yagi-shoten* did not adopt a free-return policy. Therefore, if retailers had a transaction with *Yagi-shoten*, they were not allowed to return books to *Yagi-shoten*. In 2009, *Yagi-shoten* sold approximately 1 billion JPY (£ 7.1 million) by selling discounted books (<http://www.daini-syuppan.co.jp/company.html>). Compared with 924 billion JPY (£ 6.6 billion), the sales of books in 2004, this amount seems fairly small.

### **Incumbents’ interests in the revenue stream addressed by the established business model**

Under the established business model, publishers can predict and calculate the sales more readily than under other pricing systems. This is mainly because of the fixed price system (RPM). Therefore, they could reduce operation costs (Kinoshita, 1997).

Furthermore, the established business model had been beneficial for publishers in terms of the advertisement fee. Advertisement fee from companies had been important revenue for publishers since the late 1970s (Japan Editor School, 1995). This means, the revenue from the advertisement was frequently more than the sales of magazines (Japan Editor School, 1995). Japan Editor School argues that the entrance of McGraw-Hill, an American publisher, influenced the role of advertisements in the Japanese publishing field. McGraw-Hill jointly established Nikkei-McGraw-Hill in 1969. Nikkei-McGraw-Hill utilised advertisements as an important source of revenue (Koide, 1997). In fact, according to Japan Editor School (1995), magazines released by Nikkei-McGraw-Hill utilized multiple colours in order to increase the value of their magazines as advertising media. Koide (1997) argues that this was contrastingly different from other publishers, which predominantly focused on the sales of magazines, although they also utilised advertisements. Later on, from the 1970s, the growing number of publishers emphasized the role of advertisements (Koide, 1997).

The growing importance of advertisements for magazines motivated publishers’ commitment to the established business model. The circulation of magazines and newspapers are monitored by Japan Audit Bureau of Circulation (J-ABC). Advertisers, advertisement agencies and media companies, including

publishers and newspaper companies which, respectively, pay monthly fees in order to sustain J-ABC's activities. J-ABC was established in 1959 in order to provide a third-party authorization to the circulation of a magazine or a newspaper (<http://www.jabc.or.jp/wp-content/uploads/abguide.pdf>). Official circulation, which was authorized by J-ABC, is utilized in determining the price of an advertisement to a newspaper or a magazine. The larger the circulation, the higher the advertisement price (Kawauchi, 2007). Therefore, as Ando et al. (2000) argue, the free return policy has particularly been beneficial for the distribution of magazines. This is because free return policy has been helpful in fulfilling this demand by reducing the inventory risk of bookstores.

As seen above, wholesalers obtain a commission income in the transaction. Therefore, for wholesalers, increasing the quantity of books and magazines they deal with leads to higher revenue. Due to low price competition among bookstores and lower inventory risk for bookstores, wholesalers could concentrate on increasing their affiliated bookstores (e.g., Sano, 2001).

For bookstores, the established business model protected them from price competition and meant that they could be free from inventory risk. An interview from a bookstore illustrated this point:

We cannot continue our business if fixing the price becomes illegal, because we cannot forecast the sales of publications in advance. With the fixed price system, we can freely return the books and magazines to the wholesalers (24<sup>th</sup>, September, 2004).

Importantly, these characteristics of the established business model ensured the bookstore (perhaps not so profitable but) stable revenue (Japanese Federation of Book Stores, 2001). In summary, the incumbents in the publishing field had interests in the revenue stream generated by the established business model.

### **An institution in the field**

The established business model resulted from incumbent actors' experience of an institution in the publishing field. An institution, defined as a recurring pattern of actions, in the publishing field is recurring pattern of personal capitalism, business affiliation and central distribution of books and magazines. This institution was

shaped by the complementary coexistence of generative mechanisms derived from the family logic and the state logic as SILs. Furthermore, it can be considered that actors in the organisational field had basically supported this institution.

In what follows, the influence of generative mechanisms derived from the family logic as well as the state logic as SILs is firstly examined by illustrating particular generative mechanisms influential in the field. Then follows the analysis of the coexistence of these two institutional logics.

### **Family Logic**

#### **A certain aspect of a generative mechanism of family logic: Personal capitalism**

A number of researchers argue that '*ie*', which means household in Japanese, had been an important organising principle in Japanese industrial sectors. Particularly, examining the large Japanese firms has developed this insight. Through the examination, these researchers have pointed out important generative mechanisms: personal capitalism and business affiliation networks, called *keiretsu* (Japanese business affiliation) (Bhappu, 2000; Kozai & Miyagawa, 2008; Murakami et al., 1979; Seki, 1994). *Keiretsu* indicate vertical business affiliation in which companies have strong links with each other and especially parent companies assist affiliated companies in many ways. Probably, this was most clearly observed in prewar *zaibatsu* domination in Japanese industrial sectors. *Zaibatsu* were Japanese prewar conglomerate such as *Mitsui*, *Sumitomo*, *Yasuda* and *Mitsubishi*. Importantly, prewar *zaibatsu* were financially dominated by a particular family members (Noguchi, 2002). For instance, *Mitsui* family had owned *keiretsu* firms as holding companies that belonged to *Mitsui zaibatsu*. After the WWII, the Act for Elimination of Excessive Concentration of Economic Power was legislated in order to dismantle this prewar *zaibatsu*. However, in many Japanese industrial sectors, *keiretsu* networks based on *zaibatsu* revived around 1960s under the initiative of large banks (Bhappu, 2000; Noguchi, 2002). That is, in many of industrial sectors including automobiles and electric appliances, large banks increasingly financed firms that formerly belonged to the same *keiretsu* and encouraged cross-holding of stocks among the same *zaibatsu* (Kikkawa, 1996).

In the Japanese publishing field, some generative mechanisms derived from the family logic as an SIL had been influential but the context seems to be slightly

different. That is, large banks or *zaibatsu* did not have much influence of the generative mechanisms of the family logic as an SIL in the publishing field.

Firstly, the guidance of actors to develop personal capitalism, which can be a generative mechanism derived from the family logic as an SIL, is examined. Japanese large companies have not utilised capital markets (Tanaka, 2008). In fact, within the Japanese large firm, strong commitment of employees to the Japanese large firms has been reported (Nakane, 1972; Noguchi, 2002). This generative mechanism had been influential in publishing. Regarding publishers, as seen in table 5.2, of the top 10 largest sales publishers in 2009, one out of 10 were quoted companies. Since the majority of publishers were not quoted companies, the sales data were not necessarily disclosed by publishers. Some research institutes including Teikoku Data Bank periodically investigates the sales of publishers. The quoted publisher was *Kadokawa*. Importantly, this publisher was a diversified firm and thus potentially utilising stock market may be usual practice in those organisational fields where this company had diversified. While M&A (mergers and acquisitions) of publishers had been taking place in Europe and the United States, the field of Japanese publishing has rarely observed M&A (Moeran, 2010, p.10). Furthermore, as Moeran (2010) rightly points out, the majority of Japanese publishers tend to be owned by a family and operate independently.

Table 5.2 Top 10 largest sales publishers in 2009

Name	Sales in billion JPY (billion £) <sup>7</sup>	Quoted/Unquoted	Description
Shueisha	133.3 (0.95)	Unquoted	
Kodansha	124.5(0.89)	Unquoted	President has been from Noma family
Shogakukan	117.7 (0.84)	Unquoted	President has been from Ouga family
Bungeishunju	27.5 (0.20)	Unquoted	
Kadokawa	27.4 (0.20)	Quoted	Diversified into publishing, video game software, movie
Gyosei	27.1 (0.20)	Unquoted	
Kobunsha	24.5 (0.18)	Unquoted	
Ascii Mediaworks	21 (0.15)	Unquoted	
Takarajima	20.7 (0.15)	Unquoted	
Mediafactory	20.7 (0.15)	Unquoted	

Source: Teikoku Data Bank's research on the publishing industry in 2009

(<http://www.tdb.co.jp/report/watching/press/pdf/p101101/pdf>)

Regarding wholesalers, there had not been identified any quoted firms as shown in table 5.3. In contrast to publishers, wholesalers annually disclose their sales. The Wholesalers' Association had approximately 40 wholesalers. However, other than the largest 7 wholesalers, they usually did not disclose sales data.

<sup>7</sup> Sales, here, are estimated by excluding sales gained from non-publishing activities.



Table 5.3 Top 7 largest wholesalers in 2009

Name	Sales in billion JPY (billion £)	Quoted/Unquoted
Nippan	613 (4.38)	Unquoted
Tohan	547.2 (3.90)	Unquoted
Oosakaya	128 (0.91)	Unquoted
Kurita	50.3 (0.36)	Unquoted
Taiyosha	41.9 (0.30)	Unquoted
Nikkyohan	36.6 (0.26)	Unquoted
Chuoshu	25.8 (0.18)	Unquoted

Source: Wholesalers' websites

Regarding bookstores, chain bookstores dominated large sales (Sano, 2001). In fact, all of the 10 largest bookstores had more than one branch. Among these 10 largest bookstores, two bookstores were identified as a listed company as seen in table 5.4. In addition to Top Culture, Village Vanguard utilised the stock market. It would appear that bookstores rarely utilised the stock market even though they established multiple branches.

Table 5.4 Top 10 largest bookstores in 2010

	Sales in billion JPY (billion £)	Quoted/Unquoted
Kinokuniya	113.0 (0.81)	Unquoted
Yurindo	54.2 (0.39)	Unquoted
Junkudo	47.8 (0.34)	Unquoted
Miraiya	47.0 (0.34)	Unquoted
Bunkyo	38.8 (0.28)	Unquoted
Futaba Toshu	38.5 (0.28)	Unquoted
Village Vanguard	35.0 (0.25)	Quoted
Top Culture	30.1 (0.22)	Quoted
Miyawaki	28.3 (0.20)	Unquoted
Sanseido	28.0 (0.20)	Unquoted

Source: Nippan (2011)

Moreover, the majority of bookstores were micro-businesses and the management are succeeded among family members (Sano, 2001). This had been confirmed in some interviews, which I conducted in bookstores:

I was previously working in a totally different sector, the steel field as a salaried employee... My grandfather established this bookstore and it was passed down to my father... When my father got ill and could not manage the stores, I quit my previous job and started this business. (4<sup>th</sup>, August, 2005)

I took over this bookstore from my father... Since then, I have opened another branch... another branch is managed by my daughter and her husband. (20<sup>th</sup>, June, 2005)

As seen above, incumbents in publishing seem to share personal capitalism in terms of an economic system, which characterises Japanese companies as individual households (Bhappu, 2000; see also Thornton, 2004).

### **Another aspect of a generative mechanism of family logic: Business affiliation**

Furthermore, the logic of family as an SIL has a generative mechanism that helps actors to shape business affiliation (Bhappu, 2001). A *keiretsu* 'consists of an association of vertically related parts-makers [and retailers] held together by a high degree of sales and technological interdependence, by partial stock ownership, by interlocking boards of directors and by long-term contract' (Tabeta, 1998, p.2). *Keiretsu* has been frequently focused upon in relation to the field of automobiles and electric appliances.

In the Japanese publishing field, vertical networks were shaped mainly through the link between wholesalers and bookstores. Importantly, wholesalers led *keiretsu* in the field of publishing. This contrasts with *keiretsu* in other industrial sectors such as electric appliances and car manufacturing, where the manufacturer rather than wholesalers or retailers leads the *keiretsu* (Ahmadjian & Lincoln, 2001).

Table 5.5 The number of bookstores under wholesalers' *keiretsu* in 2004

Tohan	6208
Nippan	5478
Oosakaya	1239
Kurita	985
Chuoshu	558
Taiyosha	562
Others	1209
Total	16239

Source: 'Shuppan shihyou nenpou 2005'

Table 5.5 illustrates the number of bookstores that form exclusive contracts with one of the wholesalers. Ando et al. (2000) as well as Kobayashi (2001) indicate that wholesalers assist *keiretsu* bookstores in several ways. For instance, Kobayashi (2001) indicates that wholesalers lent capital necessary for establishing a new branch to *keiretsu* bookstores. Importantly, regarding this, wholesalers did not apply the interest rate to *keiretsu* bookstores. Furthermore, wholesalers often accepted rescheduling the debts of *keiretsu* bookstores (Kobayashi, 2001). Wholesalers, in general, assisted their *keiretsu* bookstores in many ways including the assistance of capital, information and human resources (Ando et al., 2000).

As represented in the *keiretsu* in the field of Japanese publishing, wholesalers had been parent companies in vertical *keiretsu* networks. Regarding the role of publishers in *keiretsu*, their involvement had been less obvious than those of wholesalers and bookstores. Large publishers tended to provide capital to wholesalers in the form of [unquoted] stocks and publishers, in general, predominantly relying on the distribution via wholesalers (Kinoshita, 2003b). In other words, although publishers tended to be part of more than one wholesalers' *keiretsu*, they had been an essential part of it. In fact, the incumbents in the Japanese publishing field tended to be called 'trinity (*sanmi ittai*)' which denotes three inseparable constituents of the incumbents in the publishing field (e.g., Uemura, 2010, p.40). To put it differently, this trinity included publishers, wholesalers and bookstores and indicates the strong solidarity of incumbents, which implies exclusiveness to outsiders (Kobayashi, 2001).

In contrast to the majority of small bookstores, large bookstores tend to form contracts with several wholesalers (Kinoshita, 1997).

### **State logic**

#### **A certain aspect of a generative mechanism of the state logic: Centrally planned distribution**

According to Thornton (2004), the state logic as an SIL highlights the importance of actors' centrally planned distribution of goods and services. In fact, a generative mechanism of the state logic as an SIL, which was enhanced during WWII in the Japanese publishing field, had highlighted the redistribution function by wholesalers. Importantly, wholesalers had been transformed into a national policy concern during the War by the imperial government.

Particular to the Japanese publishing field, the importance of centrally planned distribution of books and magazines had been focused upon as a recurring pattern of behaviour (Choi, 2005; Kinoshita, 1997; Kobayashi, 2001). Wholesalers adopted the distribution method called *haihon* (literally means 'rationing books'), which emphasises wholesalers' initiative in selecting a combination of publications sent to retailers since WWII (Kinoshita, 1997). Before the establishment of Imperial Japanese Wholesaler Company, bookstores did not rely on *haihon* by wholesalers and thus it was usual for bookstores to order books from publishers through wholesalers (Choi, 2005; Kobayashi, 2001).

*Haihon* was a state policy during the war and then a business strategy by the wholesalers afterwards. In 2004, the percentage of distribution routes through publishers, wholesalers, and bookstores was 65.9%, and those through publishers, wholesalers, and convenience stores was 20.9% (*New Culture* 20, October, 2005). Convenience stores are retailers that usually open 24 hours and sell various products including food, groceries, DVDs, and so on. In terms of publications, they mainly deal with magazines. There are several brands of convenience stores such as Seven Eleven, Lawson and Family Mart. According to the Japan Franchise Association, there were approximately 40,000 convenience stores in 2010. (<http://www.jfa-fc.or.jp/particle/42.html>).

The total percentage of these two routes (publishers-wholesalers-bookstores/convenience stores) was 86.8%, constituting a clear majority of publication distribution routes. It can be inferred that wholesalers undertake major

roles in the distribution of publications. Direct order is one way of distributing books by not relying on wholesalers' *haihon*. However, direct order is less than one percent of sales of bookstores (Ando, Oda & Nagae, 2000, p.141). Thus, the influence of wholesalers had been dominant in the publishing field (Kobayashi, 2001; Kinoshita, 1997; Sano, 2001).

### **The complementary relationship of the family logic and the state logic**

#### **The continued influence of the state logic**

It can be considered that generative mechanisms derived from these two SILs had coexisted in a complementary manner after WWII. While generative mechanisms derived from the family logic as an SIL had been prevalent before WWII (Bhappu, 2000; Kozai & Miyagawa, 2008; Murakami, Kumon & Sato, 1979; Seki, 1994), a generative mechanism of the state logic as an SIL had been influential since WWII.

The enhancement of generative mechanisms derived from the state logic as an SIL dates back to WWII, when Imperial Decree of Newspapers (*Shinbun Jigyō Rei*) and Law of Regulating Discussion, Publishing, Meeting and Association (*Genron Shuppan Shukai Kessha Tō Rinji Torishimari Hō*) were established in 1941. These regulations required publishers and newspaper companies to obtain permission to engage in publishing activity from the government. That is, a notification system of publishing was replaced by approval system due to these regulations.

Most importantly, approximately 240 wholesalers distributing publications were merged under the Imperial Japanese Wholesaler Company (*Nihon Shuppan Haikyū Kabusiki Kaisha*) in 1941. This national policy concern employed those who worked for wholesalers and publishers. The establishment of this Imperial Japanese Wholesaler Company was associated with the rationing system widely adopted after 1938 due to the legislation of the National Mobilization Law (*Kokka Soudōin Hō*), which enabled governmental control of civilian organisations. From 1938 until a while after the termination of World War II, the bulk of products for daily use had been distributed under the rationing system. Even after the termination of WWII, rationing was officially adopted for the distribution of rice until 1982 (Noguchi, 1995). Reliance on rationing, in general, reflected the lack of resources. However, as Ohara Institute for Social Research (1965) indicates, the utilisation of the rationing system for publications through the Imperial Japanese Wholesaler Company was to further ensure that only censored publications could be disseminated.

When WWII was over in 1945, the Supreme Commander of Allied Powers (SCAP) dominated Japan and launched the reconstruction of its social system (1945-1952). For instance, SCAP created a new constitution in 1946. With respect to the publishing field, SCAP released the 'press code' in 1946 and aimed to exclude publications that were considered to have given a positive evaluation of Japanese involvement with WWII. Moreover, the Imperial Japanese Wholesaler Company was forced to stop operation in 1948. This was because the Act for Elimination of Excessive Concentration of Economic Power, which aimed to dissolve *zaibatsu* domination, also designated the Imperial Japanese Wholesaler Company as requiring reform. As a result of the enforcement of the Act for Elimination of Excessive Concentration of Economic Power, the Imperial Japanese Wholesaler Company suspended their operation. Afterwards, as Matsumoto (1981) indicates, employees from the Imperial Japanese Wholesaler Company started to establish new wholesalers, based on various relationships. These relationships included those generated in the working environment under Imperial Japanese Wholesaler Company and those generated in a wholesaler company before it merged under the Imperial Japanese Wholesaler Company (Matsumoto, 1981).

In 1949, several wholesalers were established including *Osakaya*, *Nippan*, *Tohan* and *Chuosha*. These newly created wholesalers included the above mentioned two largest wholesalers, namely *Nippan* and *Tohan*. Most importantly, these newly established wholesalers had utilised exactly the same method of distribution adopted by the Imperial Japanese Wholesaler Company (Japanese Federation for Bookstores, 2001). That is, these wholesalers determined the variety of books and magazines distributed to a bookstore. Regarding this, publishers, especially traditional ones, provided capital to establish wholesalers (Japanese Federation for Bookstores, 2001; Kinoshita, 1997).

It is not necessarily clear how generative mechanisms derived from the family logic as an SIL informed the field during WWII. However, as seen above, it has been observed that the family logic as an SIL had been influential in the Japanese publishing field after WWII. Importantly, certain generative mechanisms derived from these two logics as SILs had been complementary rather than conflicting.

As seen in the next section, contexts surrounding the Japanese publishing field had been relatively stable until the emergence of two types of environmental jolts.

## Regulatory context

As mentioned above, the fixed price system for certain copyrighted products (including publications) had been exempt from the Antimonopoly Act, which had been enforced by the JFTC. In addition to the enforcement of Antitrust Law, the JFTC have a privilege to suggest some amendments regarding Antitrust Law to the central government and to give instructions and warnings to any of the incumbents concerned. The JFTC define the responsibility of them as follows:

The JFTC is an independent administrative commission consisting of the Chairman and 4 commissioners. These members are appointed from among experts in law or economics by the prime minister with the consent of the Diet. The JFTC is unique in that it performs its duties as independent administrative commission without being directed or supervised other organs. Its organizational unit known as General Secretariat takes charge of clerical affairs of the JFTC with regard to investigation and supervision of those cases involving *Antimonopoly Act* ([http://www.jftc.go.jp/e-page/aboutjftc/role/1009role\\_1.pdf](http://www.jftc.go.jp/e-page/aboutjftc/role/1009role_1.pdf))

Under the Chairman and commissioners, the JFTC has three different divisions. That is, the secretariat, economic affairs bureau and the investigation department. The secretariat takes care of internal co-ordination of the JFTC. For instance, personnel in the secretariat manage accounting of the JFTC and are responsible for human resource issues in the JFTC. The investigation department examines the violation of the *Antimonopoly Act*. If they find potential violation, either through whistle blowing or through the examination of the JFTC, the investigation department firstly collects more information regarding the case, for instance, through inspecting a company. If the investigation department gathers enough evidence that prove the violation, the JFTC orders a company to refrain from the violation and pay the penalty of the violation if applicable.

The economic affairs bureau plays an important role in relation to the exemption of price fixing for publications, newspapers and CDs. The economic affairs bureau mainly deals with two mutually related issues. One examines law bills and formal or informal policies of other governmental ministries in order to confirm that these do not violate the *Antimonopoly Act*. Another issue regards potential

amendments to the *Antimonopoly Act*. The planning section in the economic affairs bureau mainly deals with the latter issue and hence has daily contact with the incumbents in the publishing field. In 1996, 82 personnel were assigned from the economic affairs bureau out of 528 in total employed in the JFTC (JFTC, 2007).

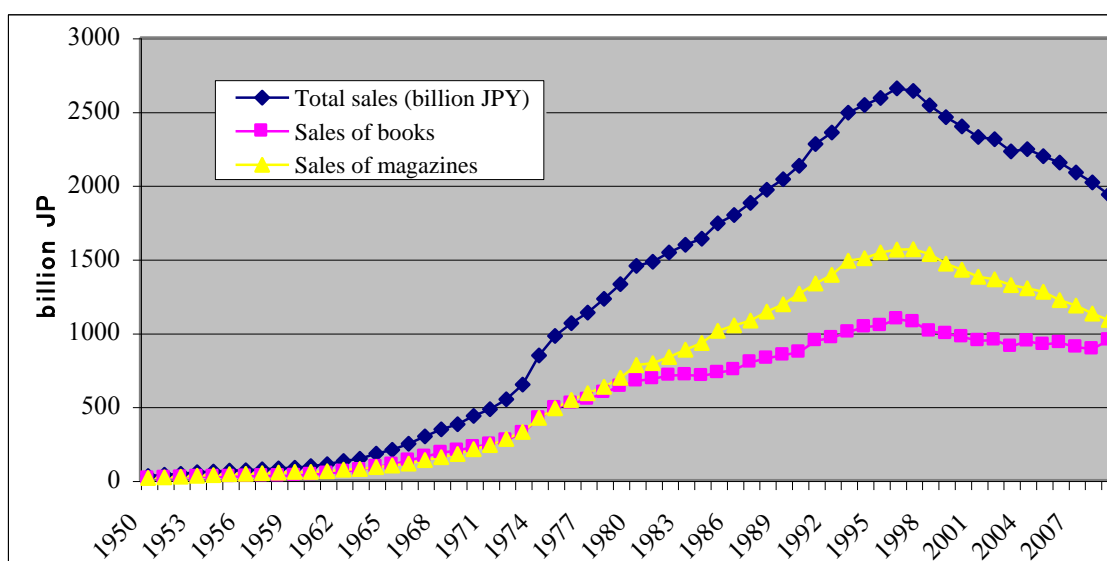
Importantly, as seen in the next chapter, the JFTC had been relatively weak until a regulatory jolt in the early 1990s (Murakami, 2005). It could be argued that the legal exemption of the fixed price system for publications, at least, contributed to the stability of the established business model. In fact, abolishing the legal exemption of the fixed price system for publications would inevitably lead the incumbents in publishing to alter the established business model since the abolition would not allow the incumbents to fix the price of publications.

### **Technological context**

In terms of the technological context surrounding the Japanese publishing field, the sales of printed publications had been stable for the past decade and this may have positively influenced the maintenance of the established business model in the Japanese publishing field. However, since the mid 1990s, sales have witnessed a downturn. According to the Research Institute for Publications (2010), the Japanese publishing field had witnessed continuous growth of sales since 1950. When the Japanese economic bubble began to deflate in 1990, the Japanese publishing field was still enjoying a growth in the sales of publications. In contrast to the majority of Japanese industrial sectors, the publishing field continued to improve their sales record until the mid 1990s. In 1997, the sales of publications reached a peak of 2637.4 billion Japanese Yen (JPY), which is approximately £ 19 billion. However, the sales of printed publications had continued to observe a downward trend since 1997 as seen in figure 5.1

Figure 5.1 Sales of books and magazines





Source: Publishing Research Institute (2010)

A number of factors have been presented as causes for the downturn trend of the publications. The majority of critics point to so-called ‘aliteracy’ (Kobayashi, 2001; Oda, 2009; Sano, 2001). ‘Aliteracy’ here means that consumers came to spend less time and money on publications. In brief, their argument highlights the role of the internet, mobile phone and video games, which increasingly influenced the behaviour of consumers. To put it differently, their argument regards these alternatives as competitors to printed publications and claim that these competitors increasingly deprived consumers of the time and money previously assigned to reading printed publications. Furthermore, this sales downturn has been argued to be connected with the established business model (Kobayashi, 2001; Oda, 2009; Sano, 2001). For instance, Kobayashi (2001) argues that the fixed price system combined with the free return policy, an important characteristic of the established business model, resulted in the downturn trend of the sales because of capacity limits.

Related to the downturn trend of the sales of publications, it should be pointed out that the number of titles of books and magazines had tended to increase for the past decade as seen in table 5.6. This is the case even after the Japanese publishing field started to experience shrinkage in the market from 1997. It is not necessarily certain that these data indicate that the sales from one title of book or magazine was invariably decreasing or the inequality between ‘winner’ title and

‘loser’ title became salient. However, it would be the case that the incumbents in the field tend to regard the time period after 1997 as an ‘economic downturn of publishing’ (e.g. Sano, 2001).

Table 5.6 Titles of books and magazines

	Title of magazines	Title of books
1995	3116	61302
1996	3257	63054
1997	3318	65438
1998	3359	65513
1999	3394	65026
2000	3433	67522
2001	3460	69003
2002	3489	72055
2003	3554	72608
2004	3624	74587
2005	3642	76528
2006	3652	77722
2007	3644	77417
2008	3613	76322
2009	3539	78555

Source: ‘Shuppan shihyou nenpou 2010’

One important issue about the sales of the publications in the Japanese publishing field is that the percentage of magazines has been higher than that of books in terms of value of sales for much of the post-war period. From the 1950s to 1970s, the sales of books stayed at about the same level as that of magazines. However, since the 1980s, the sales of magazines increased to be higher than that of books, although the difference has come to be smaller in recent years. For instance, the sales of books in 2004 was 942.9 billion JPY (£ 6.74 billion) and that of magazines was 1299.8 billion JPY (£ 9.28 billion), while the sales of books in 2009 was 949.2 billion JPY (£ 6.78 billion) and that of magazines was 1086.4 billion JPY (£ 7.76 billion). As

inferred from this data, the Japanese publishing field had an emphasis on the distribution of magazines (Choi, 2005, Kinoshita, 1997).

Furthermore, while lots of the Japanese industrial sectors relied on exports, the dependence of the Japanese publishing field on the foreign market had been very low. According to Trade Statistics of Japan<sup>8</sup>, the amount of imported publications in 2004 was 47.5 billion JPY (£ 0.34 billion), while that of exported publications in 2004 was 15.1 billion Japanese Yen (£ 0.11 billion). This adverse balance of trade may reflect the increasing popularity of the English language. Of 47.5 billion JPY (£ 0.34 billion) for imported publications in 2004, 31.1 billion JPY (£ 0.22 billion), approximately 70 percent of the total, was from the U.S.A. and U.K. This has been said to be because of the language barrier (e.g., Inoue, 2001).

Obviously, the Japanese publishing field had put its strongest emphasis on the domestic market. Furthermore, due to the language barrier, new entrants from foreign countries had rarely been observed (Kinoshita et al., 2001). The American online bookstore giant, Amazon.co.jp has operated in the Japanese publishing field since November, 2000. While Amazon.com directly forms contracts with publishers, Amazon.co.jp utilises wholesalers (Kinoshita et al., 2001). It would appear that Amazon.co.jp had not significantly impacted on the status of the established institutional arrangement. This could have influenced the status of the business model as well as the institutional arrangement in the organisational field. For instance foreign publishing fields, especially, the British and American ones, tend to utilise M&As (Moeran, 2010) and importantly the enhancement of generative mechanisms derived from the market logic as an SIL tends to be enhanced by M & As in the publishing field (Thornton, 2002).

## Summary

In this chapter, the established business model and the underlying institutional arrangement in the field of Japanese publishing has been examined. As seen above, under the established business model, publishers produced publications, which were distributed by wholesalers to bookstores, where consumers buy publications. Furthermore, the established business model had two characteristics. Firstly, wholesalers centrally determined the combinatory pattern of publications sent to

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<sup>8</sup> <http://www.customs.go.jp/toukei/info/index.htm>

bookstores in the established business model, which is called *haihon*. Secondly, wholesalers predominantly establish transaction rules including the fixed price system combined with free return policy. Importantly, publishers, wholesalers and bookstores had interests in the revenue stream generated by the established business model. The incumbents' interests in revenue streams largely derived from the two characteristics of the established business model. Since they have interests in the revenue stream, the incumbents in the publishing had reproduced the established business model for a lengthy period of time.

This established business model was informed by an institution, in which the business affiliation and central distribution of publications can be reproduced. This institution results from the complementary coexistence of generative mechanisms derived from the family logic and the state logic as SILs. Generative mechanisms of the logic of family as an SIL had been influential in Japanese industrial fields (Bhappu, 2000) including the publishing field as seen above. The family logic as an SIL has generative mechanisms that could guide actors to develop personal capitalism and shape business affiliations, respectively. The state logic as an SIL has a generative mechanism that could guide actors to utilise central allocation of goods and information. During WWII, this aspect of generative mechanism derived from the logic of state as an SIL was enhanced by the military government in the field of publishing as indicated. The military government mobilised political and regulatory resources to merge the wholesalers into a single national policy concern in order to ensure censorship. Importantly, the national policy concern adopted a centrally planned book distribution system, which is called *haihon*, meaning the rationing of books.

Moreover, regulatory and technological contexts had been supportive to the maintenance of the established business model and the underpinning institutional arrangement for the past decades such as weak regulatory agent (the JFTC) and increasing sales of printed publications. However, the publishing field was not entirely free from changing pressures. In fact, the publishing field witnessed regulatory and technological jolts, which will be examined in the following chapters.

## **CHAPTER 6**

### **REGULATORY JOLTS AND THE CONSEQUENCES OF RESISTANCE**

#### **Introduction**

In this chapter, a regulatory jolt to the organisational field is examined, namely, the external political pressure from the U.S. government regarding the Japanese competition policy around 1990. The U.S. government aimed to exert a neoliberal regulatory reform on the Japanese government. Although the Japanese government came to accept neoliberalism from the 1980s and privatised several industrial sectors such as tobacco and the railways, many actors in the industrial sectors and the government did not support neoliberalism in competition policy (Noguchi, 2004). This was because the Japanese economy had been directed toward a coordinated economy rather than open economy. However, the U.S. pressure led the Japanese government to actively launch neoliberal regulatory reform in competition policy (Sekiya, 2004).

The JFTC launched deregulation in various industrial fields including the publishing field. It could be considered that the JFTC tried to strengthen generative mechanisms derived from the market logic as an SIL in many of the Japanese industrial fields. In relation to the publishing field, the JFTC tried to abolish the legal exemption of the fixed price system for certain copyrighted products (books, magazines, newspapers, music records, music tapes, music CDs) and introduce price competition in the field.

To do so, the JFTC established study groups that investigated industrial sectors and created reports regarding the implementation of neoliberal regulatory reform. The study group was organised in 1994 in order to examine the fixed price system for copyrighted products and was composed of those who supported neoliberal regulatory reform. After the examination, the study group created a report, which was approved by the JFTC in July 1995. The JFTC highlighted the necessity of price competition and disadvantage of the fixed price system. Thus, this report can be regarded as theorisation of change in which enhancing generative mechanisms derived from the market logic as an SIL was supposed to provide positive effects in the field.

The incumbents in publishing resisted this by disseminating rhetoric. This is because they anticipated that the enhancement of generative mechanisms of the market logic as an SIL would threaten the revenue stream guaranteed by the

established business model. As seen in the previous chapter, the complementary coexistence of generative mechanisms derived from the family logic and the state logic as SILs shaped an institution in the organisational field, namely personal capitalism, business affiliation and central distribution of publications.

The incumbents in publishing disseminated a theorisation of resistance . In their theorisation of resistance, the incumbents emphasised the privilege of publications compared to other commodities and negative impacts of price competition to publishing activities. The incumbents in publishing could disseminate their theorisation of resistance through newspapers. This was possible since the legal exemption of the fixed price system included newspapers as well and the incumbents in newspapers also resisted the JFTC's theorisation of change. Dissemination of the incumbents' rhetoric through newspapers was effective in delegitimizing the JFTC's attempts to abolish the fixed price system and mobilise politicians (Kinoshita, 2003c; Tsuruta, 2001).

Accordingly, the JFTC had to reorganise the study group by adding several opponents of neoliberal regulatory reform in 1997. As a result, a report created by this committee, and approved by the JFTC in 1998, did not have a clear conclusion in which both supporting and opposing viewpoints were introduced regarding the fixed price system. Furthermore, defending rhetoric through newspapers could mobilise politicians in the Diet, which ultimately required the JFTC to refrain from a further review in 2001.

In addition to the legal aspects of the fixed price system, the JFTC tried to introduce a new business model by introducing price competition in the publishing field. However, this did not have any legal or administrative sanctions, the incumbents superficially introduced a discount by conducting bargain book fairs as an alibi and limited the duration of the price fixing for magazines. In the bargain book fair, publishers did not provide best-selling titles. Furthermore, incumbents adopted the free return policy and older titles of magazines were returned before the arrival of new titles. Accordingly, in reality, magazines were not discounted.

### **Regulatory jolt**

In the Japanese publishing field, the drastic diffusion of neoliberal regulatory reform, emphasising the primacy of the price mechanism, could be regarded as a regulatory

jolt. This was particularly related to the pressure exerted by the U.S. government with respect to Japanese competition policy around 1990.

As Palley (2004) argues, the economic reform of Margaret Thatcher in the U.K. (1979) and Ronald Reagan in the U.S. (1980) were well known representatives of neoliberal regulatory reform. Regarding the economic context at that time, Foreman-Peck & Hannah (1999) indicate that Western economies were faced with poor performance including a high unemployment rate and low productivity in the 1970s. Furthermore, the 1973 oil shock further worsened the performance of Western economies (Foreman-Peck & Hannah, 1999). In response, several Western countries including the U.K. and France, increasingly privatised state owned firms and proceeded with deregulation (Nellis & Lockhart, 1995).

Neoliberal regulatory reform started to appear as an influence in the domain of public policy from the mid 1980s in the Japanese economy, under international pressure, mainly from the OECD and its member countries (Kawamoto, 1998; Nishinarita, 2000). This introduction of neoliberalism was drastically quickened and enhanced by pressure from the U.S. government around 1990. That is, largely due to the U.S. pressure around 1990, the Japanese government came to support the policy to promote deregulation in Japanese industrial sectors (Tomoyori, 2006). Murakami (2005) indicates that the Japanese industrial sectors, as well as some actors in the government, were against the notion of the Antimonopoly Act. This is because the governmental intervention in the economy had been observed in the Japanese industrial sectors in a manner that focused on the controlled economy rather than on open economy (Noguchi, 2004). The OECD had conducted research on the then member nations' policy regarding regulations in the 1970s (OECD, 1997). Following the research result, the OECD adopted 'Recommendation on Competition Policy and Exempted or Regulated Sectors' on 25, September, 1979. This recommendation included the six items listed in table 6.1 in the appendix.

In a nutshell, these six items suggested minimising governmental regulation and reforming the competition scheme in each member state. Accordingly, in the mid 1980s, the Japanese government launched the privatisation of Japan Tobacco and Salt Public Corporation (April, 1985), Nippon [=Japan] Telephone and Telegraph Public Corporation (April, 1985) and the Japan National Railway (April, 1987). According to an officer in the JFTC, this 1978 recommendation by the OECD motivated the JFTC to initiate regulatory reform:

The OECD, reflecting the deregulation movement in mainly USA, adopted recommendations in the late 1970s... This was obviously reflected in the policy of the JFTC afterwards... But, it takes time, you know, to implement regulatory reform... this recommendation provided an opportunity to initiate the reform and it was accelerated by the Japan-U.S. SII [structural impediments initiatives] in the late 1980s (interview with a former JFTC officer, on 9<sup>th</sup>, June, 2005).

As suggested in the interview, Japanese neoliberal regulatory reform was dramatically accelerated by the Japan-U.S. Structural Impediments Initiative (SII) from around 1990, and this has been the subject of a number of studies. (Komuro, 2010; Sekioka, 2004; Tomoyori, 2006). In sum, the Japanese government intended to have weak competition policy during a high economic growth period (Murakami, 2005). This is because the emphasis had been put on coordinated economy vis-à-vis open economy (Chujo, 2007).

In 1980s, the US continued to face a trade deficit with Japan (Honma, 2005; Tomoyori, 2006). The US government tried to reduce the trade deficit through holding the Japan-U.S. SII regarding possible 'solutions' (Kondo, 1992). The final joint report of the Japan-U.S. SII was issued on 28<sup>th</sup> June 1990. The Japan-U.S. SII significantly influenced the regulatory reform of the Japanese government, including with regard to the publishing industry (Ichikawa, 1992; Kondo, 1992; Saito, 2004). For instance, according to Komuro (2010), the number of personnel in the JFTC was 474 in 1990, 558 in 1999, 564 in 2000, and 795 in 2008. As indicated in the final joint report, the Japan-U.S. SII had four follow-ups from October, 1990 to July 1992. These follow-ups of the Japan-U.S. SII had further enhanced the Japanese government's ability to implement the recommendations suggested in the final joint report (Sekioka, 2004; Wallace, 2002, p.540).

One example is how the enhanced price competition was promoted by changing the regulation related to retailers. Large-scale Retail Store Law, legislated in 1973, was weakened in terms of its enforcement due to the strengthened enforcement of the Antimonopoly Act in the 1990s (Bamba, 2006; Harada, 1999; Nakada & Kajiura, 2005). Bamba (2006) indicates that the Japanese government had actively protected small-scale retailers from large-scale retailers such as department stores.



The first legal scheme that helped to protect the small-scale bookstores dates back to 1932. Since then, the government have maintained the legal scheme though it changed names. However, due to the enhanced enforcement of the Antimonopoly Act, many large retailers had been able to establish branches without many difficulties since the 1990s. Finally, in June, 2000, the Large-Scale Retail Store Law was abolished.

It should be noted that the large scale bookstores belong to *keiretsu* and thus are largely dependent on the wholesalers (Oda, 2000). However, in other industrial fields such as the electronic appliance field, the large scale retailers tended to be independent of *keiretsu* (Itami et al., 2008). This difference is crucial in the examination of the second type of environmental jolt in the next chapter.

Moreover, in relation to the Japanese publishing field, the final joint report of Japan-U.S. SII included recommendations regarding the abolition of exemptions of Antimonopoly Act. The final joint report of the Japanese-US SII has been disclosed by the Japanese and US governments. This is a quote from the joint report disclosed by the US government at the following website.

([http://tcc.export.gov/Trade\\_Agreements/All\\_Trade\\_Agreements/exp\\_005583.asp](http://tcc.export.gov/Trade_Agreements/All_Trade_Agreements/exp_005583.asp)):

(1) The JFTC should formulate guidelines concerning the Antimonopoly Act enforcement with regard to marketing policy by manufacturers towards distributors and by distributors towards manufacturers in the field of consumer goods' distribution, taking fully into account merits and demerits of concerned business conduct from the viewpoint of competition policy...The guidelines may include the following types of conduct and other issues.

a. Resale price maintenance.

b. Suggested retail or wholesale prices by manufacturers which come under resale price maintenance.

Regarding the abolition of the exemption of RPM for copyrighted products, the U.S. government continued to exert pressure on the Japanese government. As Grier (2001) indicates, the U.S government, after the formal follow-ups of the Japan-U.S. SII, continued to exert pressure regarding the implementation of

recommendations in the final joint report of the Japan-U.S. SII. In fact, according to Sekioka (2004), the ‘Japan-U.S. Regulatory Reform and Competition Policy Initiative’ had been in effect since 1993 after the formal follow ups of the Japan-U.S. SII. In the petitions sent from the U.S. government to the Japanese government, the explicit reference to the abolition of RPM can be found from 1995 to 1997. These documents were provided by one of the interviewees, who took a central part in the resistance project to the JFTC. Alternatively, these documents have been disclosed by the Japanese Ministry of Foreign Affairs.

(<http://www.mofa.go.jp/mofaj/area/usa/keizai/kanwa/index.html>):

It is necessary to review RPM, which is an exemption of the Antimonopoly Act, with the intention to abolish them by the end of 1998. [translated by the author] (22<sup>nd</sup>, November, 1995)

Special attention needs to be paid on the abolition of RPM, which is exempt from the Antimonopoly Act. [translated by the author] (15<sup>th</sup>, November, 1996)

By April, 1998, it is mandatory to review the RPM that is an exemption of the Antimonopoly Act [translated by the author] (7<sup>th</sup>, November, 1997).

Amid the continuous pressure by the US government since the Japan-U.S. SII, the JFTC established a study group specialising in the review of the fixed price system for certain copyrighted products (publications, music tapes & CDs, newspapers) in the mid-1990s. As seen below, the JFTC relied on the study group in order to promote regulatory reform in various industrial sectors in the 1990s. It should be noted that the JFTC specially arranged for the study group to review the fixed price system for certain copyrighted products.

### **The JFTC**

As seen above, the external pressure of neoliberal regulatory reform from the U.S. government had significantly influenced the JFTC in its promotion of deregulation. In the 1990s, the JFTC established the ‘study group’ in order to promote deregulation in the Japanese industrial sectors. Officers of the economic bureau in the JFTC chose members of this study group mainly from academics (interview on 29th, Jun, 2005).

The study group attached to the JFTC can be considered as a ‘think-tank for the JFTC’ (an interview with an officer of the JFTC on 13<sup>th</sup>, July, 2004). In fact, according to the conference minutes of the Diet, Miyoko Hida, then a lower house member, asked about the relationship between the JFTC and study group at a special committee of the Diet for consumer issues (*shouhisha mondai ni kansuru tokubetsu iinkai*) on 12<sup>th</sup>, June, 1997. Then Chairperson of the JFTC, Negoro, gave an account on this to her inquiry. In brief, as mentioned above, study groups played roles as think tanks of the JFTC:

Regarding the study groups, as you may know, the JFTC is very small in terms of the number of personnel. However, the JFTC has to examine various issues including bargain sales, bedclothes, etc. We need to have a kind of think tank, and so, we asked specialists, especially those from academia in order to examine regulatory reforms.

Moreover, the JFTC personnel had been regularly reshuffled. This regular reshuffle of the personnel had an obvious limitation in continuously and consistently examining regulatory issues. Murakami (2005), who previously worked for the JFTC, points out that the JFTC shuffles officers ‘every two or three years’ (p.2). Therefore, it can be argued that the utilisation of study groups partly complemented the inevitable problems caused by the reshuffle of the personnel in the JFTC. The JFTC utilised the research results by the special committee for their policy regarding the revision of the Antimonopoly Act in the 1990s (Tsuruta, 1997).

### **New business models**

The JFTC aimed to abolish the fixed price system, which played an essential role in the established business model shared by the incumbents in publishing. Thus, it could be argued that the abolition of the fixed price system by the JFTC potentially led to the disruption of the established business model in publishing.

Although the JFTC tried to disrupt the fixed price system in the Japanese publishing field, they had not necessarily clarified new business models, which the JFTC expected to replace the established business model in publishing. In fact, the JFTC’s focus had been particularly on disrupting the fixed price system, which had been an important component of the established business model. It could be argued

that the JFTC expected the disruption of the fixed price system would lead to the creation of new business models.

### **The underlying institutional arrangement and the JFTC's interests**

As seen above, due largely to the pressure from the U.S. government, neoliberal regulatory reform had been accelerated by the JFTC in various Japanese industrial sectors (Sekioka, 2004; Tomoyori, 2006), including the Japanese publishing field. Importantly, the growing influence of neoliberalism had the potential to enhance certain aspects of generative mechanisms derived from the market logic as an SIL. As Sutton (2004) argues:

Neoliberalism refers to the logic of the market: inequality, unemployment, and crime are treated as the natural results of competitive individualism, the state's prescribed role is reactive, and social policies are invidious, even overtly punitive (p.175).

Neoliberalism is largely underpinned by neoclassical economics (Faulks, 1993; Portes, 1997). Classical economics, originated from Adam Smith's "The wealth of nations", also emphasises the importance of market mechanisms. Regarding this, while classical economics focuses on production and supply of goods, neoclassical economics puts particular focus on individual's rational choice (Faulks, 1993). In fact, Faulks (1993) argues that neoclassical economics in general emphasises individual rationality:

[Neoclassical economists have] an assumption that the individual is for the most part a rational self-interested actor who is generally best left alone to satisfy his or her needs with the minimum of state intervention (p.185).

Accordingly, neoliberalist approaches commonly share a mistrust in governmental planning of economic activities and have an agreement with the idea that the market provides much superior functions (Harvey, 2005). In neoliberalism, 'policy interventions to increase employment either cause inflation or raise unemployment by destabilizing the market process' (Palley, 2004, p.23). Instead, on the contrary, neoliberalism assumes that the utilisation of market mechanism automatically adjusts

‘suitable’ price for labour and capital that enable production depending on demand and supply (Palley, 2004).

In addition to the U.S. pressure, neoliberalism was preferred in terms of the Japanese economic and political context in 1990s. In Japan, the economic bubble burst around 1990 and people came to distrust the Japanese government (Tomoyori, 2006). This could be observed in the fact that the LDP (Liberal Democratic Party), which had been the party with the majority of seats until 1993, fell from the majority. It would be true that neoliberal regulatory reform was initiated after Japan-U.S. SII, the newly elected administration even accelerated the reform (Chujo, 2007). Since then, the Japanese government overall had actively supported neoliberal regulatory reform (Tomoyori, 2006).

Importantly, the JFTC were not those actors directly influenced by the revenue stream generated through new or the established business models. Rather, the JFTC was motivated to implement neoliberal regulatory reform as their duty, which emphasised the promotion of the market competition (Murakami, 2005). It could be considered that the JFTC by nature emphasised the importance of the price competition since their establishment in 1947 (Tsuruta, 2001). However, as Murakami (2005) argues, the JFTC as well as the Antimonopoly Act had been intentionally kept weak in Japanese industrial sectors in order not to disturb the economic policy implemented by other ministries. That is, the budget and the number of seats allocated for the JFTC intentionally remained low (Murakami, 2005; Sekioka, 2004; Tomoyori, 2006). However, as indicated above, the situation surrounding the JFTC drastically changed and the JFTC actively launched deregulation in the 1990s.

### **Theorisation of change by the JFTC**

As seen above, the JFTC in the 1990s utilised the study group—mainly composed of academics in competition policy and economics—in promoting the deregulation. In relation to the review on the exemption of the fixed price system for certain copyrighted products including publications, the JFTC established the study group especially examining RPM in 1994. Table 6.2 lists members of the study group and examines the books and articles of the members. Some members explicitly mention the term neoliberalism, while others indirectly mention it by referring to the price mechanism. In either case, the examination focused on the attitude of the book or article toward neoliberalism or the price mechanism.

As seen in table 6.2, the JFTC predominantly picked economists and law scholars who support neoliberalism. This study group was organised in 1994 and submitted a report to the JFTC in 1995. It should be noted that, as seen in 7-2, eight out of ten members support neoliberalism. Furthermore, the other two members, namely Etsuo Ishizaka and Nobuhiro Nakayama, at least, did not oppose neoliberalism. Therefore, in total, this study group was likely to support neoliberalism.

Table 6.2 The study group specialised for RPM

Name (position)	Profession and relationship with neo-liberalism
Akira Kaneko (Professor, Keio University)	Specialising in competition policy. He drew on neo-liberalism. For instance, Kaneko (1992) argues that RPM for copyrighted produces should be abolished as soon as possible.
Etsuo Ishizaka (Professor, Hosei University)	Specialising in media communication. Ishizaka (1997) is not necessarily drawing on neo-liberalism.
Osamu Kinoshita (Chief researcher, Institute of distribution research)	Specialising in distribution issues. Kinoshita (1997) supports the flexible operation of RPM and criticises the established business model.
Makoto Kojo (Professor, Sophia University)	Specialising in Antimonopoly Act. He seems to support neo-liberalism. For example, Kojo (1997) argues the necessity of strictly enforcing Antimonopoly Act. By doing that, he claims, the further utilisation of the market mechanism is enabled and hence consumer benefit is expanded.
Nobuhiro Nakayama (Professor, Tokyo University)	Specialising in intellectual poverty law. He is not necessarily drawing on neo-liberalism (Nakayama, 1996).
Akira Negishi (Professor, Kobe University)	Specialising in competition policy. He generally supports neo-liberal regulatory reform. Negishi & Sugiura (1999) illustrate the growing necessity of utilising market mechanism.
Yoshiaki Miwa (Professor, Tokyo University)	Specialising in industrial organisation. Clearly supports neo-liberal regulatory reform. Miwa (1982) illustrates the importance of market mechanism. Moreover, Miwa (1996) illustrates unique transaction system in Japan and suggests further utilisation of market mechanism.
Masahusa Miyashita (Tokyo University of Economics)	Specialising in distribution system. Miyashita (1992) does not support nor oppose neo-liberal regulatory reform. Rather, he regards the increasing utilisation of market mechanism as inevitable.
Nobuo Monya (Professor, Seijo University)	Specialising in copyright law. Although he does not actively support the growing utilisation of market mechanism, Monya (1994) views neo-liberal regulatory reform as unavoidable.
Noriyuki Yanagawa (Lecturer, Keio University)	Specialising in contract theory. Yanagawa (2000) argues that forming long-term contracts or spot contracts need to be determined based on 'efficiency' estimated under each type of contracts on a case by case basis.

Following the report from the study group, the JFTC issued a report (20 pages) in 1995. Regarding this, as Tsuruta (2001) argues, the JFTC basically did not change the report from the study group and thus simply relied on the judgement of the study group. Importantly, the report issued by the JFTC in 1995 was filled with a negative evaluation of the established business model and the necessity of new business models predominantly utilising the price competition. The study group's Interim Report released by the JFTC in 1995 drew on two different types of rhetoric as seen in table 7.3: teleological (Suddaby & Greenwood, 2005) and rationalisation (Vaara et al., 2006). In the teleological rhetoric, the necessity of deregulation was illustrated as inevitable. Furthermore, the rationalisation rhetoric highlighted the importance of utilising a price mechanism in terms of the effectiveness of market competition.

Regarding the necessity of deregulation, the JFTC argued that the regulation needs to be updated according to the change of the society. That is, the report argues that consumers' behaviour had largely changed over time. Moreover, the JFTC pointed out the disadvantage caused by fixing the price of publications. For instance, the JFTC argued that detailed explanation of books and magazines are not provided in bookstores, which, according to the JFTC, resulted from the existence of the exemption, namely the fixed price system for publications.

In terms of the importance of utilising the price mechanism, the JFTC emphasised the following three aspects: consumer benefits, incentives for incumbents and new business models. As seen in table 7.3, the JFTC argued that the price mechanism ultimately leads to consumer benefits. That is, the JFTC assumes the utilisation of the market mechanism generates price competition, which contributes to the consumers' benefit. Moreover, the price mechanism, according to the JFTC, creates incentives for the incumbents in publishing to provide better services for customers. This is because, according to the JFTC, the market mechanism enhances competition among incumbents and results in differentiation of incumbent actors. For instance, some may focus on providing a detailed explanation of books and magazines, while others might focus on lowering the price. Finally, the JFTC claimed that the price mechanism helped generate new business models in the publishing field, which was not necessarily described by the JFTC in detail.



Table 6.3 Type of theorisation of change adopted in Interim Report

<p><b>Necessity of deregulation (Teleological)</b></p> <p>It has been 40 years since RPM was introduced. During that period, Japan has witnessed drastic change in distribution system, transaction custom. In fact, there has been observed various type of bookstores that are different in terms of price zone and content of services. On the other hand, consumers' income level has risen and people's perception of values have diversified. In consequence, consumers' behaviour has changed to a great extent and the growing necessity of providing various products and services flexibly has been identified(p4)</p>
<p><b>Importance of the market mechanism-consumer benefits (Rationalisation)</b></p> <p>In terms of securing consumers' benefits, growing utilisation of market mechanism is vitally important. To do so, it is necessary to review governmental regulations and competition policies (p5)</p>
<p><b>Importance of the market mechanism –incentives for incumbents (Rationalisation)</b></p> <p>Detailed explanation is not provided at bookstores [when customers visit bookstores]. This is because RPM system has an effect that helps make the distribution system rigid and deprives motivation for relevant actors to accommodate various needs of consumers (p9)</p>
<p><b>Importance of the market mechanism-new business models (Rationalisation)</b></p> <p>In terms of competition policy, market mechanism should be utilised. By utilising market mechanism, various products and various services are improved and newly generated. Ultimately, consumers can have a wide range of choices (p13)</p>

Source: Interim Report issued by the JFTC (1995)

### **Incumbents' responses to the JFTC's theorisation of change**

The incumbents in the publishing industry demonstrated their disagreement with the JFTC's report in 1995 by issuing and disseminating various documents. It could be considered that the enhancement of generative mechanisms derived from the market logic as an SIL by abolishing the exemption of RPM had potential to threaten the revenue stream guaranteed by the established business model.

The abovementioned documents were issued under the name of the industrial association. That is, the Publishers' Association (17 pages), Wholesalers' Association

(7 pages) and Bookstores' Association (49 pages) respectively issued documents. The Publishers' Association issued the document "the necessity of RPM (*Saihanseido no hitsuyou sei*) in November, 1995". The Wholesalers' Association issued "Japanese distribution system of publications and the necessity of RPM (*Nihon no shuppan ryutsu to saihanseido no hitsuyou sei*)" in December, 1995. Although the Bookstores' Association issued the document 'Opinion toward the JFTC's report (*Chukan houkokusho ni taisuru iken*)' immediately after the JFTC's report, the Bookstores' Association gathered 5157 questionnaire results from customers and developed their opinion in the document "Do you want to live in a town without bookstores? (*Anata ha honya no nai machi ni sumitai desuka?*)" in December, 1996. Since the latter document contains more detailed information, this thesis analyses the latter document.

Regarding the documents created and disseminated by the Bookstores' Association, an interviewee indicated 10,000 copies of the document were disseminated through the bookstores (20<sup>th</sup>, June, 2005). The details of theorisation of change adopted in these documents vary to some extent, but their argument was similar in terms of the types of rhetoric adopted as seen in table 6.4: rationalisation (Vaara et al., 2006) and value-based (Suddaby & Greenwood, 2005) or moralisation (Vaara et al., 2006). In a rationalisation rhetoric, possible negative outcomes of the introduction of price mechanism were emphasised. Regarding value-based or moralisation rhetoric, the privilege of publication was highlighted.

Regarding negative aspects of utilising the price mechanism, the incumbents highlighted the negative impact of the price mechanism on consumers. For instance, the Publishers' Association argued that the price mechanism actually increases the retail price. This is because, according to the Publishers' Association, the incumbents start to negotiate with each other regarding the transaction, which pushes up the price. That is, by increasing prices of publications, the incumbents aim to create some room for discount. Furthermore, according to the Bookstores' Association, the price mechanism further accelerates the closing down of bookstores, which is not convenient for consumers.

With respect to the privileging of the status quo, incumbents emphasised the difference between publications and other goods such as those for daily use. The Wholesalers' Association argued that books and magazines are different from other products since books and magazines are associated with freedom of speech and culture.

Table 6.4 Illustrating examples of theorisation of change by the incumbents

Established figure	Rhetoric
Publishers' Association (November, 1995)	<p><b>Negative aspects of price mechanism-higher price (Rationalisation)</b></p> <p>It is expected that once the price mechanism is introduced, wholesalers and bookstores start to require higher margins. In turn, publishers need to increase the suggested price in order to make some room for discount (p.13).</p>
Wholesalers' Association (December, 1995)	<p><b>Privilege of publications (Value based/Moralisation)</b></p> <p>Books and magazines are different from general goods. They are closely linked with freedom of speech and the creation of culture. The current distribution system has contributed to this by providing relatively easier opportunities for the publication of books and magazines. This is especially the case for the large number of small publishers that create specialised books and make ends meet (p.7).</p>
Bookstores' Association (December, 1996)	<p><b>Negative aspects of the price mechanism-bookstores (Rationalisation)</b></p> <p>Currently, a number of bookstores, every year, are closed down. Senior citizens tend to buy books at the nearest bookstores. If RPM is abolished, this will be accelerated, losing opportunities to convey culture and of course senior citizens need to travel to buy books (p.46).</p>

It could be considered that the audience of the rhetoric produced and disseminated by the incumbents was mainly the JFTC and the general public. Furthermore, lawmakers were also one of the audiences of their rhetoric. In fact, the Japanese Federation of Bookstores (2001) describes the incumbents' several visits to lawmakers. Moreover, in an interview, a bookstore stated the merit of the RPM and the demerit of the abolition of RPM:

we [bookstores] are large in numbers and we have branches all across Japan, we visited each representative [politicians in the Diet] of our members' prefecture and handed our brochures to them and explained how the abolishment of RPM does harm to the industry as well as the society and how RPM contributes to cultural promotion such as high literacy rate in Japan' (an interviewee, 10<sup>th</sup>, August, 2004).

As seen in the next section, the dissemination of the incumbents' rhetoric to various audiences was better achieved by collaborating with newspaper companies.

### **Collaboration with newspaper companies**

The exemption of RPM for certain copyrighted products included not only book publications but also, importantly, newspapers. This inclusion of newspapers in the exemption of RPM was crucial to the incumbents in the publishing field. The incumbents created and disseminated rhetoric through various channels. In addition to the abovementioned channels such as documents and books, the theorisation was disseminated in newspapers. Dissemination through newspapers played a vital role in the incumbents' resistance to the JFTC (Kinoshita, 2003c; Tsuruta, 2001).

Regarding the relationship between the field of publishing and that of newspapers, some connections can be identified between publishers and newspaper companies (Ueda, 2004). Most importantly, newspaper companies with a national circulation had diversified into the field of publishing. Furthermore, the largest newspaper company Yomiuri *Shimbun* Newspaper Company affiliated *Chuokoron* in 1999 after *Chuokoron* had cash-flow problems. Therefore, large newspaper companies had vested interests in protecting the established business model in publishing. Furthermore, Tsuruta (2001) indicates that newspaper companies had vested interests in protecting their established business model, in which RPM also played an important role. Both of these incumbents' interests were, more or less, compatible. Therefore, both of them wanted to protect the legal status of RPM. Furthermore, collaboration was beneficial for the newspaper companies in order to enhance their argument by including the publishing field (Tsuruta, 2001). For the incumbents in the publishing field, collaboration enabled them to have access to more effective dissemination channels, namely newspapers. Therefore, it could be considered that collaboration took place.

The official link between actors in the publishing and newspaper fields regarding the collaboration for protecting RPM dates back to the inauguration of printed word meetings as seen in table 6.5. The executives of the Publishers' Association as well as Newspapers Association attended the first Printed Word Meeting. After the JFTC released the report on 31<sup>st</sup>, July 1995, the Printed Word Meeting decided to initiate a campaign through newspapers and publications.

Table 6.5 Linkage with the newspaper field

Date	Activities of Printed Word Meeting
19, Apr, 1995	Inauguration
24, May, 1995	Held a meeting and confirmed to work together to issue documents regarding their view on RPM
31, Jul, 1995	In the meeting, following the JFTC's report in 1995, they decided to practice campaign through newspapers and publications.
24, Nov, 1995	Held a meeting and submitted documents, emphasizing the importance of RPM, to the JFTC
9, Dec, 1996	Held a meeting and confirmed their view on protecting RPM
17, Dec, 1999	Held a meeting and confirmed their view on protecting RPM
9, Nov, 2000	Held a meeting and issued an appeal for protecting RPM

Source: *Yomiur Shimbun* newspaper on 20<sup>th</sup>, April, 1995, 25<sup>th</sup>, May, 1995, 1<sup>st</sup>, August, 1995, 25<sup>th</sup>, November, 1995, 10<sup>th</sup>, December, 1996, 18<sup>th</sup>, December, 1996, 10<sup>th</sup>, November, 2000

In the campaign, in addition to the documents issued by the industrial association, brochures disseminated mainly through bookstores and books created by the incumbents were utilised. It has been identified that brochures were created and disseminated by the Publishers' Association and the Bookstores' Association. From 1996 to 2001, the Publishers' Association had inserted a small brochure (4 x B6-pages) to member publishers' books. In this brochure, the Publishers' Association quoted an article of an established novelist, Hisashi Inoue. Similarly, the Bookstores' Association disseminated a brochure (4 x B6-pages) at member bookstores from April 2000 to early 2001.

These documents mainly referred to the RPM for publications, they also referred to the necessity of RPM for newspapers. This characteristic that RPM for publications and newspapers were both mentioned can be observed in books issued by publishers in the campaign: “Publications and Newspapers’ RPM” (1995) by Iwanami, “What is the future of RPM for books, magazines and newspapers?” by *Kodansha* in 1996. In addition to these books that addressed RPM for publications and newspapers, some books predominantly focusing on RPM for books and magazines were also issued: “The crisis of Publishing: Comic of RPM” (1997) by Kodansha, “RPM and consumers” (2000) by *Iwanami* publisher.

A campaign in the newspapers was observed after the release of the report by the JFTC in July, 1995. The campaign was practiced in most of the newspapers (Kinoshita, 2003a; Tsuruta, 2001). Especially, *Yomiuri*’s campaign was conducted most frequently compared to other newspapers (Tsuruta, 2001). In 1995 and 1996, the number of *Yomiuri* articles found to be related to the RPM campaign was 205. In the campaign, the articles highlighted established figures’ opinion supporting RPM for newspapers and publications. These established figures opposed the JFTC’s review on RPM for newspapers and publications.

*Yomiuri Shimbun* is the largest circulation newspaper in the world and approximately ten million copies were circulated daily at the time when newspapers practiced the campaign for protecting RPM for newspapers and publications. Furthermore, in terms of readership, the largest four newspapers’ (*Yomiuri*, *Asahi*, *Mainichi* and *Nikkei*) circulation was approximately 28 million at this time, according to the Japan Newspaper Publishers and Editors Association (<http://www.pressnet.or.jp/>). The Japanese population in 1995 was 125 million, according to the Ministry of Internal Affairs and Communications (<http://www.stat.go.jp/english/index.htm>). Therefore, it could be considered that the largest four newspapers reached one out of five Japanese.

The following three established figures were included in the newspaper campaign: Jun Eto, Hideo Shimizu and Katsuto Uchihashi. Table 7.6 summarises theorisation of resistance adopted by these three established figures in the newspaper campaign. Importantly, these three established figures adopted similar theorisation of resistance to that utilised by the incumbents in publishing when they responded to the interim report issued by the JFTC in 1995— that is, one that advanced the privilege of publications and the negative aspects of the price competition.

For instance, as seen in table 7.6, Jun Eto, an established novelist and a professor at one of the most prestigious Japanese universities, Keio, highlighted privilege of publications. This can be classified as value-based (Suddaby & Greenwood, 2005) or moralisation (Vaara et al., 2006). Indeed, Eto argued that cultural products and other products should not be treated in the same manner. Furthermore, as seen in table 6.6, negative aspects of the price competition were also emphasised by these established figures, which can be considered to be rationalisation in Vaara et al.'s (2006) framework. Hideo Shimizu, professor emeritus of Aoyama University, emphasised that the consumer benefit of copyrighted products should not be focused in terms of price competition. Rather, Shimizu argued that the right to know of consumers should be prioritised and importantly the fixed price system contributed to this since it protects incumbents from price competition. Moreover, Katsuto Uchihashi, an economic critic, illustrated the norm that oligopolies or monopolies should be avoided in the field of publishing and newspaper, in order to maintain freedom of speech.

Table 6.6 Theorisation of change adopted by the three established figures

Established figure	Rhetoric
Jun Eto (19th, January, 1996)	<p><b>Privilege of publications (Value based/Moralisation)</b></p> <p>Books are cultural goods on which authors names are printed. Cultural goods should not be treated in the same manner as standardised consumer goods such as cosmetics and drugs.</p>
Hideo Shimizu (31st, August, 1995)	<p><b>Negative aspects of the price competition (Rationalisation)</b></p> <p>Interim Report emphasises the consumer benefit. However, the abolition of resale price maintenance does not enhance the consumer benefit. Regarding copyrighted products, price tends to be secondary. Rather, the important thing is to quickly respond to various needs, especially needs related to right-to-know, of readers. It should be noted that this aspect is largely supported by resale price maintenance.</p>
Katsuto Uchihashi (8 <sup>th</sup> , December, 1995)	<p><b>Negative aspects of the price competition (Rationalisation)</b></p> <p>The JFTC argue that RPM is, in principle, illegal. However, the spirit of the Antimonopoly Act guarantees the prevention of unlimited competition, which results in the oligopoly or monopoly. If this oligopoly or monopoly happens as a result of price competition in the arena of copyrighted products, it would be harmful for democracy.</p>

Source: *Yomiuri Shimbun* newspaper

Table 6.7 illustrates the number of appearances of these three established figures in the newspaper campaign in the three newspapers (*Yomiuri*, *Asahi* and *Nikkei*). It was found that these figures supported the status quo without exception in these appearances. Although Jun Eto appeared the most frequently in these three newspapers, the other two established figures, Hideo Shimizu and Katsuto Uchihashi, also emerged in these three newspapers at least once during the campaign.



Table 6.7 The No of appearances of three established figures in the newspaper campaign

Year	Month	"Jun Etoh"	"Hideo Shimizu"	"Katsuto Uchihashi"
1995	Jul			
	Aug	<b>1</b> (N 1)	<b>1</b> (Y 1)	
	Sep	<b>3</b> (Y 2, A 1)		
	Oct	<b>1</b> (Y 1)	<b>1</b> (A 1)	
	Nov	<b>1</b> (A 1)		
	Dec	<b>4</b> (Y 2, A 1, N 1)		<b>2</b> (Y 1, A 1)
1996	Jan	<b>1</b> (Y 2)		<b>1</b> (A 1)
	Feb	<b>1</b> (Y 1)		
	Mar	<b>1</b> (Y 1)		<b>1</b> (Y 1)
	Apr	<b>3</b> (Y 1, A 1, N 1)		<b>5</b> (Y 2, A 2, N 1)
	May	<b>1</b> (Y 1)		
	Jun			<b>1</b> (Y 1)
	Oct	<b>3</b> (N 3)		
1997	Feb	<b>2</b> (A 1, N 1)		<b>1</b> (A 1)
	Mar			
	Apr	<b>1</b> (Y 1)		
	May		<b>1</b> (N 1)	
	Aug			<b>1</b> (Y 1)
	Sep		<b>1</b> (A 1)	
	Oct	<b>3</b> (Y 1, A 1, N 1)	<b>1</b> (Y 1)	
	Nov	<b>1</b> (Y 1)		
	Dec			<b>1</b> (A 1)
1998	Feb	<b>1</b> (Y 1)		
	Apr	<b>1</b> (N 1)		
	Dec	<b>1</b> (A 1)		<b>1</b> (Y 1)
1999	Dec	<b>1</b> (N 1)		
2000	Jun	<b>1</b> (N 1)		
	Jul	<b>1</b> (Y 1)		
	Sep	<b>1</b> (Y 1)		

The bold number indicates the total N of articles identified

Y: Yomiuri Shimbun newspaper, A: Asahi Shimbun newspaper, N: Nikkei Shimbun newspaper

The number next to these capital alphabets indicates the number of articles found in that month

### **The outcome of the incumbents' campaign**

Due to the influence of the newspaper campaign, the abovementioned three established figures were included in the JFTC's study group which exclusively reviewed RPM for copyrighted products. Regarding this reorganisation, the JFTC did not utilise the study group that submitted a 'controversial' report to the JFTC in 1995. Instead, the JFTC added new members to the study group that undertook the investigation in industrial sectors other than those related to the fixed price system for copyrighted products (publications, newspapers and music CDs, tapes and records).

In February 1997, two years after issuing the report, the JFTC reorganized the study group for reviewing RPM for copyrighted products. Etoh explained the process of how he joined the study group for reviewing RPM for copyrighted products in a public speech made at the Tokyo branch of the Bookstores' Association:

The JFTC learned negative responses from society concerning their 1995 report through various media including publications and newspapers. In the last autumn [1996], an officer from the JFTC visited me and asked me to join the study group for reviewing RPM for copyrighted products. Obviously, the newspaper field was also related to this (6<sup>th</sup>, August, 1997, *Zenkoku Shoten Shimbun*).

In the '50 year history of the Bookstores' Association' (2001), it is reported that several bookstores visited a politician, Kiyoshi Mizuno and had a meeting regarding the protection of RPM for copyrighted products. Mizuno shows understanding of the importance of RPM for copyrighted products and he mentioned that some of the politicians, including him, were exerting pressure on the JFTC to include some supporters of RPM to the special committee for reviewing RPM for copyrighted products. However, since the selection of five new members were all related to the newspaper campaign, the influence of the newspaper campaign seems to be more influential in this process. As Tsuruta (2001) and Kinoshita (2003c) indicate, the JFTC had to reorganise the study group in favour of the incumbents in newspaper and publishing largely due to the campaign in the newspaper.

In the reorganization in 1997, as marked in bold characters in table 6.8, five new members were included. That is, the reorganized study group added five members to the study group that dealt with deregulation in other fields (not the study

group that examined the publishing field in 1994-1995), which can be found in table 6.10 in the appendix. As mentioned above, this study group was originally established in 1989 in order to review the regulatory status of various industrial sectors.

These five members were Jun Etoh, Hideo Shimizu, Katsuto Uchihashi and two drawn from the newspaper companies *Yomiuri* and *Nikkei*. As examined above, Etoh, Uchihashi and Shimizu appeared in the campaign through newspapers and clearly supported the RPM for publications and newspapers. In brief, all three new members supported the RPM for copyrighted products. Furthermore, the other two new members from newspaper companies can also be expected to have supported the RPM for copyrighted products given the active campaign provided in their newspapers. In other words, the constitution of the new group had five out of 17 members opposed to the application of neoliberalism to the field of publishing and newspapers. Still, 12 other members supported neoliberalism as seen in table 6.8. However, compared to the study group that examined the RPM in 1994 and 1995, the inclusion of the opponents of neoliberalism needs to be acknowledged largely due to the newspaper campaign.

Table 6.8 Reorganised study group's members

Name (position)	Specialty and relationship with neo-liberalism
Toshimasa Tsuruta (Professor, Senshu University)	Specialising in industrial organisation. Support neo-liberalism (Tsuruta, 2001).
Etsuo Ishizaka (Professor, Hosei University)	Specialising in media communication. Neutral to neo-liberalism (Ishizaka, 1997).
Hideki Ide (Professor Keio University)	Specialising in industrial organisation. Agree with the notion of neo-liberalism (Hatta & Ide, 1989).
<b>Katsuto Uchihashi</b> (Economic critic)	Specialising in economic issues. Opposing neo-liberal regulatory reform. Uchihashi (1997) argues that overemphasising market mechanism will be harmful to socially weak people such as senior citizens and low income citizens.
<b>Jun Eto</b> (Professor, Keio University)	A novelist. Opposes neo-liberal regulatory reform. Eto (1997) argues that the growing expansion of market mechanism overlooks lots of issues such as the independence of Japan and social welfare.
Daitaro Kishii (Professor, Hosei University)	Specialising in industrial organisation. Supports the growing utilisation of the market mechanism (Kishii, 1999).
Kazuharu Kiyono (Professor, Waseda University)	Specialising in industrial economics. Not necessarily focusing on the utilisation of the market mechanism (Kiyono, 1993).
Makoto Kojo (Professor, Sophia University)	Specialising in competition policy. Supporting neo liberalism (Kojo, 1997).
<b>Hideo Shimizu</b> (Lawyer)	Specialising in law. Shimizu (1993, 2009) argues that the media field such as the publishing industry and the newspaper industry should be applied different measures from other commodities. Most important thing in the media field is to secure readers' right-to-know, which is supported by the fixed price system since the incumbents do not have to assign their resources for price competition.
Akiyoshi Sekine (Japanese national broadcasting service)	N/A

<b>Juichi Takamura</b> (Nikkei Shimbun Newspaper company)	N/A but Uchihashi (2001) indicates Takamura is against the abolition of RPM for certain copyrighted products
Ushio Chujo (Professor, Keio University)	Transportation economist. Arguing the necessity of deregulation in order to utilise the market mechanism (Chujo, 1995).
Akio Torii (Professor, Yokohama University)	Specialising in industrial organisation. Torii (2001) argue the necessity of consideration regarding the efficiency in industrial sectors.
<b>Jin Nakamura</b> (Yomiuri Shimbun Newspaper company)	N/A but Uchihashi (2001) points out that Nakamura is against the abolition of RPM for certain copyrighted products
Nobuhiro Nakayama (Professor, Tokyo University)	Specialising in intellectual property law. He seems to be neutral to neo-liberalism (Nakayama, 1996).
Shouichi Royama (Professor, Osaka University)	Specialising in finance. Royama (1986) supports neo-liberalism.
Akira Kaneko (Professor, Keio University)	Specialising in Antimonopoly Act. He supports neo-liberalism (Kaneko, 1992).

Source: The report issued by the JFTC in January, 1998

Names with bold letters indicate new members

The reorganized study group submitted a report (76 pages) to the JFTC in December, 1997. Consequently, the JFTC issued the report in January 1998. This report consisted of four main parts. That is, the first component is related to general issues of RPM for certain copyrighted products such as societal change. The other three parts are assigned for the publishing sector, the newspaper sector and the music sector, which had legal exemption for RPM.

Importantly, the report did not have a clear conclusion (Tsuruta, 2001). That is, in contrast to the report issued in 1995, the pros and cons of abolishing RPM for copyrighted products were included in most of the issues, such as necessity of deregulation and the potential importance of utilising the price mechanism (Kinoshita, 2003c; Tsuruta, 2001). In fact, the 1998 report pointed out the growing importance of

utilizing the price mechanism (pp.2-4), while they also referred to the importance of the variety of publications and argued for the necessity of protecting the status quo (pp.7-15). In other words, the 1998 report partly criticised the status quo in relation to the fixed price system (pp.27-30). However, at the same time, the report evaluated the positive effects of RPM such as the stability of bookstore management (pp.14-15).

Furthermore, the newspaper campaign resulted in increasing the number of politicians supporting the continuation of RPM for copyrighted products. The ‘Printed Word Panel’ was the group of Diet lawmakers that was formed around the issue. Importantly, this group was established by those lawmakers supporting RPM for publications and newspapers. These lawmakers particularly shared in the theorization disseminated by the incumbents. For instance, the following statement in the Diet by Miyoko Hida, one of the founding members of the ‘Printed Word Panel’, illustrates the theorization shared by the incumbents—that is, the negative aspects of the price competition. In the Diet, on the Committee on Education, she emphasized the harmful influence of the abolition of the RPM to the incumbents:

It is very clear that publishers would face difficulty in creating and distributing various kinds of books and magazines in case the exemption of fixing the prices of books and magazines is abolished. Especially, specialized books, which are slow moving, will be unlikely to be published [because bookstores start dealing with mainly blockbuster books]. (12<sup>th</sup>, June, 1997)

Moreover, in the Diet, on the same Committee on Education, Hidekatsu Yosihii, one of the members of the ‘Printed Word Panel’, illustrated the argument for the privilege of publications:

RPM for copyrighted products including newspapers is necessary to be maintained. This is because right to know and the freedom of speech are supported by RPM. Moreover, supporting RPM promotes the development of democracy. And, another crucial thing is cultural promotion. These are reasons why RPM for copyrighted products need to be protected. (19<sup>th</sup>, April, 2000)

This panel was established on December 13, 1996 with 18 lawmakers. The number of members in the panel had reached 100 on the eve of March 23, 2001, when

the JFTC announced their withdrawal from the attempts to abolish the RPM in the Japanese publishing field.

As seen above, the campaign conducted by the newspaper companies and publishers had enabled the incumbents to achieve the following two things. Firstly, the collaboration affected the JFTC's attitude. That is, as mentioned above, the JFTC included the three established figures, who had been active in challenging reforms on the committee reviewing RPM for certain copyrighted products. Secondly, as Tsuruta (2001) indicates, the campaign had informed the politicians' growing participation to the 'Printed Word Panel'.

Chujo (1995) and Miwa (1997), both of whom were members of the study group for deregulation by the JFTC, indicate that the incumbents succeeded in preventing the JFTC from the review on the fixed price system. According to Uchihashi (2000), most of the neoliberal regulatory reform by the JFTC in industrial fields has been regarded in the frame where the JFTC challenges incumbents that hold fast to vested interests. In contrast, the incumbents in publishing succeeded in presenting themselves as those sacrificing profits and pursuing a better quality of the publication, rather than those keen on protecting the vested interests (Kinoshita, 2003c). As seen above, in addition to the content of the rhetoric, the collaboration with newspaper companies played essential roles in the end result whereby this theorisation of resistance was accepted by the JFTC and hence led to the successful resistance of the changes that had been made against established practices.

### **The JFTC's activity to disrupt the established business model and the prevailing institutional arrangement**

In addition to a means of legal amendment, the JFTC tried to disrupt the established business model and the prevailing institutional arrangement in the Japanese publishing field by introducing new business models that emphasised price competition. The JFTC, in this case, utilised *gyosei-shidou* or administrative guidance. *Gyosei-shidou* or administrative guidance has widely been utilised in Japanese governmental sectors, when they informally need to enforce their policies to the industry. *Gyousei-shidou* indicates 'informal means of government persuasion through public offices for the implementation of government policies and/or intervention in conflicts of public concern' (Sato, 2001, p.106). In relation to the fixed price system

in the Japanese publishing field, this administrative guidance was utilised by the JFTC in order to make the fixed price system flexible.

The JFTC demanded the incumbents to flexibly operate the fixed price system and thus tried to disrupt the established business model (Kinoshita, 2003c). In other words, Truruta (2001), one of the members of the JFTC's study group for reviewing RPM for copyrighted products, argues that the JFTC realised that the incumbents tended to regard fixing the price of books and magazines as legally mandatory and thus recognised the necessity to change the mind-set of the incumbents by forcing them to flexibly operate the fixed price system.

In March 1998, the JFTC issued a statement that required the incumbents to work on a flexible operation of the RPM. In a statement 'Regarding RPM on certain copyrighted products (*chosakubutu saihan seido no toriatsukai ni tsuite*)' issued by the JFTC on 31<sup>st</sup>, March, 1998, the JFTC indicated that they would reach a final conclusion with respect to the treatment of RPM for copyrighted products after a few years. Regarding the final decision, the JFTC implied that the flexible operation of RPM would be significant in future practices. That is, the JFTC pointed out six items that the JFTC require the incumbents to work on:

Flexible operation of RPM in terms of duration and scope

Introducing discount method

Prioritising publishers' opinion regarding the price fixing

Promotion activities such as utilisation of coupon

Various distribution routes such as direct distribution and mail-order

Bring transparency to the transaction

('Regarding RPM on certain copyrighted products' issued by the JFTC on 31<sup>st</sup>, March, 1998)

Regarding these six items, the JFTC have required the incumbents to issue 'Account record regarding flexible operation of RPM' regarding the flexible operation of RPM since 1999. This 'Account record' can be considered as 'supervision of the flexible operation' (interview with the retired JFTC officer, 9<sup>th</sup>, June, 2005).

Furthermore, Masako Oowaki, then an upper house member and, importantly, a member of the 'Printed Word Panel', sent an official written inquiry to the Prime Minister on 28<sup>th</sup> of September in 1998. To this written inquiry, a written answer under



the name of then Prime Minister, Keizo Obuchi, on 27<sup>th</sup> of October, 1998 states that the document issued by the JFTC ‘does not itself own legal binding force nor has a characteristic of administrative penalty’. Accordingly, these six items could be understood as a typical instance of *gyosei-shidou*. Therefore, these requirements from the JFTC could not force the incumbents to transform the established business model in publishing with legal or administrative sanctions.

## **The maintenance of the established business model**

### **Bargain book campaign**

As seen in the previous chapter, *Yagi-shoten* had continued to deal with discounted books and they had been considered to be an exception in the established business model. However, incumbents launched bargain book campaigns in the spring of 1998. Six large publishers took part in the bargain book campaign, *Kodansha*, *Kobunsha*, *Shueisha*, *Kadokawashoten*, *Gakushukenkyusha* and *Kawadeshoboushinsha*.

According to ‘Account record regarding flexible operation of RPM’, these publishers respectively provided 20 to 30 books to the campaign. Each publisher bundled their books as combination and they provided from 100 to 400 combination to this campaign. Bookstores could order their preferred combinations from participating publishers. These books were distributed through wholesalers and bookstores could set the price of the books through their own decisions. Importantly, according to ‘Account record regarding flexible operation of RPM’ in 1999, these books were made distinctive by putting special marks on them and publishers paid a certain amount in promotion expenses per book to bookstores that ordered combos.

Different from *Yagi-shoten*’s bargain books, this bargain book campaign adopted books that were still circulated in the market. As seen in the previous chapter, *Yagi-shoten*, a wholesaler dealing with discounted books, utilised those books that no longer circulated in the market as brand new books. Participating publishers seemed to be concerned with this issue of ‘one book with two different prices’. For instance, *Kodansha*, one of the largest publishers, sent official letters to bookstores, notifying that ‘we only sell a limited number of books with discounted prices and we put special seals on these books in order to make the distinction’. A copy of the original letter sent out by *Kodansha* can be found in ‘Account record regarding flexible operation of RPM’ issued in 1999.

Furthermore, in this discounted price campaign small slips were utilised in the distribution of publications. That is, special slips were inserted in books provided for this campaign and bookstores sent slips to publishers when they sold these books to consumers. These slips, sent back to publishers, notified publishers that they needed to pay promotion expenses to bookstores. According to 'Account record regarding flexible operation of RPM' in 1999, 20 to 30 % of the listed price was assigned as promotional expenses.

It seems that this method adopted in the bargain book campaign was intended to minimise the effect of flexible operation to the established business model. This is because there was no drastic change regarding the distribution of discounted books. Rather, the incumbents dealt with 'irregular' books by inserting special slips. Therefore, it could be argued that the incumbents, more or less, integrated the distribution of 'irregular' books into the daily distribution of publications. This method had been taken over in the following bargain book campaigns. Until 2001, the bargain book campaign had been held on a biannual basis.

'Account record regarding flexible operation of RPM' issued in 2002 points out that 70 to 90 % of books provided for the bargain book campaigns had actually been returned to the publishers between 1998 to 2001. Regarding this high return rate, a publisher stated that they intend not to provide fast-selling titles:

'Books [provided for bargain book campaigns] were intentionally chosen. I mean those books were not a hot-selling line of books' (30<sup>th</sup>, November, 2009).

It would be true that the method adopted for the distribution of 'irregular' books was integrated into the daily operation in a manner that the influence of the distribution of discounted books to the status quo was intended to minimise. However, this high return rate, in turn, increased the workload of publishers and wholesalers, since they had to deal with returned books. Furthermore, publishers had to insert special slips, put special marks and bundled books in combos when they launched bargain book campaigns. Thus, participating in bargain book campaigns required additional workload for the incumbents concerned. Despite this, the incumbents actively participated in bargain book campaigns in order to appeal to the JFTC's review on the fixed price system for publications. This was probably because the incumbents needed to report their 'achievement' in the 'Account record' submitted to the JFTC.

Apart from these bargain book campaigns seen above, wholesalers, including the two largest wholesalers, had organised ‘flexible price campaigns’ between 1998 to 2001 on an annual basis. In these campaigns, wholesalers stocked books from publishers and took orders from bookstores. Bookstores could set the price of ordered books. A wholesaler reflected on this campaign as follows:

We thought it’s essential to demonstrate to the JFTC that we can do discount under fixed price system... Anyhow we needed books that can be sold at discounted prices... There were no best sellers, of course, since publishers did not want to sell them... (a wholesaler, interviewed on 30<sup>th</sup>, September, 2009).

Furthermore, importantly, the method adopted for this ‘flexible price campaign’ was the same as the campaigns seen above.

In a nutshell, it has been examined that bargain book campaigns held between 1998 and 2001 were conducted in order to appeal to the JFTC. In fact, wholesalers discontinued a ‘flexible price campaign’ after 2001 when the JFTC announced the continuation of RPM for certain copyrighted products. Since then only *Yagi-shoten* have dealt with discounted books, and they do not discount books in circulation as brand new books. Moreover, it can be argued that the incumbents intended to minimise the effect of flexible operation to the established business model. In what follows, the flexible operation of RPM regarding magazines will be examined.

### **Expansion of the fixed duration of RPM**

The incumbents, especially publishers, adopted a limited duration of RPM regarding the distribution of magazines. In April 1998, *Shogakukan* announced that they do not fix the price of the previous issue of ‘*Weekly Post*’ (*shukan post*) after the next issue is released. Furthermore, other large publishers increasingly adopted fixed duration of RPM with respect to magazines as seen in table 6.9.

Table 6.9 Expansion of fixed duration RPM in magazines

<b>Date</b>	<b>Publisher</b>	<b>Title(s)</b>
March, 2000	<i>Kodansha</i>	' <i>Weekly Current Information (Shukan gendai)</i> ' ' <i>Weekly Tokyo (Tokyo Ishukan)</i> '
May, 2000	<i>Shougakukan</i>	' <i>Weekly young Sunday</i> ' ( <i>Shukan Young Sunday</i> )
June, 2000	<i>Shueisha</i>	' <i>Weekly playboy</i> ' ( <i>Shukan playboy</i> )
June, 2000	<i>Shotdensha</i>	' <i>Novel non</i> ' ( <i>Shosetsu non</i> )
July, 2000	<i>Shueisha</i>	' <i>Monthly TV kids</i> ' ( <i>Gekkan tere kids</i> )
October, 2000	<i>Toyokeizaishinpou</i>	' <i>Monthly all about investment</i> ' ( <i>o-ru toushi</i> ) ' <i>Monthly money and banking business</i> ' ( <i>Gekkan kinyu bijinesu</i> ) 'Quarterly journal of corporations' ( <i>Kaisha shikihou</i> )
February, 2001	<i>Futabasha</i>	' <i>Weekly commoner (Shukan taishu)</i> '
March, 2001	<i>Futabasha</i>	' <i>Wonderful housewives (Sutekina shufutachi)</i> '

Although the number of magazine titles that shifted to limited duration of RPM expanded over time, bookstores usually did not keep the previous issue of the magazine. This is because the distribution of publications adopted a free return policy and bookstores usually returned unsold publications after a certain period of time to wholesalers as seen in chapter 6. A bookstore states that they do not keep back numbers of magazines:

We have kind of deadline... I mean we should not overlap the previous issues of magazines because wholesalers do not accept return when it is too late, so we rarely keep back numbers of magazines. (interview on 20<sup>th</sup>, October, 2004)

The intention of publishers here was to utilise direct orders from consumers to publishers. In fact, the publishers that initiated limited duration of RPM unilaterally utilised direct orders for back numbers from consumers.

For instance, according to 'Account record regarding flexible operation of RPM' issued in 1999, *Shogakukan* had received 948 orders for the back numbers from consumers in four months since they adopted limited duration of RPM for '*Shukan*

*post (Weekly post)*'. The website of *Shogakukan* explains how to order back numbers of '*Shukan post (Weekly post)*':

Please include 200 JPY [£ 1.4], which covers the price of the magazine, shipping fee and tax, and make sure to put down your post code, address, name, phone number, which issue of the magazine you want. Then, kindly send your request to the following address...[<http://www.s-book.com/magazines/post.html>]

The price of the weekly magazine, '*Shukan Post (Weekly post)*', at bookstores is 320 JPY (£ 2.2) and back numbers are sold at 200 JPY [£ 1.4] including the shipping fee. Obviously, this does not seem to be profitable for the publisher. Regarding this, according to 'Account record regarding flexible operation of RPM' in 2000, the president of *Shogakukan* states that the price for back numbers cannot recoup the operation costs:

We have adopted limited duration of RPM for '*Shukan post (Weekly post)*' since May, 1998. We keep the back numbers of the magazine for half a year. We do not recognise that consumers buy back numbers at bookstores. However, we have received 6000 orders from customers since then. We provide back numbers at 200 JPY [£ 1.4], but actually 250 JPY [£ 1.8] is break even point.'

While the president of *Shogakukan* mentions that they had in total 6,000 orders for two years, a weekly circulation of '*Shukan post (Weekly post)*' was approximately 600,000 in the year 2000 according to J-ABC's website. The total of 6,000 orders is the equivalent to 1 % of weekly circulation of '*Shukan post (Weekly post)*'. Therefore, it could be argued that at least regarding the limited duration of RPM for '*Shukan post (Weekly post)*', the effects had not drastically altered the daily operation of the incumbents. Rather, it would appear that the publisher intentionally minimised the influence of limited duration of RPM for magazines to the daily operation.

This intention to minimise the effect of limited duration of RPM for magazines has been observed in other magazines. As the Japan Society of Publishing Studies (2006; 2010) points out, limited duration of RPM for magazines has rarely

been utilised in reality and has not altered the distribution of magazines. That is, according to the Japan Society of Publishing Studies (2006; 2010), magazine titles other than '*Shukan post (Weekly post)*' also adopted direct customer orders that, as seen above, did not influence the daily operation much.

In brief, the incumbents concealed the fact that they actually did not focus on utilising the flexible operation of the fixed price system. Rather, they intended to make minimal changes in line with the plans advanced by the JFTC and sought to minimise the effects of the flexible operation of the RPM to their established daily operations.

## **Conclusion**

The JFTC, largely motivated by political pressure from the U.S. government, attempted to enhance generative mechanisms derived from the market logic as an SIL in various organisational fields. Importantly, the U.S. government specifically emphasised the necessity of abolishing the exemption of fixed price system for certain copyrighted products. Consequently, the JFTC launched a deregulation project related to the publishing field in the mid 1990s. Incumbents in the publishing immediately opposed the JFTC. This is because the disruption of the fixed price system for publications, which had been a primary component of the established business model, would inevitably force the incumbents in publishing to alter their established practices.

The JFTC argued that the introduction of price competition is inevitable and reasonable, which can be regarded as teleological (Suddaby & Greenwood, 2005) and rationalisation (Vaara et al., 2006), respectively. In contrast, the incumbents emphasised the importance of books and magazines and negative outcomes of change to the status quo. These can be considered to be value based (Suddaby & Greenwood, 2005) or moralisation (Vaara et al., 2006) and rationalisation (Vaara et al., 2006) rhetoric. In other words, while the JFTCs' theorisation of change that support generative mechanisms derived from the market logic as an SIL, the incumbents' theorisation of resistance put its emphasis on the importance of the prevailing institutional arrangement—that is, the complementary coexistence of generative mechanisms derived from the family logic and the state logic as SILs. Importantly, the incumbents in publishing did not directly emphasise their vested interests, but presented themselves as those sacrificing profits and pursuing better quality of publications.

The incumbents' rhetoric was disseminated through various channels. Since the RPM of newspaper and the publications had both been exempt from the Antimonopoly Act in the category of 'RPM for certain copyrighted products', the incumbents in publishing and the newspaper cooperated in resisting changes promoted by the JFTC. They held shared interests, especially because the newspaper companies had diversified into the publishing field. Accordingly, rhetoric that supports the existing business model was disseminated through publications and newspapers.

It could be argued that the dissemination through newspapers played important roles in influencing the recipient of rhetoric including politicians. The emergence and the development of the internet increasingly came to threaten the established status of newspapers (Kinoshita et al., 2001). However, before the rapid diffusion of the internet in households, people in general relied on newspapers. In fact, Millor & Krosnick (2000) indicate that people in general tend to regard the information in the newspaper as accurate according to their research results conducted before the rapid diffusion of internet. Importantly, this could be the case in this study, since it took place before the internet became diffused to a great extent. Therefore, disseminating rhetoric through the newspaper would appear particularly useful in the mid to late 1990s.

The JFTC, alongside intending to create new practices by the theorisation of neoliberal-influenced change, tried to dilute the established business model. The JFTC demanded the incumbents to adopt the flexible operation of RPM such as utilising discount campaign and limiting the duration of RPM. The intention of the JFTC was to disrupt the taken-for-granted assumption of the incumbents regarding RPM. However, this requirement was not underpinned by any legal nor administrative sanctions.

In the rhetoric, the incumbents in publishing avoided appearing to act in a self interested manner. However, the incumbents had a vested interest in the established business model. Therefore, the incumbents attempted to minimise the effect of the 'new business models' by disguising the fact that they actually did not follow the requirements advanced by the JFTC. The incumbents had adopted bargain book campaigns and the fixed duration of RPM in a manner intended to minimise disruption to the established business model. That is, the incumbents intentionally provided unpopular books for the bargain book campaigns. And the treatment of those

bargain books was integrated into the daily operation, though the high return rate indicates that the intention was just to hold several bargain book campaigns as a minimal gesture for the JFTC. Furthermore, the incumbents adopted fixed duration of RPM for magazines. However, since the Japanese publishing field adopts a free return policy, the bookstore did not have the motivation to discount magazines after the next issue was released.

This chapter has illustrated the successful resistance of the incumbents to the JFTC, which still prevents the JFTC from abolishing RPM for copyrighted products. The dissemination of rhetoric through the newspapers depended on the historical context in which the neoliberal challenge to established practices was made. The newspaper and the publishing fields had both been exempt from the Antimonopoly Act and thus the actors in these fields had shared interests in resisting changes that they saw as detrimental to their current interests and business models. They thus joined forces and, in this process, rhetoric advocating the importance of the status quo and necessity to maintain RPM was disseminated through newspaper channels, which played important roles in mobilising political resources in favour of the incumbents' position. In the next chapter, the influence of technological jolt to the organisational field will be examined by focusing on incumbent actors' responses.



## CHAPTER 7

### TECHNOLOGICAL JOLTS AND THE CONSEQUENCES OF RESISTANCE

#### Introduction

In this chapter, a technological jolt to the organisational field is examined— that is, the rapid technological development in semiconductor memory. First of all, the technological jolt is illustrated in relation to its implication to the electric appliance makers. In sum, a technological jolt created opportunities for electric appliance producers to generate and disseminate new business models that provided new transactive frameworks.

Some of the electric appliance makers introduced a new business model leveraging the e-dictionary from 1980. In this new business model, dictionary publishers provided dictionary content with electric appliance producers in exchange for royalty fees. Electric appliance producers manufactured e-dictionaries, which were distributed by them to *keiretsu* retailers. Importantly, the new business model involved actors in the fields of publishing and electric appliances.

Until the 1990s, several generative mechanisms of the family logic as an SIL had been influential in an FIL in the field of the electric appliances. Particularly, the generative mechanisms regarding shaping business affiliations and developing personal capitalism derived from the family logic as an SIL had been influential in an FIL. Thus, the dictionary publishers did not find much incompatibility with providing dictionary content under the new business model leveraging the e-dictionary. Furthermore, the widespread diffusion of TV's in households let many actors, including dictionary publishers, to anticipate the emergence of new media such as e-dictionaries. Therefore, dictionary publishers agreed to participate in the new business model by providing dictionary content.

However, a particular generative mechanism of the market logic as an SIL, utilising market competition aiming to enhance efficiency of transactions (Thornton, 2004), increasingly came to be influential in the electric appliance field. This was largely because of the regulatory change from 1990. According to Thornton (2004), market competition in order to enhance efficiency of transactions indicates that actors continuously seek for better economic transactions, and once they find one they cancel the existing transaction and shift to a new better one. Large-scale retailers increasingly became involved with the sales of electric appliances. Importantly, large-

scale retailers, unlike *keiretsu* retailers, actively utilised discount. Consequently, competition among electric appliance makers intensified. Around the same time, in the middle of the 1990s, a number of consumers started to accept e-dictionaries. Thus, an increasing number of electric appliance producers came to launch the new business model leveraging the e-dictionary. Accordingly, some changes were witnessed regarding a new business model: electric appliance makers lowered the royalty fee and they increasingly came to be competitive in selecting dictionary content for the e-dictionary. Together with the decreasing sales of the printed dictionary, these were threatening the revenue stream generated from the new business model for dictionary publishers.

In turn, dictionary publishers launched an annual campaign with the aim of revitalising the established business model leveraging the printed dictionary. In this campaign, the emphasis had been on the advantage of the printed dictionary and the disadvantage of the e-dictionary. Leaflets filled with rhetoric were disseminated to high school teachers, who allegedly influenced high school students' purchasing behaviour of dictionaries. Given the decreasing sales of the printed dictionary and the stable sales of the e-dictionary, this campaign did not seem to be very effective. However, this campaign provided an important lesson for incumbent actors' responses to new business models utilising e-book readers.

From 2004, two electric appliance makers, Sony and Panasonic, introduced new business models utilising the e-book reader. A commonality between these two business models was that publishers were supposed to provide content with either Sony or Panasonic in exchange for royalty fees. There were two differences between these two business models. The first difference was distribution channels: Sony utilised large-scale retailers, while Panasonic used the distribution channel in publishing. The second difference was accessibility to content for e-book readers. Content was available through the internet. However, Sony confined the accessible duration of the content purchased to 60 days, while Panasonic allowed unlimited duration of access to content they purchased.

As an unintended consequence of dictionary publishers' annual campaign, the rhetoric in the campaigns helped other incumbents in publishing shape recognition of new business models utilising e-book readers. Formal and informal channels between incumbents in publishing informed incumbent actors in publishing of dictionary publishers' 'unfortunate' experience in the business model leveraging the e-dictionary.

These channels included both formal (e.g. industrial association) and informal (friendship) meetings. In sum, theorisation of change, in which negative effects of the new business models to the revenue stream generated by the existing business model were emphasised, were shared by incumbent actors in publishing largely due to dictionary publishers' annual campaign.

As a result, the incumbent actors were not necessarily cooperative to the new business models leveraging the e-book readers. Most importantly, publishers did not provide a lot of content with either Sony or Panasonic and largely because they could not gather enough content, both companies (Sony and Panasonic) retreated from the new business model in 2008.

### **A Technological jolt**

In the Japanese publishing field, the rapid development of semiconductor memory can be considered as a technological jolt. This is because, as previous research indicates (Chakrabarti & Gurey, 2009; Loebbecke, 2010; Murase, 2010; Yokoyama, 2006), the development of semiconductor memory has been the primary factor that has enabled the emergence of the e-dictionary and the e-book reader, which has dramatically departed from the printed publications in many ways (Loebbecke, 2010; Murase, 2010).

Indeed, the semiconductor memory has rapidly grown in performance since it was firstly commercialised by Intel Corporation in 1970 (Burgelman, 1994). A number of researchers (e.g., Aizcorbe & Kortum, 2005; Draper, 2009; Han, 2010; Meraji, Zhang & Tropper, 2010) refer to 'Moore's Law' in illustrating rapid performance growth of the semiconductor memory. Moore's Law was named after a co-founder of Intel Corporation, Gordon Moore, who once predicted that the semiconductor technology would continue to double in performance in three years (Han, 2010). In fact, a former engineer at a large-scale Japanese semiconductor memory manufacturer (*Toshiba*), Masuoka (1995) indicated that the semiconductor memory had constantly doubled in memory size every three years during the two decades from 1975 to 1995.

It would be the case that the rapid development of the semiconductor technology results from various factors. For instance, according to Burgelman (1994), there had been observed several changes regarding the production of semiconductor memory around the 1970s and 1980s. Firstly, customers had increasingly required the

semiconductor memory manufacturer to provide larger quantity of memory. That is, customers at the initial stage were satisfied with ‘any batch with a reasonable number of functioning [semiconductor memory]’ (Burgelman, 1994, p.34). However, customers had increasingly come to require ‘high quantities of [semiconductor memory] with guaranteed performance, reliability, and price’ [ibid]. Furthermore, Japanese manufacturers such as Fujitsu, NEC and Hitachi entered the production of semiconductor memory in the late 1970s. Accordingly, the competition in the production of the semiconductor memory intensified.

### **Electric appliance makers**

Due to the technological jolt, electronic appliance makers approached incumbents in the Japanese publishing field during the 1980s. From this time, a group of electronics firms launched the e-dictionary. In addition, two electronics appliance producers, from the 2000s, launched the e-book reader. Both of these technical developments had potentially major implications for the established publishing industry.

Regarding the e-dictionary, electric appliance makers utilised semiconductor memory in loading search engine and dictionary data (JEPA, 2010, p.35). The electric appliance makers that manufactured the e-dictionary included the following eight companies: Sharp(1979-), Casio(1981-), Sanyo (1987-1989), Seiko (1987-), Canon (1987-), Sony (1994-2005), Citizen (2004-) and i-River (2007-).

Furthermore, the e-book reader had been provided by Sony (2004-2008) and Panasonic (2004-2008). These two electric appliance makers utilised the semiconductor memory in order to load content derived from publishers (Murase, 2010). In Japan, in addition to Amazon’s Kindle Apple’s i-Pad, both of which are e-book readers, was introduced in May, 2010. Importantly, these companies do not necessarily belong to the electronic appliance makers. Moreover, since the data collection was conducted in late 2009 to early 2010, these makers were not included in the argument.

### **A New business model**

The development in semiconductor memory provided the electric appliance makers opportunities to launch a new business model utilising new products, which could be new ways of carrying publications to consumers. Some of the electric appliance makers focused on the content of printed dictionaries from 1979. That is, makers such

as Sharp and Casio, which formerly sold electronic calculators, attempted to diffuse a new business model that utilised the e-dictionary.

In a new business model, transactions can be made between the electric appliance producers and dictionary publishers. In this transaction, dictionary publishers provide content of publications in exchange for royalty fees. Furthermore, in this new business model, the products are distributed by electric makers to *keiretsu* retailers and a limited number of bookstores (Interview with a publishers, 15<sup>th</sup> February, 2010). The electric appliance makers intended to include some other content from publishers to their calculators in order to attract more customers (interview with electric appliance makers on 17<sup>th</sup>, November, 2009 and 4<sup>th</sup>, December, 2009). Consequently, they paid attention to dictionary content, especially English-Japanese as well as Japanese-English ones.

According to the Japan Electronic Publishing Association (2009), the first e-dictionary (manufactured by Sharp in 1979) was as small as a 100-page-paperback-novel and made it possible to directly translate one English word to one corresponding Japanese word and vice versa. For instance, this e-dictionary could translate *Cat* into ネコ (*Neko*), which means a cat in Japanese.

As examined already, the incumbents in the publishing field shared the established business model. Importantly, the established business model had two notable characteristics: wholesalers' centrally planned distribution and adopting the fixed price system combined with the free return policy. Most importantly, the new business model leveraging the e-dictionary did not necessarily share these characteristics of the established business model. That is, under the new business model utilising the e-dictionary, the distribution was not only undertaken by the wholesalers. Rather as a wholesaler mentioned in an interview (16<sup>th</sup>, October, 2009), the electric appliance makers had their own distribution channels and many of the electronic dictionaries were distributed through these channels. Furthermore, at the outlet of these channels, *keiretsu* retailers engage in the sales (Kamo, 1995). These *keiretsu* retailers tended to fix the price of products but did not adopt a free return policy (Kamo, 1995; Kojima, 2007; Yoshimura, 2005).

### **Institutional arrangement guiding electric appliance makers and their interests**

The electronic appliance makers did not have the specific intention to abolish the established business model in the field of publishing (interview with a maker, 4<sup>th</sup>, December, 2009). Rather, diffusing a new business model and hence selling their electronic devices was institutionally legitimated and economically motivated.

As indicated in Chapter 5, generative mechanisms derived from the family logic as an SIL had been prevailing in Japanese industrial sectors including the electric appliance field (Bhappu, 2000). Importantly, the family logic as an SIL had generative mechanism that could guide actors to develop personal capitalism and shape business affiliation. This aspect of the family logic as an SIL had been influential in the Japanese electric appliance field. Japanese electric appliance makers, in general, had been listed companies for decades, which is made obvious, for instance, on their website. However, family succession of the management had been observed in some of the companies such as Casio and Canon (Takei, 2010). Furthermore, importantly, even if these firms utilised the stock market, it had been considered that firms belong to employees rather than shareholders (Tanaka, 2008). In fact, Tanaka (2008) indicates that Japanese companies, including electric appliance makers, tended to cross-hold stocks in order to prevent the active utilisation of the stock market.

Moreover, Japanese electric appliance makers shaped, maintained and enhanced *keiretsu* networks, in which electric appliance makers had played central roles in relation to *keiretsu* parts suppliers and *keiretsu* retailers. Saito (2004) examined the establishment of *keiretsu* retailers by electronic appliance makers during the post second world war period (1950s to 1960s). Saito (2004) points out that *keiretsu* retailers of Japanese electronic appliance makers were provided various forms of assistance by the electric appliance makers. For instance, makers took care of the cost of advertisements, technological knowledge necessary for customer care, social welfare of employees in the *keiretsu* retailers, and so on (Saito, 2004, pp.20-21).

Kamo (1996) indicates these *keiretsu* retailers of the electronic appliance makers did not concentrate on price competition. Rather, as Kamo (1996) argues, they focused on providing detailed accounts of products and long-term services with customers. For instance, *keiretsu* retailers frequently visited their customers and offered maintenance of the products that the customers purchased (Kamo, 1996).

Furthermore, launching a new business model indicates additional revenue stream which meets the economic interests of the electrical appliance makers.

In summary, it has been argued that generative mechanisms derived from the family logic as an SIL had been prevailing in an FIL in Japanese industrial sectors including electric appliances. As a generative mechanism, the family logic could guide actors to create, maintain and enhance business affiliations called *keiretsu* (Bhappu, 2000). Therefore, diffusing new business models that utilise the development of the semiconductor memory was both institutionally legitimated and economically motivated behaviour for the electrical appliance makers.

### **Negotiation by electrical appliance makers**

The makers negotiated with the incumbent publishers regarding the supply of their content for printed dictionaries to the electronic devices in exchange for a royalty fee. Not much has been disclosed regarding negotiations by electric appliance makers. This is partly because, as an interview (4<sup>th</sup>, December, 2009) indicates, electric appliance makers and publishers had formed NDAs (Non-disclosure agreements). Yet, some data could be obtained by some informants including a retired employee from an electronic appliance producer and dictionary publishers who provided information that did not touch upon the NDAs but could illustrate the general tendency of the contract between electric appliance producers and publishers.

In the negotiation, the makers drew upon teleological (Suddaby & Greenwood, 2005) and rationalisation rhetoric (Vaara et al., 2006). Teleological rhetoric highlights inevitability, while rationalisation rhetoric focuses on effectiveness. In fact, the makers emphasized the necessity of dealing with the e-dictionary for the publishers in terms of the investment for the future and illustrated cost benefit for dictionary publishers. An interviewee, who was once an employee of one of the electric appliance makers, highlighted the negotiations:

Preparation for the future was the most emphasized point in the negotiation. The multi-media age was increasingly emerging and publications are sources of content...Furthermore, publishers just provide content to the makers and publishers do not need to take inventory into account. (9<sup>th</sup>, October, 2009).

Moreover, another person from the electric appliance makers reflected the negotiations between them and publishers as follows:

[We believed] new media ... would be increasingly necessary... We talked to publishers and we think they came to feel the same (4<sup>th</sup>, November, 2009).

As represented above, the makers' negotiation emphasised the necessity of investing in the new business model and leveraging the e-dictionary for the future. As seen below, the social context in the late 1970s and 1980s promoted the investment or involvement in new forms of media such as the e-dictionary.

### **Incumbents' response to appliance makers' negotiation**

Dictionary publishers had cooperated in providing their content to the electric appliance makers, even though the investment was unlikely to be profitable immediately. At the very beginning of the e-dictionary, the amount of the royalty fee was higher than the amount currently (2009) paid to publishers (Japan Electronic Publishing Association, 2009). However, Yokoyama (2004, p.141) argues that the royalty fee gained from a sale of one machine of the e-dictionary had been less profitable than the sales of a copy of the printed dictionary. In fact, a publisher indicates that the royalty fee paid to the dictionary publishers was not necessarily profitable in the 1980s:

It is true that the royalty fee for electronic dictionaries was higher than now [in 2009]....in 1980s...But we need to transform data, specifically for the e-dictionary format, it cost us, so it was not profitable...it was really doing for the future (30<sup>th</sup>, September, 2009).

A publisher argues that the royalty fee paid to publishers regarding the provision of dictionary content was originally lower than net income gained from the sales of printed dictionaries. An interviewee from a publisher confirms this:

In terms of profitability, printed dictionary has been better. This is from the beginning, say in early 1980s. But for us, it was kind of future investment to initiate the e-dictionary (6<sup>th</sup>, October, 2009).



All the dictionary publishers that I visited (N=8) established an electronic department or assigned certain staff for electronic publishing after forming the contract with the electric appliance makers in the 1980s. In a division of a dictionary publisher that deals with electronic publishing, their task was to transform the content of the printed dictionary to that ready for the e-dictionary either by themselves or through orders for specialists. Although the XML data came to be utilised for editing the content for the printed dictionary, the data could not be directly used for the e-dictionary. This is partly because the makers were not necessarily knowledgeable about the dictionary content. Thus, the dictionary publisher needed to designate how the dictionary entry for each word should be displayed in the e-dictionary. Therefore, providing content to the electric appliance makers was not straightforward. On the contrary, it cost publishers human resources and additional expenses (Japan Electronic Publishing Association, 2009).

Despite the fact that the royalty fee was not attractive and providing the content in an appropriate form cost additional investment, the dictionary publishers accepted the new business model utilising the e-dictionary (Japan Electronic Publishing Association, 2009). As mentioned above, dictionary publishers did not find it incompatible to provide dictionary content with the established business model. That is, dictionary publishers did not find this new business model to threaten the revenue stream generated by the established business model in the immediate future. In fact, as seen above, the price of the e-dictionary was not competitive, since they were sold in *keiretsu* retailers and bookstores.

The second factor is related to the context that surrounded the negotiation of the new business model. There is a possibility that the makers' negotiation was amplified by the fact that the terms such as 'multimedia' or 'new media' had increasingly become popular in Japan since the late 1970s (Goto et al., 1980; Hattori, 1996; Kamae, 1995; Ueda, 2000). For instance, Ueda (2000) indicates that the widespread diffusion of TVs to Japanese households supported this argument that new media would diffuse in the following stages of development. In fact, according to the Cabinet Office, the diffusion rate of TVs to the Japanese household has been over 90 percent since the early 1970s<sup>9</sup>. Furthermore, similar to the rhetoric by the electric

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<sup>9</sup> [http://www.esri.cao.go.jp/jp/stat/shouhi/menu\\_shouhi.html](http://www.esri.cao.go.jp/jp/stat/shouhi/menu_shouhi.html)

appliance makers, several researchers indicated that multimedia or new media would have built a dominant position in data exchange in the twenty-first century (e.g. Hattori, 1996).

As seen in the next section, the e-dictionary has been increasingly accepted among consumers. Importantly, the diffusion of the e-dictionary among consumers intensified the competition among the electric appliance makers. Furthermore, certain generative mechanisms derived from the market logic as an SIL had increasingly been enhanced by the JFTC in many of the Japanese industrial fields including the electric appliance field around the same time when the e-dictionary came to be accepted among consumers. That is, as seen in the previous chapter, the JFTC promoted regulatory change that aimed to utilise market competition (Tsuruta, 2001). With respect to the electric appliance field, the legal scheme regulating the size of retailers was weakened, which resulted in the growing influence of a generative mechanism derived from the market logic— market competition in order to enhance efficiency of transactions (Thornton et al., 2005).

### **Acceptance of the e-dictionary and intensified competition**

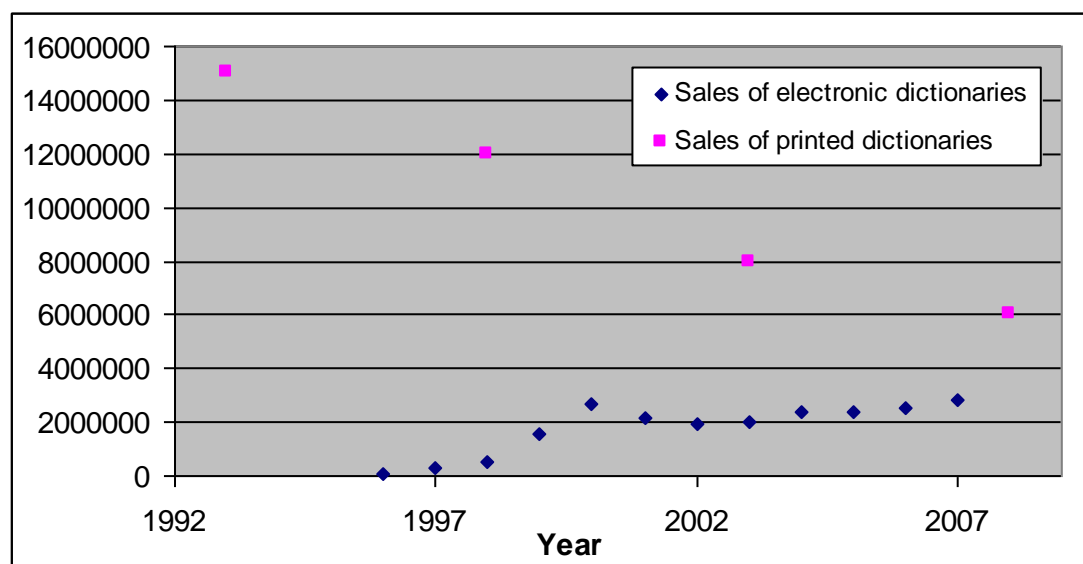
Until the middle of the 1990s, the e-dictionary had not been well accepted by consumers. However, as seen in figure 7.1, the sales of electronic dictionaries have remained strong since 1995. According to the estimation as seen in figure 7.1, the sales of printed dictionaries has continued to decrease over the past two decades.

The data on the sales of electronic dictionaries are available from the Japan Business Machine and Information System Industrial Association, whilst the data with respect to the number of printed dictionaries sold are not officially available. According to an interviewee, the data of the number of sold printed dictionaries are sensitive, since the dictionary publishers “are something like a community and once we disclose the number, it will be likely to destroy our harmony. Although we know the approximate number regarding our own sales, we have never disclosed it” (interview with a publisher, 1<sup>st</sup> October, 2009). Therefore, only the estimation by newspaper articles was available.

Until the 1990s, the e-dictionary did not have enough memory space and the publishers had to omit some printed dictionary content when they put dictionary data on their devices. These omissions included detailed explanations of a word, example of the usage of a word, and pronunciation symbols. Moreover, according to

interviewees from publishers (30<sup>th</sup> September, 2009; 6<sup>th</sup> October, 2009), it had been the case that the title of the dictionary was kept implicit for the early stage of the e-dictionary (1979-1992). That is, the electric appliance makers obtained dictionary content from particular publishers, but until a certain stage the name of the publishers had not been displayed in the e-dictionary. This is because the memory space did not allow the e-dictionary to refer to this type of information (Japan Electronic Publishing Association, 2009). However, since 1992, the e-dictionary had obtained enough memory size to load a whole dictionary's content. Furthermore, the title of the dictionary was explicitly mentioned in the e-dictionary.

Figure 7.1 The sales of electronic and printed dictionaries



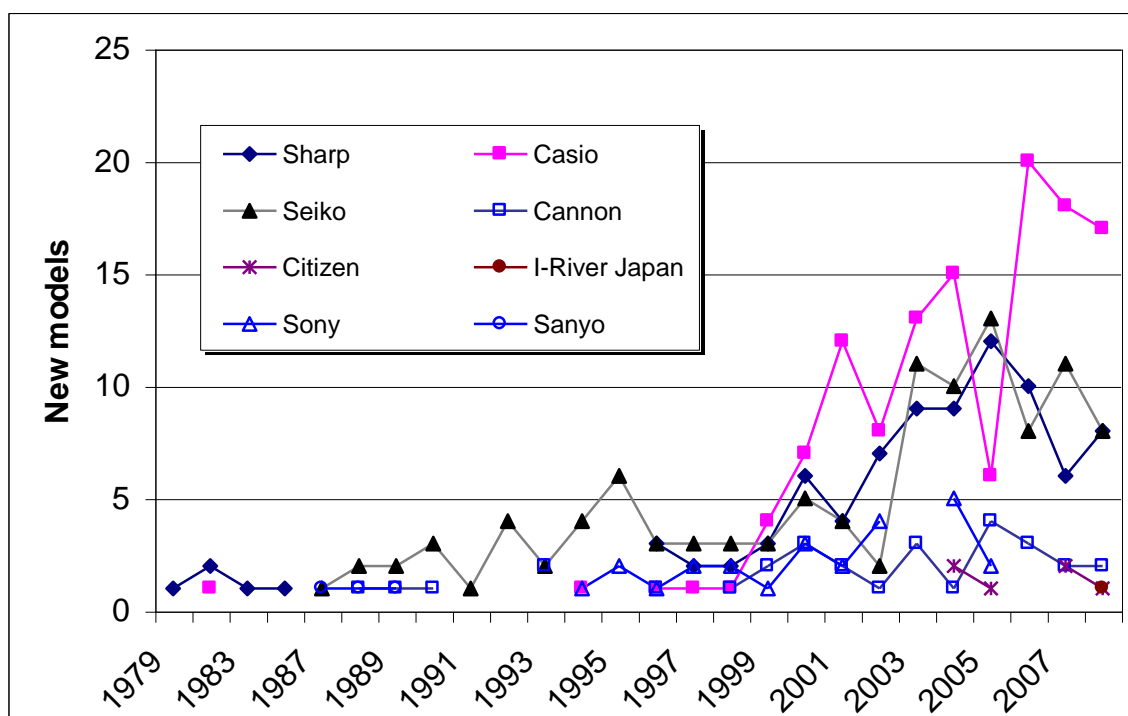
Source: Japan Business Machine and Information System Industrial Association<sup>10</sup> and Nikkei Shimbun newspaper (24<sup>th</sup> February, 2008 & 1<sup>st</sup> December, 2007) Asahi Shimbun newspaper (19<sup>th</sup> July, 2009)

<sup>10</sup> [http://www.jbmia.or.jp/MoBS/market/densi-jisyo-syukkasui\(1996-2007\).pdf](http://www.jbmia.or.jp/MoBS/market/densi-jisyo-syukkasui(1996-2007).pdf)

Figure 7.2 illustrates the number of new models of the e-dictionary introduced by makers in each year. Since the mid 1990s, multiple makers had introduced multiple new models of the e-dictionary. Casio, Sharp, Seiko and Canon have continuously introduced new models since 1998. An interviewee who had worked for an electronic appliance maker indicated the change in the introduction of new models of electronic dictionaries:

[U]ntil early 1990s, the makers introduced one e-dictionary and sold it for a few years' span, but as the makers confirmed the popularity of the e-dictionary, the makers' product development span has become 6 months in order to stimulate the consumption (10<sup>th</sup>, October, 2009).

Figure 7.2 The number of new models per maker



Source: Catalogues, websites, newspaper articles

As seen in table 7.1, the data regarding the market share are available from 2005. Casio has maintained the largest share of the e-dictionary and Sharp the second largest share since then. Until 2007, Seiko held the third largest share. However, since 2008, Canon has replaced Seiko. In 2008, Casio has a 53 percent of the market share, Sharp 30.3 percent and Canon 10.3 percent.

Table 7.1 Market share in the e-dictionary sales

	Casio	Sharp	Canon	Seiko	Others
2005	46.6	30.6	N/A	12.4	10.4
2006	48	29.9	N/A	11.6	10.5
2007	49.5	31.4	N/A	9.7	9.4
2008	53	30.3	10.3	N/A	6.4
2009	52.3	30.7	11.9	N/A	5.1
2010	58.4	25.2	12.8	N/A	3.6

**Source:** GfK Marketing services Japan Ltd

(<http://bcnranking.jp/award/section/hard/hard56.htm>)

### **Change in underpinning institutional logics of electric appliance makers**

There was a change in the legal scheme that regulated the large-scale retailers. As seen in the previous chapter, the Large-scale Retail Store Law, legislated in 1973, was weakened because of the strengthened enforcement of the Antimonopoly Act in the 1990s (e.g., Bamba, 2006). Accordingly, lots of large retailers had been enabled to establish branches without many difficulties since the 1990s.

*Keiretsu* retailers were still utilised by the electric appliance makers after the diffusion of the e-dictionary (Saito, 2004; Tateishi, 2008) and hence the family logic as an SIL seemed to be still influential in the field of electronic appliances. However, the growing number of large-scale retailers enhanced one generative mechanism derived from the market logic as an SIL in many Japanese industrial sectors including the field of electronic appliances (Murakami, 2005; Uchihashi, 2006). That is, as Thornton (2004) argues, as a generative mechanism, the market logic as an SIL could guide actors to utilise market competition in order to enhance efficiency of transactions.

A growing number of large-scale retailers, which tended to be independent of the electric appliance makers in terms of capital ties, had launched various product categories including electric appliances (Saito, 2004). In the retailing of electronic appliances, these large-scale retailers increased their share in the market (Saito, 2004,

pp.42-44). These large-scale retailers have different characteristics from *keiretsu* retailers in several ways. Most importantly, they frequently utilised price competition and negotiated with the makers regarding volume discount (Saito, 2004; Tateishi, 2008). In fact, discounting came to be utilised in the distribution of the e-dictionary. It should be noted that discounting was not achieved by online bookstores. A number of online bookstores abroad tended to be regarded as active players for discounting books (Chevalier & Goolsbee, 2003; Clay, Krishnan & Wolff, 2003). However, Japanese online bookstores had not conducted discount in the sales of books and magazines in Japan (Kinoshita, Yoshida & Hoshino, 2001; Uemura, 2010).

Discounting of e-dictionaries came to be possible because of the increasing presence of the large-scale retailers in the sales of electric appliances since 1990s:

Yamada-san, Big-san [large-scale retailers selling electric appliances] do discount, which we have never experienced...this discount has influenced the sales of the printed dictionary...Of course, the e-dictionary is [also] sold at bookstores, but they do not get used to discounting...and actually they [=bookstores] do not discount the e-dictionary (A publisher, 6<sup>th</sup>, October, 2009).

Accordingly, makers' behaviour came to be influenced by these large scale retailers and the generative mechanism derived from the logic of the market as an SIL increasingly guided the behaviour of Japanese electric appliance makers (Itami, Tanaka, Kato & Nakano, 2007).

For instance, as Itami et al. (2007) noted, electric appliance makers became more conscious about efficiency and the majority of Japanese electric appliance makers had conducted corporate downsizing since the 1990s. For instance, a number of Japanese manufactures have conducted revisions of the payment to subcontractors and increasingly utilised outsourcing (Suruga, 2008; Yoshimura, 2005). Furthermore, the Japanese manufacturers, including electric appliance makers, came to utilise market competition in order to enhance efficiency of transactions when obtaining parts, which was previously provided by *keiretsu* suppliers (Chujo, 2007; Uchihashi, 2006). To put it differently, regarding the behaviour of the Japanese electrical appliance makers, there was a growing emphasis on the price and market competition in order to enhance efficiency of transactions, and thus cut across previous

arrangements that had been based on stable *keiretsu* supplier relationships. This can be interpreted as a rise in the importance of the generative mechanism that indicate market competition in order to enhance efficiency of transactions derived from a market logic as an SIL.

Furthermore, after the widespread acceptance of the e-dictionary among consumers and intensified competition among the electric appliance makers, as seen in figure 7.2, the number of electric appliance makers and the number of e-dictionary models annually introduced had increased. This was considered to accelerate the competition among the electric appliance makers over the sales of the e-dictionary.

### **Intensified selection of dictionary titles included in the e-dictionary**

There had been several illustrative changes in makers' treatment of dictionary content observed. Especially, electronic appliance makers had increasingly attempted to increase the efficiency of transactions with dictionary publishers. As Ando & Urata (2009) indicate, the e-dictionary came to load 'best selling' printed dictionary content. This was especially the case after the middle of the 1990s when the e-dictionary became more widely diffused. There are several dictionary categories such as Japanese-Japanese, English-Japanese, Japanese-English and English-English dictionaries. In each category of the dictionary, there are varieties such as general use and academic use. The dictionary publishers are conscious about these differences and therefore differentiate the content of dictionaries depending on the target audience (e.g., an interview with a publisher, 30<sup>th</sup>, September, 2009). However, the electric appliance makers did not focus on these differences (Ando & Urata, 2009).

As seen in table 7.2, in 2009 more than 10 dictionary publishers engaged in the printed publication of English-Japanese, Japanese-English and Japanese-Japanese dictionaries, which were major dictionary content in terms of the sales (an interview with a publisher on 30<sup>th</sup>, September, 2009).

Table 7.2 The No of publishers and titles in major printed dictionary content in 2009

<b>Dictionary category</b>	<b>No of publishers publishing at least 1 title of the printed dictionary</b>	<b>No of titles</b>
English-Japanese	16	76
Japanese-English	12	37
Japanese-Japanese	16	83
Japanese Chinese Character	21	77

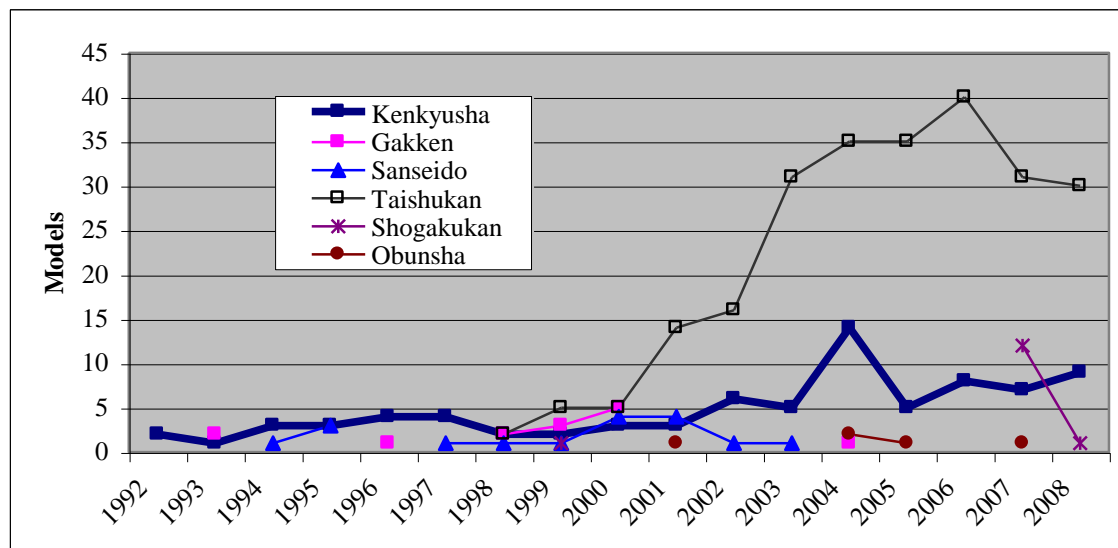
Source: Dictionary Publishers' Association 'Titles of dictionaries 2009' [Yuryojiten Roppou Mokuroku]

According to 'Titles of dictionaries 2009' issued by the Dictionary Publishers' Association, dictionaries are classified into six categories based on the number of vocabularies. That is, infant use, primary school student use, junior high student use, high school student-general use, general use and academic use. Furthermore, some publishers differentiate dictionaries in the same category and same vocabulary level by changing the emphasis of dictionary content. For instance, publishers' emphasis may be put on more detailed examples vis-à-vis more detailed explanations of the word.

As seen already, electric appliance makers have actively introduced new models of electronic dictionaries, especially since 2000. Figures 7.3, 7.4, 7.5 and 7.6 illustrate the electronic appliance makers' choice of English-Japanese, Japanese-English, Japanese-Japanese and Japanese Chinese Character dictionary content for models introduced each year. Figure 7.3 shows the number of newly introduced e-dictionary models that load different publishers' English-Japanese content. Therefore, figure 7.3 illustrates the popularity of each publisher's English-Japanese dictionary content in relation to the e-dictionary. Similarly, figure 7.4 deals with Japanese-English dictionary content, figure 7.5 Japanese-Japanese dictionary content and figure 7.6 Japanese Chinese Character dictionary content.



Figure 7.3 English-Japanese dictionary content adopted in electronic dictionaries



Source: Catalogues, websites, newspaper articles

Figure 7.3 indicates that the makers' selection of an English-Japanese dictionary had shifted from *Kenkyusha* to *Taishukan* over time<sup>11</sup>. In fact, *Taishukan* has taken over the lead in the sales of printed English-Japanese dictionaries since the 1990s (Ando & Urata, 2009). Furthermore, a publisher indicated a characteristic of electric appliance makers' selection of dictionary content to be loaded to their e-dictionary:

Those dealing with electronic dictionaries [in electric appliance makers] are not necessarily knowledgeable about the publishing industry. [Printed] Dictionaries are different in terms of selection of vocabulary and targeted audience. But, of course makers do not pay attention to these slight differences. Rather, they gradually come to focus on the sales ranking of printed dictionary (A publisher, 29th, Sep, 2009).

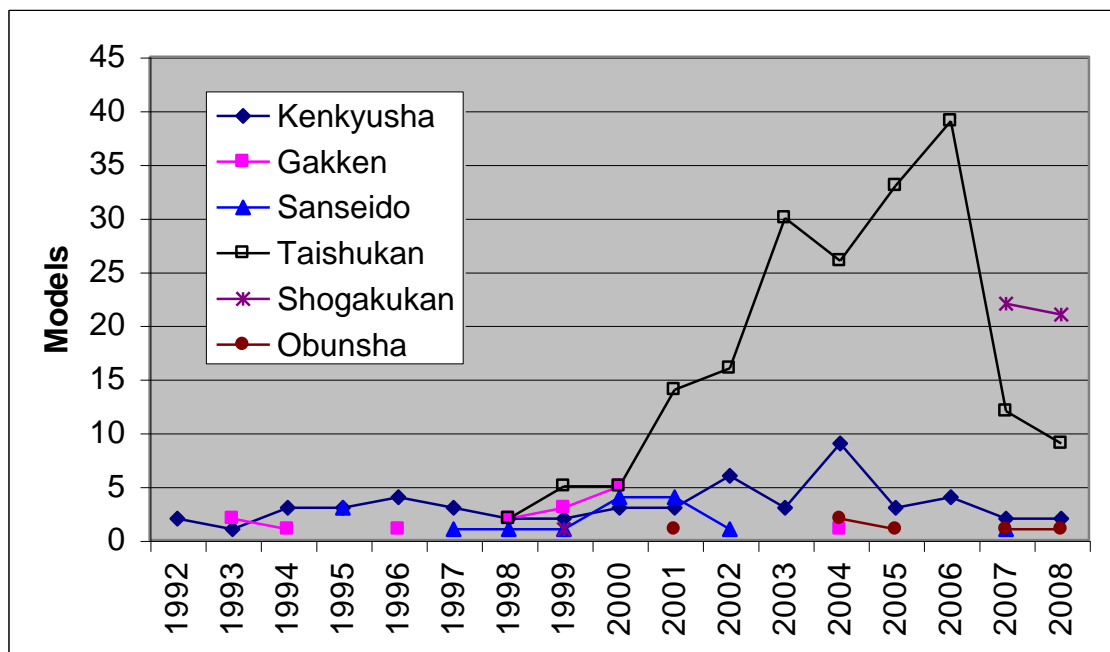
In fact, as seen in figures 7-3, 7-4, 7-5 and 7-6 electronic dictionaries' concentration on a few publishers' content in English-Japanese, Japanese-English, Japanese-Japanese and Japanese Chinese character dictionaries had become salient. In Japanese-English dictionary content, *Taishukan*'s content came to be widely loaded.

<sup>11</sup> Those engaging in the product development of electronic dictionaries at Electric appliance makers firstly focused on *Kenkyusha*'s English-Japanese dictionary (*Nikkei Sangyo-Shimbun* newspaper, 21<sup>st</sup>, September, 2004, *Nikkei-Sangyo Shimbun* Newspaper). According to the newspaper article, when these people were university or high school students, *Kenkyusha* hold the largest share in the English-Japanese dictionary market.

However, since 2007, *Shogakukan*'s content had quickly increased its popularity. In Japanese-Japanese dictionary content, *Shogakukan*, *Iwanami*, *Taishukan* and *Sanseido* compete with each other over the popularity in the e-dictionary. In the case of Japanese Chinese Character dictionary, *Shogakukan*'s dictionary content had been loaded in most of the electronic dictionaries.

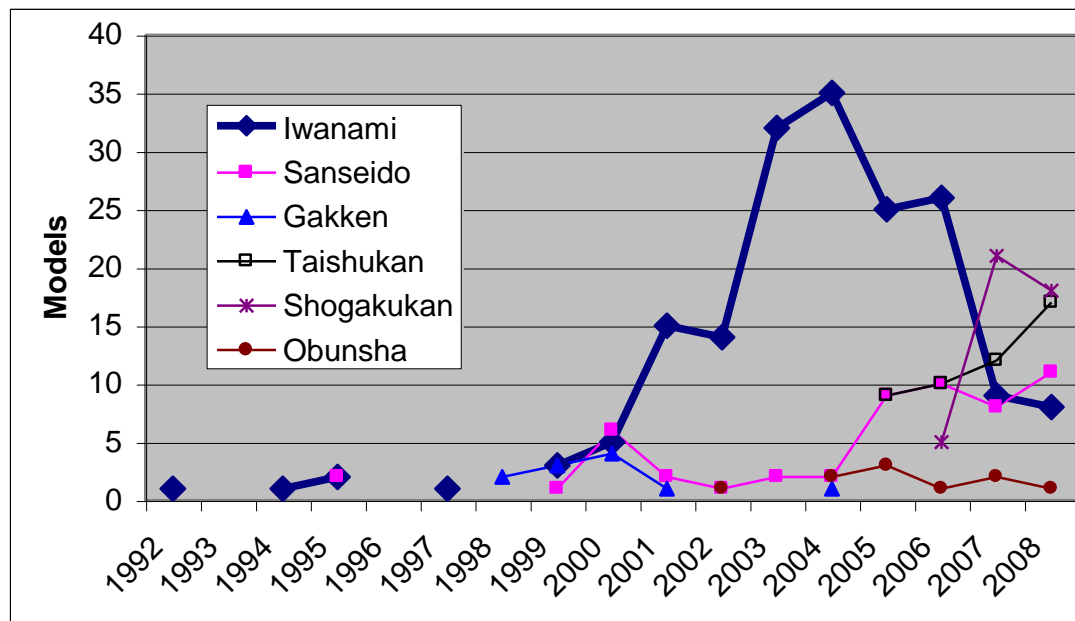
This concentration on a few publishers' dictionary content indicates the growing influence of the generative mechanism derived from the market logic as an SIL. As seen already, Japanese electronic appliance makers increasingly aim for market competition in order to enhance efficiency of transactions, which characterises the market logic.

Figure 7.4 Japanese-English dictionary content adopted in electronic dictionaries



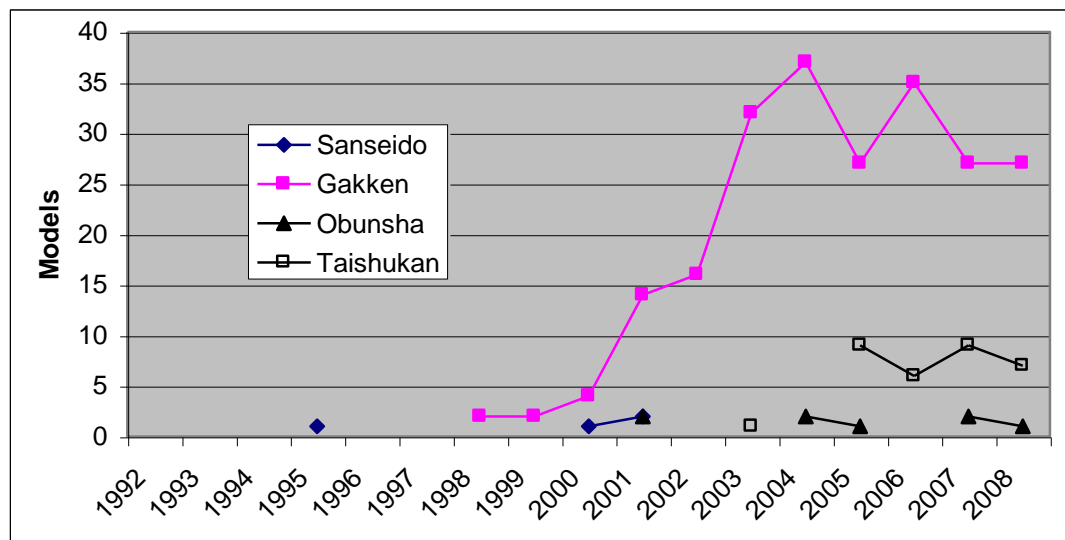
Source: Catalogues, websites, newspaper articles

Figure 7.5 Japanese-Japanese dictionary content adopted in electronic dictionaries



Source: Catalogues, websites, newspaper articles

Figure 7.6 Japanese Chinese Character dictionary content adopted in electronic dictionaries



Source: Catalogues, websites, newspaper articles

As seen above, the generative mechanism derived from the market logic as an SIL came to influence the field of dictionary publishing, where the complementary coexistence of generative mechanisms derived from the family logic and the state logic as SILs had been influential. In turn, electronic appliance makers' tendency to

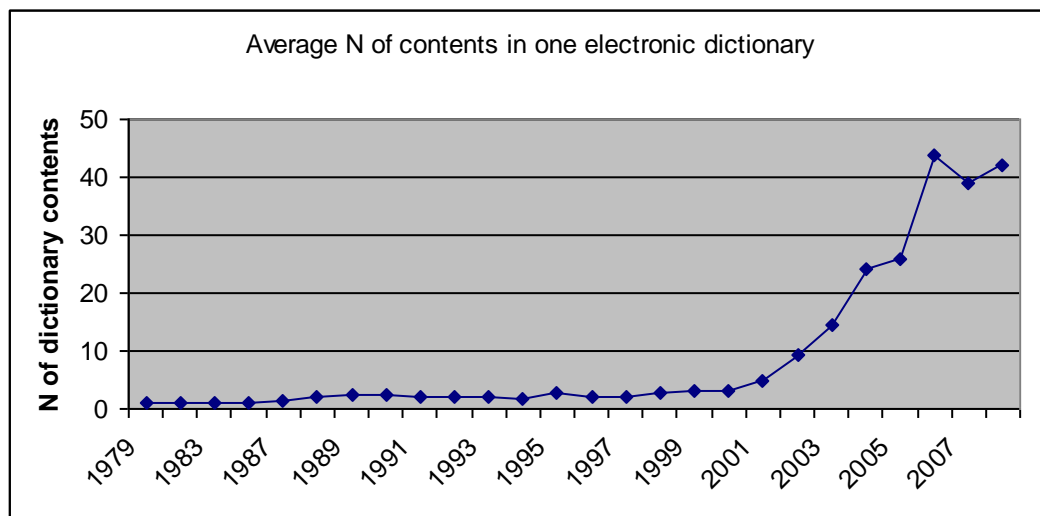
aim for increasing the market share had been observed. Furthermore, as seen below, an important generative mechanism of the market logic as an SIL, promoting market competition in order to enhance efficiency of transactions, had increasingly been confirmed.

### **Annual revision of the royalty fee**

Electric appliance makers gradually lowered the royalty fee to publishers. As Murase (2010) indicates, the e-dictionary came to be loaded with dozens of dictionary content and the income for dictionary publishers generated through the royalty fee is far smaller than that generated through the sales of printed dictionaries (p.53).

In fact, the makers came to load as much content as possible in one e-dictionary. English-Japanese, Japanese-English, Japanese Chinese Character and Japanese-Japanese dictionary content had been widely included in the e-dictionary. In addition to this ‘basic’ dictionary content, other content such as English idioms, Japanese idioms, house medicine dictionary, and economic terms dictionaries came to be included in electronic dictionaries. Figure 7.7 shows the average number of dictionaries loaded in an e-dictionary each year. Until 2001, the average number of the title of content in one e-dictionary had been less than four. Accordingly, it had not been common to load extra content other than the abovementioned ‘basic’ dictionary content during that period. However, the number rapidly increased from 2002. The average number of titles of content has been approximately 40 since 2006.

Figure 7.7 Average No of dictionaries in the e-dictionary



Source: Catalogues, websites, newspaper articles

(Summation of titles content/No of models)

Table 7.3 shows the content included in Casio's XD-SW9400, which was introduced in 2007<sup>12</sup>. The suggested retail price by Casio was 58,000 JPY (£ 414). Regarding this, the suggested retail prices tend to be discounted at large-scale retailers (Itami et al., 2008; Saito, 2004). From the brochure, I listed the content included in the model and examined the price in the printed form. Regarding the content that are available in the printed form, the summation of the total content is 139,548 JPY (£ 996.8), which is more than twice of the suggested price of this e-dictionary. Importantly, this price difference is not only the case with this e-dictionary model. Rather, it has been increasingly observed in the production of electronic dictionaries (Uemura, 2010). As seen in the previous chapter, the incumbents in the field of publishing had adhered to the fixed price system. However, as represented in table 7.3, the electronic dictionary had been available at cheaper prices than the summation of the total content loaded in electronic dictionaries.

<sup>12</sup> This e-dictionary model loads 29 titles of content, which is less than the average in 2007.

Table 7.3 Trial calculation of the price of content in an e-dictionary

<b>Title of the content</b>	<b>The price in the printed form in JPY (£)</b>
Oxford Dictionary of English	2,730 (19.5)
Oxford Thesaurus of English	4,935 (35)
Oxford Collocations	3,308 (23.6)
Oxford Advanced Lerner's dictionary	4,725 (33.8)
Kenkyusha Reader's English-Japanese	7,980 (57)
Kenkyusha Reader's plus English-Japanese	10,500 (75)
Kenkyusha Usage of English	16,800 (120)
Genius English-Japanese	17,325 (123.8)
Shogakukan Progressive Japanese-English	5,250 (37.5)
Taishukan English Thesaurus	Not available in printed form
Technical term one million English-Japanese	Not available in printed form
Technical term one million Japanese-English	Not available in printed form
Shogakukan Japanese-Japanese	7,560 (54)
Taishukan Meikyo Japanese-Japanese	2,940 (21)
Japanese Thesaurus	15,750 (112.5)
Kanjigen Japanese Chinese Character	3,045 (21.8)
Katakana dictionary	3,360 (24)
TOEIC vocabulary	890 (6.4)
TOEIC idioms	1,550 (11)
Nikkei PC terms 2007	2,445 (17.5)
Economy and business terms	10,080 (72)
Business key word	Not available in printed form
Contemporary words	Not available in printed form
Mypedia	15,750 (112.5)
English conversation	2,625 (18.8)
Everywhere English (Interchannel)	Not available in printed form
Digital Daijisen sectoral	Not available in printed form
Mypedia sectoral	Not available in printed form
Genius Index	Not available in printed form
<b>Total Amount</b>	<b>139,548 (996.8)</b>

Source: The brochure of Casio's XD-SW9400 and various websites including Amazon Japan ([www.amazon.co.jp](http://www.amazon.co.jp))

Moreover, as seen in table 7.3, some content is not available in printed form. As seen below, electric appliance makers revised the contract with dictionary publishers on an annual basis and try to lower the royalty fee. In responding to the electronic appliance makers, some of the publishers provide special content for the e-dictionary as seen in table 7.3 and tried to utilise this as the basis for bargaining (interview with a publisher, 7<sup>th</sup>, October, 2009). In fact, the number of content loaded in the e-dictionary has increased. In 2008, the e-dictionary loads more than 40 titles of content on an average e-dictionary. Furthermore, an interviewee (7<sup>th</sup>, October, 2009) as well as several researchers (e.g. Uemura, 2010) indicate that increasing content in one e-dictionary results from annual revision of royalty fee payment to the publishers by the electric appliance makers.

Exchange between the dictionary publishers and the electric appliance makers came to emphasise market competition in order to enhance efficiency of transactions as indicated above. The electric appliance makers attempted to lower the royalty fee paid to the dictionary publishers. In turn, for instance, dictionary publishers agreed to provide other dictionary content, which included both content available and unavailable in the form of printed media, to electric appliance makers in order to retain the royalty fee.

Moreover, some of the printed dictionary publishers tried to complement a loss on the sales of the printed dictionary by promoting their dictionary content to the e-dictionary since ‘it is better than nothing’ (interview with a publisher, 15<sup>th</sup>, February, 2010). Before the e-dictionary became diffused, the publishers were not keen on promoting their dictionary content to makers by themselves. Rather, the incumbents passively accepted the makers’ suggestions. However, as the sales of printed dictionaries decreased and the sales of electronic dictionaries increased, the publishers came to pay attention to the promotion of their dictionary content especially when their dictionary content were not included in electronic dictionaries. As indicated above, makers in negotiating the contract with the incumbents strategically used this information:

It is true that some publishers promote their content with a far lower royalty fee [than those printed dictionaries currently included in electronic dictionaries] and [when negotiating the annual revision of royalty fee,]

makers imply that [some publishers promote their content with lower royalties] and we have to agree with the annual revision of a royalty fee. It is as if they [makers] think dictionary content is only one component of e-dictionary such as screws or displays [i.e. technical characteristics]' (interview with a publisher, 5<sup>th</sup>, October, 2009).

### **Defensive rhetoric by dictionary publishers**

As a result of the growing influence of the market logic as an SIL, the dictionary publishers started to recognise the threat of the e-dictionary to the revenue stream produced by the established business model:

[A]round 1996, our sales of the printed dictionary started to decrease and the sales of e-dictionary continued to grow, and we realized they [electronic dictionaries] use completely the same content.... it's a big problem' (interview with a publisher, 10<sup>th</sup>, December, 2009).

Regarding this decreasing presence of the established revenue stream, all of the interviewees from the dictionary publishers made a clear distinction between the printed dictionary and the e-dictionary. In relation to RPM, the incumbents cannot fix the price of the e-dictionary since the legal exemption of RPM is not applicable to the electronic media. Thus, a question arises as to whether the incumbents regard the e-dictionary as an exception from RPM or not. According to the interviewees (e.g. 30<sup>th</sup>, September, 2009) from the dictionary publishers, the e-dictionary is not their product but the electric appliance makers'. The interviewees stated their products are nothing but printed dictionaries. When the author asked the relationship between RPM and the increasing popularity of RPM, the interviewees invariably pointed out that the e-dictionary is totally different from a printed dictionary and the diffusion of the e-dictionary does not have any effect on RPM for printed publications. It might be the case that RPM is quite a sensitive topic in the publishing sector and admitting any influence of the diffusion of the e-dictionary to RPM may lead to an unfavourable situation for them.

While the market logic as an SIL became increasingly influential in the new business model, dictionary publishers started to disseminate defensive rhetoric supporting the established business model. A few dictionary publishers, whose printed



dictionary content had been widely loaded on electronic dictionaries, did not necessarily oppose the diffusion of a new business model through the e-dictionary. However, it had been the case that the annual revision of royalty fees by electric appliance makers was not necessarily supported by dictionary publishers.

From 2003, the Dictionary Publishers' Association, comprised of 17 major dictionary publishers, started an annual campaign in which they disseminated defensive rhetoric. In creating their defensive rhetoric, they mobilised big names such as well-known high school teachers, established novelists, professors in linguistics, and so on. According to an interviewee (a publisher, 10<sup>th</sup>, December, 2009), publishers had established contacts with these people since they contributed to either dictionaries or other forms of publications as authors. In fact, some of these linguists either edited dictionaries and/or wrote books published from publishers that joined the Dictionary Publishers Association.

Table 7.4 classifies the types of rhetoric used in this campaign into those emphasising the advantage of the printed dictionary (N=15), those emphasising the disadvantage of the e-dictionary (N=3) and those emphasising both the advantage of the printed dictionary and the disadvantage of the e-dictionary (N=7). All of this rhetoric can be called rationalisation in Vaara et al.'s (2006) framework, since all of them are intended to illustrate the effectiveness or benefits of the printed dictionary.

Table 7.4 Rhetoric of the printed dictionary campaign

<b>Emphasising the advantage of the printed dictionary (Rationalisation)</b>	
Established figures	Content
Haruhiko Kindaichi (Linguist) in 2003	In terms of size, printed dictionary may not be convenient. However, the more you refer to a printed dictionary, the more you can customise the printed dictionary through, for instance, underscoring words with a red pen and creating particular pages.
Siro Hayashi (Linguist) in 2003	If you refer to a printed dictionary, you will probably look at a whole page. In this process, different words get connected in your brain and finding it is very exciting.
Toshiro Ikeuchi (High school teacher) in 2003	I have lots of students who mark up particular words in a printed dictionary and feel some sort of achievement or progress. They are motivated to learn further. I cannot help but declaring the printed dictionary the winner.
Yushichi Konishi (Linguist) in 2004	With a printed dictionary, you can create your own history of studying by making notes and underscoring words. It will become your own memorised album.
Masao Katayama (High school teacher) in 2004	One advantage of a printed dictionary is that you can take a comprehensive and panoramic view of a page. Therefore, if you consult a printed dictionary, you can learn lots of words.

Takeshi Yoro (Anatomist) in 2005 & 2006	It takes long time to acquire knowledge such as new words. Learning process, by nature, is not straightforward. To put it differently, learning process involves lots of inefficiencies and wastes. However, if you omit this process, learning does not take place. This complicated process enable you to memorise words.
Ryoko Kozu (Essayist) in 2005	There is no knowledge you can acquire without making efforts. Using a printed dictionary means you're making efforts. You encounter texture of paper, smell of ink, sound of flipping pages and visual images of dictionary pages.
Hiroshi Ikegami(High school teacher) in 2005	Form of dictionary may not matter if you simply want to know the meaning of a word. However, for instance, if you need to examine the detailed usage and examples of a word, the printed dictionary is far better than the electronic one.
Kenji Mizuno (High school teacher) in 2006	In order to acquire basic understanding of another language, utilising printed dictionary is essential since you need to take a comprehensive look at the detailed explanation of a word.
Yukio Tono (Linguist) in 2007	With a printed dictionary, you can get a whole picture of a word. Moreover, it has visual power. That is, the size of font, colours and other visual information such as chart, as a whole, enable you to capture important characteristics of a word.
Yoshihumi Saito (Linguist) in 2007	You can establish 'feeling' of words, if you use a printed dictionary. That is, you will memorise the movement of your hands when you need to reach particular words, which you frequently refer to. This 'feeling' of words is crucial for learning another language.

Masahiro Shirai (High school teacher) in 2007	You cannot see the whole picture of the content of a dictionary without becoming expert at referring to a printed dictionary. You need to know how a word is defined together with examples and other usages. Even if you want to use an e-dictionary, the first step must be with a printed dictionary.
Hideho Kindaichi (Linguist) in 2008&2009	It is surprising if you think you acquire certain knowledge without much effort, actually you do not acquire them. That is, you need to make certain efforts to acquire knowledge. Printed dictionaries seem to be only way to acquire knowledge through this sort of process.
Yoshinori Yamaguchi (Linguist) in 2008&2009	Due to its small display, an e-dictionary cannot provide whole definition of a word, especially when it is certainly long. In contrast, you can take a comprehensive look of the page, contributing to your better understanding of words.
Humi Dan (Actress) in 2010	I definitely prefer a printed dictionary. It is certainly heavy and I love it. It is heavy because it is filled with wonderful words, wonderful expression and wonderful world. I am excited to explore inside of the dictionary.
<b>Emphasising the disadvantage of the e-dictionary (Rationalisation)</b>	
Kenji Mizuno (High school teacher) in 2004	Majority of students who use e-dictionary gave me a bad impression. That is, electronic dictionaries make students lazy since electronic dictionaries are too convenient. These students do not make further efforts after they find out the meaning of a word. However, learning cannot be achieved without making efforts. By referring to a printed dictionary, students take a look at a whole page and learn more.

Junzo Yamada (High school teacher) in 2004	It has been said that those who are bad at learning English do not utilise a [printed] dictionary. That is, these people simply find out the meaning of a word. They do not take a look at examples and other usages. Surprisingly, people use an e-dictionary simply for finding out the meaning of a word.
Ichiro Kawano (Linguist) in 2007	Disadvantage of an e-dictionary is its small display. It cannot provide the whole picture, instead it always cut away a portion of whole picture. Learners miss an opportunity to obtain the whole picture of a word.
<b>Emphasising both the advantage of the printed dictionary and the disadvantage of the electronic dictionary (Rationalisation)</b>	
Yasuo Kitahara (Linguist) in 2006	By continuously referring to a printed dictionary, you can capture the whole picture of a language. You need to take a look at a whole page [when you consult a printed dictionary]. Highways and <i>shinkansen</i> [Japanese high speed railway] may be convenient since you can arrive at the destination rapidly, however you are missing lots of opportunities to stop on the way somewhere.
Motoyuki Shibata (Linguist) in 2008&2009	When you consult a dictionary, you need to examine synonyms and antonyms. To do so, printed dictionaries are far better than electronic dictionaries. And, this is especially the case when you start to learn a new language since you need to actively develop your vocabulary. Therefore, learners of new language such as high school and university students need to use a printed dictionary.

Kumiko Torikai (Linguist) in 2008&2009	For me, a dictionary is not only what you refer to, but also what you read thoroughly. If I am outside of home I cannot help but referring to an e-dictionary, however, whenever I return home I start to pore through a printed dictionary. This would be very natural for those professionalising in linguistics.
Naoki Yanase (Linguist) in 2008&2009	Comparing long-playing record and CD, the quality of the sound is obviously different. Long-playing record has far deeper and thicker sound. Younger generation who may not know this difference is said to prefer an e-dictionary to a printed dictionary due to the portability and convenience. However, think about the apparent quality difference. CD would be equal to an e-dictionary, while long-playing record would be equal to a printed dictionary.
Tom Gally (Linguist) in 2010	The e-dictionary is a very cold tool. You cannot find out who made the dictionary and you cannot read through appendix. If you want to enjoy these, only way is to access a printed dictionary.
Tatsuya Kimura (High school teacher) in 2010	I do not find it exciting to refer to an e-dictionary. In contrast, when I consult a printed dictionary, I am excited because you take a comprehensive look of a whole page and you may find interesting expressions. I hope high school students can share this feeling, which is motivation for your learning new language.
Keisuke Fukaya (Principal of a primary school) in 2010	By consulting a printed dictionary, you are far more likely to encounter varieties of words. Moreover, you can enjoy reading a printed dictionary. Given these factors, a printed dictionary can be a better friend for you [than an e-dictionary] when you learn new language.

For instance, Siro Hayashi, linguist and professor emeritus of Tsukuba University, emphasises the merit of a printed dictionary in a 2003 campaign.

If you refer to a printed dictionary, you will probably look at a whole page. In this process, different words get connected in your brain and finding it is very exciting.

The majority of established figures focused on this aspect of the printed dictionary, which, according to them, allows users to take a whole picture of a page. Moreover, Kenji Mizuno, a high school teacher, who focuses on the disadvantage of the e-dictionary and the advantage of the printed dictionary in a 2004 campaign.

Majority of students who use e-dictionary gave me a bad impression. That is, electronic dictionaries make students lazy since electronic dictionaries are too convenient. These students do not make further efforts after they find out the meaning of a word. However, learning cannot be achieved without making efforts. By referring to a printed dictionary, students take a look at a whole page and learn more.

Similarly, Tom Gally, a linguist at the University of Tokyo, emphasised both the advantage of the printed dictionary and the disadvantage of the e-dictionary:

The e-dictionary is very cold tool. You cannot find out who made the dictionary and you cannot read through appendix. If you want to enjoy these, only way is to access a printed dictionary.

In this annual campaign, the dictionary publishers disseminated 100,000 copies of a leaflet (6 pages) to high-school teachers (Dictionary Publishers' Association, 2009). Dictionary publishers thought high-school teachers would be influential on dictionary sales because they allegedly influence the high school students regarding their purchasing behaviour of dictionaries:

Salespeople of dictionary publishers annually visit high schools all across Japan in order to promote printed dictionaries to high school teachers and

they bring brochures [of annual campaign] and explain the features of a printed dictionary, which is more suitable for learning other languages, our own language (interview with a publisher, 30<sup>th</sup>, September, 2009).

This is because, according to a dictionary publisher (30<sup>th</sup>, September, 2009), in Japanese high schools, teachers usually recommend several dictionaries and the students purchase from those recommended. However, an interviewee from a dictionary publisher indicates that high school teachers came to recommend some printed dictionaries and e-dictionaries (1<sup>st</sup> October, 2009).

### **Outcome of the dictionary publishers' annual campaign**

A publisher evaluates the campaign in a sense that 'the campaign has appealed to high school teachers and the decrease of the sales of the printed dictionary has slowed down since 2003' (interview with a publisher, 16<sup>th</sup>, October, 2009).

However, given the sales of the printed and electronic dictionaries illustrated in figure 7.1, it could be argued that dissemination of rhetoric by dictionary publishers had not managed to legitimate the complementary coexistence of generative mechanisms driven from the family logic and the state logic as SILs. Having said that, dictionary publishers' annual campaign had provided an important context for other publishers, which are examined below.

### **Further attempts to expand the new business model**

In 2004, one year after the dictionary publishers started to disseminate defensive rhetoric, two electric appliance makers Panasonic and Sony, respectively, launched new business models that utilised e-book readers. In both business models, publishers were expected to provide content to these two electric appliance makers. However, these two business models had a difference in terms of distribution of the e-book reader and content. In distributing e-book readers, Panasonic intentionally utilised the existing channel in publishing, i.e. through wholesalers, whilst Sony's e-book readers were sold at large-scale retailers. Both camps' content were available through the internet. However, Sony confined accessibility to the content they purchase for 60 days, while Panasonic allowed for unlimited access to content.

Importantly, there was a change in institutional arrangements guiding the electric appliance makers. That is, in the past, the electric appliance makers tried to



enhance the solidarity of the *keiretsu* networks and thus sought new revenue streams. However, as the market logic as an SIL became increasingly influential, the electronic makers came to pursue market competition in order to enhance efficiency of transactions, which can be best exemplified in competitive market as seen already. Therefore, it can be argued that these two electric appliance makers launched the new business model by maximising their return on investment rather than enhancing solidarity of *keiretsu* networks.

Both of the firms, Sony and Panasonic, did not, at least explicitly, intend to replace the printed publishing by a new business model. On the contrary, both of the makers aimed to align with the established business model in the publishing field. That is, both of the camps intended to minimise the effect of a new business model utilising the e-book reader on the established business model in publishing. As seen in a number of articles in *Nikkei Shimbun* newspaper, Panasonic confined their distribution channels of the book reader to a bookstores channel (e.g., 22<sup>nd</sup>, April, 2003 *Nikkei Shimbun*). That is, Panasonic's e-book reader was distributed through wholesalers to bookstores (interview with a wholesaler on 16<sup>th</sup>, October, 2009). Regarding this, as seen above, electric appliance makers, including Panasonic, usually distributed their electronic products through large-scale retailers especially after the market logic as an SIL strengthened its influence.

Although Sony's e-book readers were distributed through large-scale retailers, Sony confined the duration of content availability for the users to 60 days (e.g. Uemura, 2010). That is, consumers needed to rent the content if he/she used Sony's e-book reader and the content became inaccessible after 60 days. Regarding the limited duration of content, Uemura (2010) argues that the intention of adopting rental content scheme was not to influence the sales of printed publications (p.126).

In fact, a wholesaler explains the behaviour of Panasonic and Sony regarding the confinement of either the distribution channel or the duration of the content:

For instance, Matsushita-san [=Panasonic] conducted pre-research and felt that publishers care about wholesalers and bookstores...Especially, incumbents in the publishing care about the influence of electronic publishing to printed publishing, Matsushita-san and Sony-san are not stupid, they knew that. So, Matsushita-san used the existing distribution channel in the publishing industry and Sony-san adopted a rental system (16<sup>th</sup>, October, 2009).

In brief, this wholesaler illustrates both of the camps' intention and method to align with the established business model.

### **The electric appliance makers' negotiation**

The two makers, Sony and Panasonic, negotiated with the incumbent publishers and encouraged them to form the royalty contract with the makers regarding the usage of printed book content for the e-book reader devices. The makers drew on rationalisation rhetoric (Vaara et al., 2006), in which they emphasized the publishers' merit of providing the content to the e-book readers. Most importantly, the makers highlighted the minimum risk for returning of books from wholesalers or retailers to publishers. This has been confirmed by the interviews:

Several meetings were taking place to explain the scheme of the e-book reader and how the publishers provide their content to the e-book reader' and 'large publishers [with promising content] are individually negotiated to form the royalty contract. In the meetings, the benefits for the publishers was clarified such as no risk for returning book (interview with a maker, 4<sup>th</sup>, December, 2009).

In 2004, both of the firms started to sell the e-book reader. However, they could not gather lots of content from the publishers since they did not see compatibility between new and established business models. Finally, both of the makers had to retreat from the market in 2008. While Sony still provided information regarding their e-book readers during the data collection in March 2010, Panasonic did not, at least on their website, at that time. Although the number of machines sold by both of the firms has not been disclosed, an interviewee indicated that 'Sony sold 5000, while Panasonic 500, it is said' (A maker, 30<sup>th</sup>, September, 2009).

Panasonic started with 5,000 titles and increased to 7,000, while Sony started with 1,000 titles and increased to 6,000 by the time they had to retreat to the new business models in 2008. Considering the fact that more than 70,000 titles of printed books have been annually published in Japan for more than a decade, 7,000 or 6,000 titles for e-book readers seems to be a very limited in number.

Furthermore, the titles which some of the publishers agreed to provide were mostly old ones, which tended to be well known and thus already had sold a large number of copies in the form of printed books. The incumbents prepared for unexpected situations: ‘even if e-book reader suddenly becomes popular [among the general public], the influence could be minimized [by providing already well sold titles]’ (interview with a publisher, 15<sup>th</sup>, October, 2009). As illustrated in this interview, the publishers hesitated to provide the content, especially their leading book titles with e-book readers, which will be examined in the following sections.

### **Incumbents’ response**

In the case of the e-dictionary, the royalty fee was not necessarily as much as the printed dictionary publishing. However, publishers had provided content to the electric appliance makers. Regarding the royalty fee of e-book readers, publishers had not been accorded rights to determine the price of the content (Yokoyama, 2004). Rather, as Yokoyama (2004) indicates, these two electric appliance makers had rights to determine the price of content sold to consumers and the royalty fee paid to publishers. Furthermore, the profitability from royalty fee was ‘less than the sales of [printed] books’ (interview with a publisher, 7<sup>th</sup>, December, 2009).

Regarding dictionary publishers’ provision of content to electric appliance makers despite the low royalty fee, two factors were pointed out above. That is, the context surrounding electric appliance producers’ negotiation and (assumed) compatibility between the new and the established business models helped them to promote cooperation with the electric appliance makers. Here, it would be helpful to compare the abovementioned two factors<sup>13</sup>.

### **Context of electric appliance makers’ negotiation**

The sales of the printed publication continued to grow until 1997. However, since then, the incumbents in the publishing had experienced a downward trend in sales. Several authors published books dealing with ‘publishing crises, which indicate that the established business model in the publishing industry has disadvantages in terms

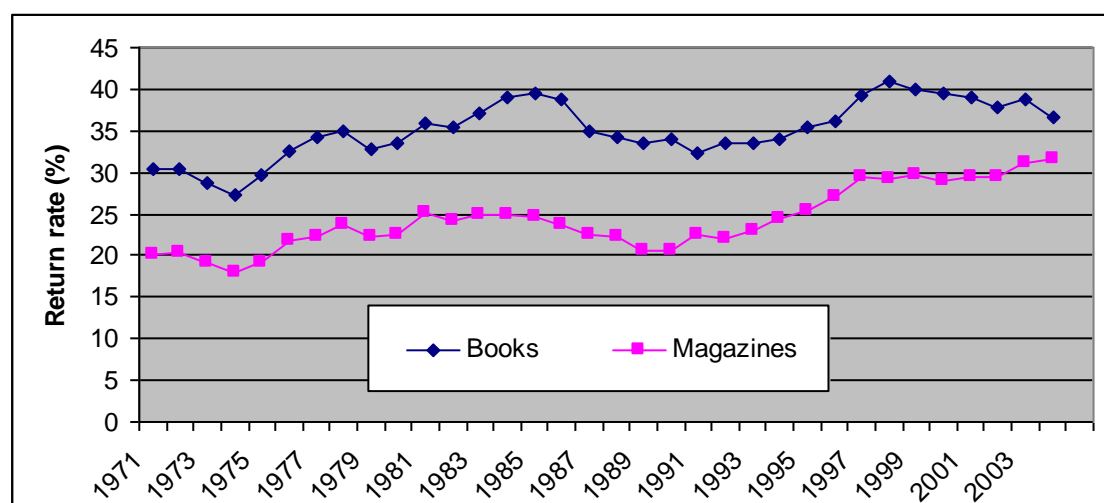
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<sup>13</sup> Compared to printed dictionaries, the number of titles of printed books is far larger. In fact, according to Dictionary Publishers’ Association (2009), the number of printed dictionaries’ titles is approximately 1500. Importantly, publishers periodically update the same titles of printed dictionaries. In other words, a small number of new titles are annually created in dictionary publishing. In contrast, as seen in chapter 6, the number of titles that Japanese publishers annually release has been over 70000 recently.

of inventory (e.g., Kobayashi, 2001; Oda, 2000; Sano, 2000). Especially, Kobayashi (2001) should be noted, since Kobayashi worked for *Shinbunka* (New Culture), the industry journal for the publishing sector, as a correspondent for more than three decades. Importantly, as mentioned in chapter 6, *Shinbunka* (New Culture) predominantly supported the established business model. Therefore, it could be argued that the publication of Kobayashi (2001) provided an important context with the incumbents in the publishing field. Kobayashi argues that the established business model had reached its capacity limit around the mid 1990s and pointed out the necessity to improve the status quo, especially the need to deal with the high return rate of books and magazines as represented in figure 7.8.

In fact, the return rate of publications has remained relatively high since 1997. In terms of books, the return rate had been less than 35 percent in the past decade before the mid 1990s. Since then, the return rate has moved to around 40 percent. Furthermore, regarding the return rate of magazines, an upward tendency has been observed since the beginning of the 1990s.

Figure 7.8 Return rates of publications



Source: Shuppan Index 2005

As seen above, the context that surrounded the negotiation by the electric appliance makers would appear to be supportive. However, dictionary publishers' rhetoric had helped publishers to recognise the potential threat of the e-book reader to the established business model in publishing, which is examined below. As an unintended consequence, the rhetoric in the annual campaign of dictionary publishers, which can

be regarded as rationalisation (Vaara et al., 2006), was disseminated among incumbents in publishing and it was associated with the new business models leveraging e-book readers. Consequently, incumbents in publishing came to share a theorisation of resistance, in which negative influences of the new business models to the revenue stream guaranteed by the established business model were illustrated.

### **Incompatibility between the new and the established business models**

There are several publishers which deal with both dictionaries and books in other genres. These publishers joined the Publishers' Association as well. In fact, 15 publishers joined both Dictionary Publishers' Association and Publishers' Association. Some interviewees pointed out that attending Publishers' Association's meetings enabled them to share various topics including the 'unfortunate' experience with dictionary publishers, which were not necessarily addressed in the formal meeting of the Publishers' Association. Especially, 'informal chatting' (e.g. interview with a publisher on 27<sup>th</sup>, November, 2009) and 'drinking party' (e.g. interview with a publisher, 3<sup>rd</sup>, December, 2009) provided opportunities for exchanging information between publishers. For instance, a publisher that did not publish dictionaries explains the process for obtaining the information regarding dictionary publishers:

We do not deal with dictionaries, but we have heard of it from various channels. I am in the industry for more than two decades and I have lots of information sources including association, drinking party, and some special gathering. For instance, Kenkyusha and maybe Sanseido witnessed drastic income loss due to the increasing popularity of electronic dictionaries. This is just example, you know some e-dictionary load 100 content and the price is just 30,000 JPY (£ 214.3) or so, obviously it is no good for dictionary publishers. In this company, it has been said that we need to be very, very careful about electronic publishing.' (A publisher, 15<sup>th</sup>, February, 2009)

Moreover, as seen already, incumbents shared the established business model. Accordingly, employees in publishers perceived a strong connection with other incumbents. As some of the previous research implied (e.g. Kinoshita, 1997; Kobayashi, 2001), several interviewees claimed that the relationship between

publishers, wholesalers and retailers can be compared to 'family'. For instance, publishers stated as follows:

If publishers provide blockbuster titles to e-book readers, wholesalers and retailers obviously oppose it. This industry is described as so-called trinity and each actor care about other actors (A wholesaler, 16<sup>th</sup>, October, 2009).

[I]t is not the choice between the printed and electronic publishing, printed publishing do support whole family members, not only publishers themselves but also wholesalers, retailers... Completely shifting from printed to electronic publishing result in loss of trust from wholesalers and retailers (30<sup>th</sup>, September, 2009).

In particular, geographically neighbouring bookstores that form an exclusive contract with the same wholesaler (namely bookstores in the same *keiretsu*) tended to have periodic gatherings. A wholesaler indicated that the majority of the gatherings are held biannually (16<sup>th</sup>, October, 2009). These gatherings include not only the bookstores and the wholesaler, but also publishers. According to a wholesaler (2<sup>nd</sup>, October, 2009), there are a few dozen gatherings in relation to the two largest wholesalers across the country and the number of bookstores joining the network varies from one hundred to five hundred. Members of the network usually have an annual convention. For instance, in February 2010, one hundred publishers attended a biannual gathering organised by bookstores in the Tokai area dealing with *Nippan*, one of the largest wholesalers<sup>14</sup>. In a gathering, representatives of publishers, the wholesaler and bookstores make speeches and exchange their opinions. Furthermore, each wholesaler annually organized a gathering in which publishers and bookstores were invited. Similar to a gathering organized by bookstores, incumbents exchange their opinions and deepen working relationships.

Furthermore, private friendships between incumbents, such as inviting each other to wedding receptions, would appear to be common in the field of publishing. For instance, *New Culture* on 11<sup>th</sup> March, 2004 reported that more than one hundred employees of publishers and wholesalers attended a wedding reception for a son of an

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<sup>14</sup> <http://www.nippan.co.jp/news/2010/0301.html>

established bookstore owner. Moreover, in addition to wedding receptions, an interviewee stated that employees of publishers tend to play golf, attend funerals and go for drinks with employees of bookstores and wholesalers (7<sup>th</sup>, October, 2009).

Through the abovementioned various channels of communication, publishers learned the ‘unfortunate’ experience of dictionary publishers. At the same time, the ‘unfortunate’ experience reminded the incumbents of their solidarity. In turn, it could be argued that publishers were careful about the provision of their content. A publisher illustrates the lessons from this ‘unfortunate’ experience:

Although we were invited and participated in their meetings [for explaining the scheme of e-book readers by Panasonic and Sony], we decided not to provide the content [to the makers].... You know [how tiny is] the royalty paid to the publishers for the sales of e-dictionary? Currently, they [dictionary publishers] rely on established figures [in annual campaigns for enhancing the status of printed dictionaries], but it’s too late.... It is really unfortunate for them. We felt we should not repeat what happened to dictionary publishing (30<sup>th</sup>, November, 2009).

[I]t is not the choice between the printed and electronic publishing, printed publishing do support others too... not only publishers themselves but also wholesalers and retailers (30<sup>th</sup>, September, 2009).

In summary, the dictionary publishers’ annual campaign, as an unintended consequence, gave an important lesson for the incumbent actors, especially publishers. They came to theorise that participation in the new business models leveraging e-book readers would be likely to bring threats to the revenue stream generated by the existing business model. Consequently, they came to be cautious regarding the provision of the content. In other words, this could be regarded as resistance to the changes advocated by the electric appliance makers.

## **Conclusion**

In this chapter, the technological jolt to the incumbents in publishing has been examined. The technological jolt created opportunities for the electric appliance

producers to promote new business models leveraging the e-dictionary and the e-book reader.

These producers firstly focused on the e-dictionary and drew on rhetoric in order to diffuse the new business model. The market logic as an SIL was enhanced in many Japanese industrial sectors including the electronic appliance makers due to regulatory changes regarding large-scale retailers. Furthermore, around the same time, the e-dictionary had been accepted among consumers, which intensified the competition among the electric appliance makers.

This enhancement of the market logic as an SIL had, consequently, come to threaten the revenue stream of the dictionary publishers. In turn, the dictionary publishers launched an annual campaign in order to revitalise the established business model leveraging the printed dictionary. This defensive rhetoric did not seem to be effective in terms of intended purposes.

Yet the defensive rhetoric by the dictionary publishers, as an unintended consequence, provided an important context with other incumbents regarding the appliance makers' further attempt to introduce the new business models leveraging e-book readers. Similar to the new business model leveraging the e-dictionary, the makers aimed to encourage publishers to provide content to the e-book reader. Furthermore, the makers intended to make an alignment with the established business model. However, the dictionary publishers' rhetoric informed other incumbents of the experience of the dictionary publishers. That is, other incumbents came to theorise the participation of the new business models would ultimately threaten the revenue stream generated by the established business model in publishing. Consequently, the incumbents avoided the proposed changes from the appliance producers, which resulted in the maintenance of the established business model.



## **CHAPTER 8**

### **DISCUSSION AND CONCLUSION**

#### **Summary of the key findings**

This thesis firstly examined existing studies in new institutional theory. Recent attempts by new institutional theorists, according ‘strategic’ agency to various actors, have extended the scope of the analysis to broader dynamics of the institutional arrangement such as creation, demolition and maintenance of the institutional environment. One of the important achievements regarding this attempt includes insights into rhetoric —political or interest-laden discourse frequently focused upon in relation to institutional entrepreneurs’ theorisation of change (Suddaby & Greenwood, 2005). On the other hand, actively according ‘strategic’ agency faces an issue of embedded agency. This issue has been addressed by an institutional logic approach by utilising the concept of environmental jolts.

On the other hand, several research gaps have been identified. These research gaps included scant attention to ontological issues related to FILs and SILs, the details of institutional reproduction especially in the period of resistance to institutional change and in particular in reference to incumbent actors’ interest in revenue streams and the importance of rhetoric. Furthermore, the existing research does not consider the role of the technological jolt vis-à-vis the regulatory jolt in institutional change processes.

This thesis formulated the following four research questions that aimed to address the abovementioned research gaps in new institutional theory. These research questions were related to conceptualisation of institutional logics at different levels, incumbent actors’ motivations and processes regarding the resistance to institutional change, which may result from either a regulatory or a technological jolt:

- What is the relationship between institutional logics at organisational field level (FIL) and institutional logics at societal level (SIL)?
- How do incumbent actors resist institutional change projects?
- What are actors’ motivations or vested interests in resisting institutional change?

- What differences can be observed between institutional change projects initiated by technological jolts and regulatory jolts?

By drawing upon a CR perspective (Ackroyd & Fleetwood, 2000; Bhaskar, 1975; Houston, 2010; Sayer, 2001), this thesis has formulated hypotheses that address the research questions in chapter 5. The evidences supporting the hypotheses were collected by focusing upon the activities of incumbents in the field of Japanese publishing —publishers, wholesalers and bookstores— through a case study. The Japanese publishing field has been said to be one of the least changeable fields in terms of the established business model (Kinoshita, 1997). However, two different kinds of environmental jolts (a regulatory jolt and a technological jolt) were observed in the publishing field. Therefore, the examination of the Japanese publishing field has been considered to be particularly suitable for observing resistance to institutional change.

The incumbents in the Japanese publishing field had shared the established business model for the past several decades since WWII. Under the established business model, transactions had been conducted by the following sequence: publishers create books and magazines, which were distributed by wholesalers to bookstores. The established business model had two distinguishing characteristics. The first characteristic was about wholesalers' central roles in determining the combinatory pattern of books and magazines sent to bookstores. Mainly based on the past sales record, wholesalers determined the appropriate combinatory patterns. The second characteristic of the established business model was wholesalers' governance of the transaction. Importantly, these transaction rules included a fixed price system known as RPM and the free return policy.

The established business model had provided a stable revenue stream to incumbent actors. In relation to publishers, they could reduce operation costs since the publications were not exposed to price competition (Kinoshita, 1997). Moreover, the established business model had been beneficial for those publishers relying on advertisement fees from magazines. This is because the established business model, especially the free return policy, reduced the inventory risk of bookstores and hence the exposure of magazines in the bookstore had been maximised. Wholesalers obtained commission in the transaction and thus increasing the quantity of transactions led to higher revenue. In fact, wholesalers could concentrate on

increasing the quantity of transactions since the established business model allowed for lower inventory risks for bookstores, which enabled incumbents to increase the exposure of publications in bookstores. For bookstores, the established business model protected bookstores from the challenges of price competition and inventory risk.

The established business model resulted from incumbent actors' experience of an institution in the publishing field. An institution in the publishing field could be a recurring pattern of business affiliation called *keiretsu* and central distribution of books and magazines. Regarding *keiretsu* in the publishing field, it should be noted that wholesalers had played leading roles, which is not the case in most of the organisational fields. That is, in most of the organisational fields, the final assembler of products such as electric appliance makers and car makers had been leading actors in *keiretsu* networks.

The family logic as an SIL had been influential in Japanese industrial sectors (Bhappu, 2000). The family logic as an SIL has a generative mechanism that could guide actors to shape business affiliations and personal capitalism. This had been the case with the Japanese publishing field. That is, *keiretsu* networks and personal capitalism had been developed. Moreover, the state logic as an SIL has a generative mechanism that could guide actors to utilise the centrally planned resource allocation, which became influential during WWII when the military government aimed to ensure the censorship of publications. The military government established a policy that rationed censored books and magazines. After WWII, the policy was dismantled and new wholesalers were established. However, importantly, newly established wholesalers, after the disruption of the policy concern, inherited the same distribution method as a business strategy. That is, newly established wholesalers centrally distributed books and magazines. Although the effect of the family logic as an SIL is not necessarily clear during WWII, over time generative mechanisms derived from these two SILs complementary coexisted in the Japanese publishing field. It could thus be argued that this peculiar characteristic of *keiretsu* in publishing related to the complementary coexistence of generative mechanisms derived from the family logic and the state logic as SILs in the field.

### **Incumbents' resistance by means of rhetoric**

The two different environmental jolts provided alternative institutional arrangements in publishing and the JFTC and the electric appliance makers aimed to launch institutional change projects, respectively. The thesis examined the incumbent actors' resistance by means of rhetoric to institutional change derived from the two jolts.

Table 8.1 summarises rhetoric utilised by the incumbents and the JFTC in the regulatory jolt case, whilst table 8.2 and table 8.3 address rhetoric in the technological jolt case. As seen in table 8.1, the focus of rhetoric by the JFTC and the incumbents were sharply contrasted. That is, the JFTC emphasised the inevitability and effectiveness of deregulation in the publishing field by drawing upon teleological (Suddaby & Greenwood, 2005) and rationalisation (Vaara et al., 2006) rhetoric. Importantly, the incumbents in publishing avoided appearing of protecting vested interests. Rather, the incumbents highlighted the effectiveness of the status quo and the privilege of publications by employing rationalisation (Vaara et al., 2006) and value-based (Suddaby & Greenwood, 2005) or moralisation (Vaara et al., 2006) rhetoric. In other words, the JFTC theorised positive aspects of institutional change; the incumbents theorised negative aspects of institutional change.

As seen above, the dissemination channel of incumbents' rhetoric i.e. newspapers, played a decisive role in mobilising political resources as well as legitimating the prevailing institutional arrangement in publishing. Consequently, the resistance by the incumbents blocked the JFTC's attempts.

Table 8.1 Rhetoric in the regulatory jolt case

Actors	Focus
The JFTC	Necessity of deregulation (teleological)
	Importance of market mechanism (rationalisation)
Incumbents	Negative aspects of price mechanism (rationalisation)
	Privilege of publications (value based/moralisation)

Table 8.2 summarises rhetoric involving the new business model leveraging the e-dictionary. Rhetoric by the electric appliance makers manufacturing the e-dictionary did not delegitimize the prevailing institutional arrangement in publishing. Rather, rhetoric by them aimed to legitimate the new business model largely

underpinned by the family logic as an SIL by emphasising the inevitability for the investment for a new business model leveraging the e-dictionary and the effectiveness for employing the new business model for dictionary publishers. Therefore, these can be classified into teleological (Suddaby & Greenwood, 2005) and rationalisation (Vaara et al., 2006) rhetoric. However, over time, the market logic as an SIL came to be strengthened due to the regulatory change regarding large-scale retailers. Consequently, the electric appliance makers' behaviour increasingly emphasised market competition in order to enhance efficiency of transactions and came to threaten the established business model in publishing. In response, the dictionary publishers started to disseminate defensive rhetoric. The focus was on delegitimizing the market logic as an SIL and legitimating the established institutional arrangement in publishing by emphasising the merit of the printed dictionary and/or the demerit of the e-dictionary. These can be classified into rationalisation (Vaara et al., 2006) rhetoric.

In contrast to the defensive rhetoric in the regulatory jolt case, which was disseminated through newspapers widely reaching the general public, the dissemination channel had been limited to direct visits by employees of the dictionary publishers that only reached high school teachers.

Table 8.2 Rhetoric in the technological jolt (involving the e-dictionary) case

Actors	Focus
Electric appliance makers (e-dictionary)	Necessity of the investment for future (teleological) Low inventory risk (rationalisation)
Incumbents (dictionary publishers)	Emphasising the advantage of the printed dictionary and/or the disadvantage of the electronic dictionary (rationalisation)

However, the defensive rhetoric by the dictionary publishers played important roles when the two electric appliance makers, Sony and Panasonic, launched new business models utilising the e-book reader. As summarised in table 8.3, rhetoric by these two electric appliance makers can be considered as rationalisation (Vaara et al., 2006) since the focus was predominantly on low inventory risk. In other words, they did not intend to delegitimize the prevailing institutional arrangement in publishing, but aimed to legitimate new business models and the institutional arrangement (in

which the market logic as an SIL came to be increasingly influential). Incumbent actors did not disseminate defensive rhetoric.

However, as an unintended consequence, the defensive rhetoric by the dictionary publishers came to be widely shared by incumbents. This was possible because incumbent actors in publishing had formal and informal communication channels. As a result, incumbent actors in publishing theorised institutional change involving new business models utilising e-book readers in terms of negative outcomes. Therefore, they avoided these two electric appliance makers and did not provide content, which were essential resources for new business models, to these two electric appliance makers.

Table 8.3 Rhetoric in the technological jolt (involving the e-book reader) case

Actors	Focus
Electric appliance makers (e-book reader)	Low inventory risk (rationalisation)
Incumbents	Dictionary publishers' rhetoric was shared by other incumbents

The case focusing on the regulatory jolt demonstrates the mobilization of political resources associated with the incumbents' rhetoric as a crucial factor in the resistance. The dissemination of rhetoric ultimately enabled the incumbents to mobilize more powerful actors than the JFTC, namely lawmakers. This mobilization of political resources forced the JFTC to give up its proposed reforms. As Millor & Krosnick (2000) indicate, people in general tend to regard information in the newspaper as trustworthy. Especially, this would be the case in the regulatory jolt case, since it took place before the internet became diffused to a great extent (Kinoshita, Yoshida & Hoshino, 2001). Therefore, people in general had relied on newspapers more at that time compared to the current situation. Although, to some extent, the processes outlined above relied on the fact that the legal exemption of the fixed price system for certain copyrighted products included publications and newspapers, networks were identified between publishers and newspaper companies as illustrated in the case study. It can be considered that the interests of incumbents in the newspaper industry were compatible with those in publishing. Furthermore,

collaboration was beneficial for the newspaper companies in order to legitimate the established institutional arrangement and associated business model in newspapers by including the publishing industry. In turn, for the publishers, collaboration enabled them to have access to more effective and wide-spread dissemination channels, namely newspapers. Therefore, there existed a reciprocal relationship and hence collaboration took place smoothly. This collaboration played a key role in the resistance project.

Contrastingly, the dictionary publishers in the annual campaign had not established collaboration with other organisations in a different organisational field such as the newspaper companies. Furthermore, key people in terms of the fate of the prevailing institutional arrangement and the associated business model were far larger in number compared to the regulatory jolt case. While the politicians in the Diet were 722 in number<sup>15</sup><sup>16</sup>, that of high school teachers is far larger. Furthermore, the e-dictionary is not only consumed by high school students but also the general public. Therefore, it was much more difficult to persuade a larger number of people in the technological jolt case. However, the rhetoric disseminated by dictionary publishers reached an unintended audience, namely other incumbents through formal (industrial associations' meetings) and informal channels of communication (friendship). In new business models leveraging the e-dictionary, publishers' content provided by publishers had been one of the most important resources and publishers refrained from actively providing content to the two electric appliance makers due to the rhetoric by the dictionary publishers.

In a nutshell, the findings have highlighted the importance of dissemination channels and resources mobilised in evaluating the role of rhetoric. The channel of legitimating new or established institutional arrangements as well as the resources mobilised was not necessarily fully addressed in previous research. The comparison of these two cases illustrated the importance of the dissemination channel in mobilising essential resources.

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<sup>15</sup> The number of seats in the House of Representatives has been 480 since the 1990s. ([http://www.shugiin.go.jp/index.nsf/html/index\\_e.htm](http://www.shugiin.go.jp/index.nsf/html/index_e.htm))

<sup>16</sup> The number of seats in the House of Councillors has been 242 since the 1990s. (<http://www.sangiin.go.jp/eng/index.htm>)

### **Economic interests of incumbent actors**

It should be clear that incumbents in publishing aimed to reproduce the established business model at least partly because they obtained stable revenue from it. Importantly, the established business model in publishing was composed of institutionally legitimated activities that address transactive framework with revenue stream.

Furthermore, in both of the cases derived from two different types of environmental jolts, when incumbents in publishing perceived that generative mechanisms derived from the market logic as an SIL was likely to threaten the established business model in terms of revenue stream, the incumbents resisted institutional change. In fact, the incumbents immediately resisted the JFTC because the incumbents perceived that the JFTC aimed to enhance the market logic as an SIL in the regulatory discontinuity case. In the technological jolt case, the resistance by incumbents was not immediate. Rather, the dictionary publishers started to resist institutional change after it became clear for incumbents that the growing influence of the market logic as an SIL negatively influenced the revenue stream derived from the established business model.

### **Different types of environmental jolts in publishing**

This thesis has dealt with two different types of environmental jolts, namely a regulatory jolt and a technological jolt. By examining two jolts, it was revealed that types of environmental jolt affected the subsequent resistance to institutional change by incumbent actors. Furthermore, in the resistance, the interests of incumbents in the established business model, which was underpinned by the prevailing institutional arrangement, played crucial roles.

In the Japanese publishing field, the family logic and the state logic as SILs had been prevailing. The regulatory discontinuity case illustrated the immediate resistance by the incumbents. Following the regulatory discontinuity, the JFTC tried to introduce new business models, which the market logic as an SIL predominantly underpinned. On the other hand, the technological discontinuity case demonstrated delayed resistance by the incumbent actors. Due to the technological discontinuity, the electric appliance makers tried to introduce a new business model utilising the e-dictionary, which was, at the initial stage, underpinned by the family logic as an SIL. However, the market logic as an SIL increasingly came to guide the electric appliance



makers over time due to the influence of neoliberal regulatory reform. In other words, this implies that practice derived from a technological jolt can be greater change in terms of underlying institutional arrangement.

### **Theoretical contributions**

By employing a CR perspective the processes regarding incumbent actors' resistance to institutional change deriving from both regulatory and technological jolts have been elaborated in this thesis. In what follows, the implications of the findings are examined in relation to the bigger picture of new institutional theory. In summary, this thesis has four theoretical contributions to new institutional theory. Firstly, it has shown that the CR perspective contributes to an institutional logic approach in terms of the differentiation and conceptualisation of SILs and FILs. Secondly, this thesis has illustrated that an understanding of rhetoric in institutional work needs to be complemented by an assessment of the dissemination channel and key resources mobilised by that rhetoric in resisting institutional change. Thirdly, it has illustrated incumbent actors' interests in the revenue stream by elaborating the concept of practice to embrace the notion of business model. Finally, this thesis has provided novel theoretical insight into the effects of two different types of environmental jolts on an organisational field.

### **1 CR perspective and institutional logics**

Firstly, this thesis has elaborated the conceptualisation of institutional logics by employing a CR perspective. It has argued that the majority of existing studies adopting an institutional logic approach do not separate structures from actors' agency since they tend to adopt constructivism. In other words, there are ontological and conceptual issues that have remained ambiguous in an institutional logic approach. One of the limitations of current research that derives from this issue is that the majority of the existing research does not adequately conceptualise the interplay of institutional logics at different levels. In the existing research, it seems that where distinctions between FILs and SILs have been drawn at all, they have been associated with the question of 'breadth' (Friedland & Alford, 1991; Thornton & Ocasio, 1999; Thornton, 2004). That is, FILs are understood to be observed in a particular organisational field, while SILs can be identified in a particular society, which connotes a wider terrain than the concept of organisational field. It may be true that

the difference lies in the breadth as the previous research indicates. However, this thesis argues that this conception can be insufficient and misleading. Instead, drawing explicitly on CR concepts, this thesis has argued that the nature of the difference between FILs and SILs also potentially lies in the relative depth of each logic.

This thesis has built on and elaborated previous research insights into analytical dualism, which analytically separates structure and agency (Archer, 1995) in an institutional logic approach. This can provide fruitful insights into the conceptualisation of SILs and FILs. In a nutshell, Thornton's (2004) ideal types of SILs can be considered as generative mechanisms. As seen in table 4.1, an SIL entails several generative mechanisms. Depending on time and context, generative mechanisms originating from an SIL are influenced by other generative mechanisms derived from other SILs (Ackroyd & Fleetwood, 2000; Houston, 2010; Sayer, 2001). In other words, depending on the specifics of an organisational field, the interplay of SILs may be different. The interplay between SILs includes interaction, counteraction and combination (Wry, 2009). As a result of the interplay, all or some aspects of a particular SIL or particular SILs can cause potential action in the domain of real (Thornton & Ocasio, 2008). It should be noted that the interplay of multiple generative mechanisms can be transformed or reproduced over time (Archer, 1995; Fleetwood, 2004) and thus the outcome needs to be regarded as temporary. This 'situated' outcome of multiple generative mechanisms in the domain of real can be understood as FILs.

In the domain of the actual, FILs shape relatively durable events (Bhaskar, 1975). In relation to an institutional logic approach, these durable events can be called institutions, which can be defined as recurring patterns of actions, in the organisational field (Leca & Naccache, 2006; Wry, 2009). Actors have direct experience of these institutions in the domain of the empirical. This does not mean actors always accept or respond mechanistically to institutions, rather it should be noted that this includes the actors' challenge to them (Archer, 2000). In an institutional logics approach, this experience of institutions is frequently called 'practice', in which actors 'ascribe meaning to their behavior, but they may not be fully aware of the structures/logics and institutions' (Wry, 2009, p.161).

## **2 Mechanism of resistance to institutional change**

The second theoretical contribution is associated with the mechanism of incumbent actors' resistance to institutional change. Since DiMaggio's (1988) introduction of the concept of institutional entrepreneurs, the majority of the existing studies in an institutional logic approach have focused upon successful institutional change accomplished by institutional entrepreneurs (e.g., Glynn & Lounsbury, 2005; Lounsbury & Pollack, 2001; Thornton & Ocasio, 1999; Thornton, 2001). Hence, little is known about the maintenance of institutional arrangements especially in the process of resistance to institutional change, which could be congruent with the notion of institutional work, in which various actors engage in maintaining, creating and disrupting the institutional arrangement (Lawrence & Suddaby, 2006). With respect to resistance to institutional change, incumbent actors drew on various types of rhetoric, which the existing studies focus upon only in relation to institutional entrepreneurs. Previous studies have classified types of rhetoric, for instance, classifications can be found in Suddaby & Greenwood (2005) as well as Vaara et al. (2006). In other words, the existing research indicated that different types of rhetoric could be utilised in theorising and promoting institutional change. These different types of rhetoric can be broadly classified into the following three types: indicating efficiency/effectiveness, emphasising conformity to social norms and appealing to audiences' emotion. In addition to the classification of the content of rhetoric, this thesis argues that understanding needs to be complemented by an assessment of the dissemination channel and key resources mobilised through rhetoric in order to enable resistance to institutional change.

The previous empirical studies focusing on institutional change tend to attribute the driver of change to environmental jolts with the subsequent theorisation of change through rhetoric coming later, typically represented in Greenwood et al.'s (2002) stage model of institutional change. That is, environmental jolts, either regulatory or technological, provide alternative institutional arrangements for actors in the organisational field. Subsequently, some actors, particularly institutional entrepreneurs, may launch an institutional change project and disseminate the theorisation of change by means of rhetoric. However, in resistance to institutional change processes, theorisation of change may encounter crucial opposition by

incumbent actors, which may result in the maintenance of the institutional arrangement.

In resistance as well as in the promotion of institutional change, in addition to the content of rhetoric, the role of the dissemination channel and mobilised resources could play significant roles. This insight could be complementary to the existing research. That is, the existing research tended to concentrate on classifying types of rhetoric utilised in the institutional change process typically by institutional entrepreneurs. Similar to institutional entrepreneurs, incumbent actors also draw on various types of rhetoric in order to resist institutional entrepreneurs' theorisation of institutional change. Furthermore, in order to enable the resistance to institutional change, essential resources such as political, economic or cultural ones need to be mobilised through an 'appropriate' dissemination channel in order to block institutional entrepreneurs. These resources might be shared by a number of actors or owned by particular actors. With respect to the former case in which the owner of essential resources for enabling resistance to institutional change is dispersed throughout the general public, the effective dissemination channel may need to embrace a wider audience. Regarding the latter one in which the ownership of essential resources is quite limited in number, the dissemination channel may either embrace only these particular actors or a wider audience including these particular actors.

### **3 Elaboration of practice to embrace the notion of business model**

New institutional theorists have emphasised organisational legitimacy as a key for the survival of organisations since its initiation by Meyer & Rowan (1978). However, in analysing business organisations, this focus may overlook important issues such as incumbent actors' interests in the revenue stream. This thesis has illustrated the existing studies' inadequate attention to the incumbent actors' interest that has resulted in the scarce attention to the maintenance of the institutional arrangement. In the existing research, the concept of practice has frequently been utilised. The concept of practice has its emphasis on institutionally legitimated sets of behaviours and thus it cannot necessarily capture the revenue stream that plays important roles, especially, for the survival of business organisations. In order to address this issue, this thesis has elaborated the concept of practice by adopting the concept of business model and has

demonstrated that the concept could adequately capture the incumbent actors' interest in the revenue stream.

This thesis has employed the definition of the business model developed in relation to transactive frameworks, which govern the exchange activities involving products, services and information. That is, a transactive framework defines key actors in the transaction and types of activities they engage in. Moreover, the definition could capture the revenue that can be obtained by adding value to products, information or service through transactions (Amit & Zott, 2001).

It could be argued that one of the reasons regarding the ambiguous treatment of incumbent actors' interests results from the fact that the existing studies aim to conceptualise the argument related to institutional arrangements that could embrace both business and non-business organisations. An institutional logic approach has implicitly touched upon the issue of revenue stream involving the new and established practice. However, the issue has not been the central part of the analysis and therefore economic interests of incumbent actors have not adequately been treated in the previous research. For instance, Thornton's research on higher education publishing in the U.S. (Thornton & Ocasio, 1999; Thornton, 2002; Thornton, 2004) indirectly pays attention to the revenue stream of actors. The research project argues that the old set of practices was replaced by a new set of practices. The old practice, which was appropriate under the prevailing influence of the profession logic, indicates that publishers concentrate on enhancing their reputation and increasing sales. The newly introduced practice, which was 'appropriate' under the prevailing influence of the market logic, means that publishers concentrate on improving the market position and increasing profits. Regarding the abovementioned old and new sets of practice, these clearly include appropriate activities that generate revenue streams. This is because American higher education publishers, since they are business organisations, needed to obtain not only legitimacy but also revenue in order to survive. For instance, there might be a possibility that incumbent actors might have opposed the new sets of practice if old sets of practice guaranteed revenue stream whilst new sets of practice were not likely to provide sufficient revenue stream to them. However, the revenue streams derived from the old and new practice are not necessarily addressed and thus it may be the case that the replacement of the practice and the institutional arrangement may be overly simplified in Thornton's research (Thornton & Ocasio, 1999; Thornton, 2002; Thornton, 2004).

In a nutshell, this thesis has extended the existing understanding of incumbent actors' motivation regarding their response to institutional arrangement by sharpening the concept of practice to embrace the notion of business models. By adopting the concept, both legitimacy and revenue stream can be embraced in relation to the institutional environment. While revenue stream may play an essential role for the survival of non-business organisations as well, it will be an important part of the survival of business organisations. Therefore, this concept needs to be utilised in analysing business organisations in particular.

#### **4 Different types of environmental jolts and resistance**

The fourth theoretical contribution relates to an assessment of the two different types of environmental jolts. This research has been the first attempt to compare two different types of environmental jolts to the organisational field by particularly focusing on institutional arrangements and associated practice. More specifically, this thesis has examined the link between types of environmental jolts and incumbent actors' resistance to institutional change. Although environmental jolts may include both regulatory and technological types, the previous studies in an institutional logic approach have predominantly focused upon regulatory jolts (Dunn & Jones, 2010; Galvin, 2002; Rundall et al., 2004; Thornton, 2002; 2004; Thornton & Ocasio, 1999). Scholars in innovation management have examined the impact of technological jolts (e.g., Birkinshaw et al. 2007), but institutional scholars have not done so systematically. Furthermore, scholars in innovation management tend to concentrate on the impact of a technological jolt on the replacement of products (Anderson & Tushman, 1990; Kaplan, 1999; Tushman & Anderson, 1986) and tend to overlook its impact on the institutional arrangements and associated practices. Therefore, the implications of different types of environmental jolts on organisational fields has not necessarily been clear.

A contrasting difference has been observed regarding effects of environmental jolts and institutional arrangements. Importantly, this contrasting difference relates to the involvement of actors to practices derived from the two different types of environmental jolts. In brief, various actors could impact upon a practice derived from a technological jolt in terms of underpinning institutional arrangements. In contrast, the state are the primary actors that could influence a

practice derived from a regulatory jolt in relation to the underlying institutional arrangements.

A technological jolt may result in a new product (e.g., Tushman & Anderson, 1986). This new product may generate a new practice in the organisational field. Importantly, a new practice derived from a technological jolt may possibly be underpinned by different institutional arrangements over time since there seems to be little constraint on the underpinning institutional arrangement. That is, various actors with different preferences in institutional arrangements can develop a practice derived from a technological jolt. In fact, this can be clarified compared with a new practice derived from a regulatory jolt. As the previous research indicates (Dunn & Jones, 2010; Galvin, 2002; Rundall et al., 2004; Thornton, 2002; 2004; Thornton & Ocasio, 1999), a regulatory jolt directly impact upon a new practice in the organisational field. That is, a regulatory jolt indicates legitimation or regulation of a new practice through legislation. In other words, the regulatory jolt entails the state's direct intervention in the organisational field. Thus, a practice introduced as a result of a regulatory jolt may be bound to a particular institutional arrangement, which the state prefers. A typical example can be found in practices introduced as a result of neo-liberal reforms which have been promoted by the states that support the enhancement of the market logic (Sutton, 2004).

This contrasting difference between the effects of regulatory jolts and those of technological jolts has an important implication for incumbent actors' resistance. Symptoms of institutional change that may threaten incumbent actors' interests in terms of revenue streams may drive them to resist institutional change. Importantly, it could be argued that these symptoms do not necessarily have a direct link with the types of environmental jolts. Rather, these symptoms of institutional change may be more related to compatibility between institutional arrangements that underpin new and established practice. It should be noted that, as seen above, a new practice introduced by a technological jolt may result in greater change than that introduced by a regulatory jolt in terms of the underpinning institutional arrangement. Therefore, a new practice derived from a technological jolt may face resistance if an underpinning institutional arrangement alternates in a way that threatens incumbent actors' interests.

In summary, a contrasting difference can be pointed out between a technological jolt and a regulatory jolt. This contrasting difference may impact on incumbent actors' resistance to institutional change in terms of timing. That is,

incumbent actors may resist institutional change when they perceive a threatening influence of a new practice to the established practice in terms of revenue stream. Since the new practice introduced by a technological jolt may result in greater change in terms of the underpinning institutional arrangement, resistance to institutional change may be more contingent. This insight needs to be further investigated in future research.

### **Limitations of the study**

There may be three major limitations of this study. The first one is related to the appropriate time span and inclusion of appropriate scope of actors in the case design. Expanding the time span and including more actors may embrace further generative mechanisms, which have not been addressed in this research project. That is, if the study takes a longer time span (such as including the period before WWII) and includes more actors (such as authors and consumers) in the scope of the analysis, there might be a possibility that other generative mechanisms derived from other institutional logics might have affected the incumbents.

This possibility indicates that the hypothetical relationship among theoretical concepts could be different by changing the time span and the inclusion of types of actors. As seen in chapter 5, this study adopted four steps to realise retroduction as suggested by Houston (2010) and thus saturation was the important criteria in data collection:

Eventually, the search for evidence should be saturated; that is, it should reach a point where there is a robust connection between the [hypothetical relationships among theoretical concepts] and the patterns of social activity observable in the empirical world with no new themes emerging (Houston, 2010, p.85).

Therefore, it might be possible that the longer time period and wider inclusion of actors might change the point of saturation in the study.

The second one is related to the organisational differences. The argument in this thesis can be further elaborated by addressing organisational difference in the field in future research. For instance, although this thesis acknowledges differences in incumbent actors to some extent, this thesis has not fully addressed the influence of



organisational attributes, which includes organisations' field position, organisational structure, organisational membership and governance, and organisational identity (Greenwood et al., 2011). As Greenwood et al. (2011) argue, organisations in an organisational field are different in terms of organisational attributes. There might be a possibility that these differences in organisational attributes may influence the organisational perception of the revenue stream, which result in differences in organisational responses to institutional arrangements.

The third limitation can be related to differences in organisational fields. One of the focuses of this research project was to examine incumbent actors' resistance to institutional change driven by different types of environmental jolts. Largely due to this research focus, the Japanese publishing field was chosen for the case study since the field has been said to be one of the least changeable fields. By focusing on the incumbents in publishing, this thesis has provided useful insights into new institutional theory. These insights may need to be further examined in different settings in order to enhance validity. To do so, conducting comparative research in different organisational fields may be helpful.

Given the study and budget of this research project, the choice in this thesis was the best possible one. However, it would be useful to point out these as potential limitations of this study.

# Appendix

Table 3.1 Development of institutional logic approach

Author(s)	Institutional logic(s) identified	Level of the argument	Phase
Haveman & Rao (1997)	A theory of moral sentiments (distrust to the thrift field & trust to the field)	the thrift field in California	Replacement
Mohr & Doguenne (1997)	logic of social relief (guiding the treatment of poor people)	The U.S. social welfare (social welfare organisations in N.Y.)	Institutionalization
Townley (1997)	Institutional logic of university (emphasising university autonomy)	British universities	Static analysis
Biggart & Guillen (1999)	patrimonialism (enhance mutually exclusive vertical networks), flexible networks (enhance independent business), internationalism (enhance foreign investment), populism (satisfy interest groups)	The auto assembly and components industries in emerging economies	Static analysis
Thornton & Ocasio (1999)	editorial logic (emphasise prestige & sales) & market logic (emphasise competitive position & profits)	The higher education publishing	Replacement
Bhappu (2000)	Family logic (enhancing business affiliation)	Japanese corporate organisations	Maintenance
Friedland (2001)	institutional logic of religion (politics based on religious ideology)	Country level	Conceptual
Lounsbury & Pollack (2001)	closed-system logic (emphasizing the dissemination of knowledge) and open-system logic (student learning is the primary concern)	The U.S. higher education	Replacement

Friedland (2002)	institutional logic of religion (politics based on religious ideology)	Country level	Conceptual
Galvin (2002)	Public attention logic (emphasise patients and other stakeholders) & the logic of health care field (focusing on the role of physicians & the medical professionals)	the U.S. health care field	Replacement
Kitchener (2002)	the logic of professionalism (emphasising service quality) & the logic of managerialism (emphasising competition & efficiency)	Industrial (the U.S. academic health centre)	Replacement
Lounsbury (2002)	regulatory logic (emphasising safety) & market logic (emphasising competition)	The U.S. finance field	Replacement
Thornton (2002)	an editorial logic (publishing as profession) and a market logic (publishing as business)	The higher education publishing	Replacement
Townley (2002)	Economic logic (emphasising efficiency based on planning and evaluation of outcome) and culture logic (emphasising professional norms)	Alberta's Cultural Facilities and Historical Resources (CFHR)	Replacement
Potter & Dowd (2003)	logic of profit maximization (focusing on higher return on investment) and logic of collective goods (focusing on appropriate treatment of patients)	the hospital field	Coexistence
Rao, Monin & Durand (2003)	the logic of classical cuisine & the logic of nouvelle cuisine (guiding culinary rhetoric, cooking rules, ingredients, chef's role, organization of the menu)	Elite French chefs (those with one or more Michelin stars)	Replacement
Sine & David (2003)	Regulated monopolies logic (the necessity of geographical monopoly) & alternative power generation logic (the availability of alternative power generation)	The U.S. electric power field	Replacement

Lounsbury & Rao (2004)	Institutional logic	The U.S. mutual fund field	Institutionalization
Rundall, Shortell & Alexander (2004)	institutional logic (favouring separation of physicians & hospitals) and market logic (promote organizational integration of physicians & hospitals)	The U.S. health care field	Replacement
Thornton (2004)	The professional logic and the editorial logic	The U.S. higher education publishing	Replacement
Zajack & Westphal (2004)	agency logic (managers are agents of investors) & corporate logic (emphasise managers' autonomy)	Firms listed in Fortune 500 or Forbes 500	Replacement
Boxenbaum (2005)	Market logic	Firms in Denmark and Quebec	Institutionalization
Thornton, Jones & Kury (2005)	Corporate logic (emphasise managerial aspct) & Fiduciary logic (emphasise trustor-trustee relationship) (Accounting) Aesthetic logic (emphasise aesthetic of architects) & Efficiency logic (emphasise efficiency of engineers) (Architecture) Editorial logic & Market logic (Publishing)	The U.S. publishing, accounting and architecture	Coexistence
Zhou (2005)	Institutional logic (emphasize social acceptability)	Societal	Conceptual
Galvin, Ventresca & Hudson (2005)	N/A	The U.S tobacco and gambling industries	Coexistence
Glynn & Lounsbury (2005)	the aesthetic logic (emphasize artistry) and the market logic (emphasise self-interest)	The U.S. symphony orchestra field (critics' reviews of Atlanta Symphony Orchestra)	Replacement

Reay & Hinings (2005)	Logic of business-like care (emphasise doctor-patient relationship) & logic of professionalism (physicians are merely one component)	Alberta health care system	Coexistence
Suddaby & Greenwood (2005)	Logic of professionalism (emphasizing sectionalism) and logic of markets (emphasizing one-stop service)	North American accounting and law professional firms	Replacement
Galaskiewicz, Bielefeld, & Dowell (2006)	a donatives logic (emphasise donation) & a commercial logic (emphasise independence)	Non-profit Organizations in Minneapolis-St. Paul metropolitan area	Coexistence
Greenwood & Suddaby (2006)	traditional institutional logic (solely providing accounting service) & new institutional logic (providing various services)	The Big Five accounting firms in Canada	Replacement
Hallett & Ventresca (2006)	N/A	Macro institutional logic	Conceptual
Leca & Naccache (2006)	Measurement as institutional logic (emphasising clarity and commensurability)	Social rating in France	Institutionalization
Kim, Shin, Oh & Jeong (2007)	institutional logic of developmental dictatorship (the authoritarian ideology) & institutional logic of democracy (emphasising democratic procedure)	South Korean universities	Replacement
Kshetri (2007)	old logic (negative view on entrepreneurship) & new logic (positive view on entrepreneurship)	Chinese Communist Party	Replacement
Lounsbury (2007)	trustee logic (focus on passive involvement) & performance logic (focus on higher short-term annualized returns)	The U.S. mutual fund field	Coexistence
Luo (2007)	institutional logic (emphasising distinct & limited responsibilities, institutional logic (highlighting the empowerment of individuals)	EU countries	Static analysis

Marquis & Lounsbury (2007)	national logic (emphasizing efficiency) & community logic (emphasizing the protection of local autonomy)	The U.S. banking field	Coexistence
Misangyi, Weaver & Elms (2008)	Corruption-enabling logic (focus on trust among same ethnicity & distrust among different ethnicities) & anticorruption logic (articulating anticorruption identities)	Bosnia and Herzegovina	Maintenance
Modell & Wiesel (2008)	efficiency logic (emphasize the organizational efficiency) & customer oriented logic (enhancement of the customer satisfaction)	Two state agencies in Sweden	Coexistence
Oliver & Montgomery (2008)	the professional logic (emphasizing the autonomy of professionals)	The emerging legal profession in pre-state Israel in 1944	Static analysis
Sauder (2008)	the logic of market (emphasizing intensified competition)	The U.S. legal education field	Replacement
Stormer (2008)	market logic (determining appropriate behaviour under the criteria characterized by neo-classical economics)	The labour market	Conceptual
Thornton & Ocasio (2008)	Multiple institutional logics	N/A	Conceptual
Hyvonen, Jarvinen, Pellinen & Rahko (2009)	Institutional logic in the Finnish Defence Forces (emphasising internal decision making)	Two different organizational units in Finnish Defence Forces	Maintenance
Reay & Hinings (2009)	a logic of business-like health care (emphasising cost-effective treatment) & a logic of medical professionalism (physician-patient relationship guided all service)	Alberta health care system (conception of organisational field is based on DiMaggio and Powell, 1983)	Coexistence
Wry (2009)	Multiple institutional logics shape institution in the organisational field	N/A	Conceptual

Dunn & Jones (2010)	a science logic (emphasise research) & a care logic (emphasise treatment)	The U.S. medical education sector	Coexistence
Greenwood et al. (2010)	The market logic (emphasising market performance), the logic of regional state (emphasising regional contribution), the logic of family (emphasising family management)	Spanish manufacturing firms with more than 10 employees	Coexistence
Nigam & Ocasio (2010)	logic of physician authority (emphasizing physicians' authority) & logic of managed care (emphasizing price competition for better medical service)	The U.S. hospital field	Replacement

**Table 4.4** Preparation procedure for semi-structured interview (1)

Main research questions (stage 1)	
Main research Questions	What is the relationship between institutional logics at organisational field level (FIL) and institutional logics at societal level (SIL)?
	How do incumbent actors resist institutional change projects by way of rhetoric?
	What are actors' vested interests in resisting institutional change?
	What differences can be observed between institutional change projects initiated by technological jolts and regulatory jolts?
Sub research questions (stage 2)	
Sub research question 1	Did the incumbents calculate a cost-effect relationship in everyday operation?
Sub research question 2	How did the incumbents operate the business on a daily basis?
	Did they have particular interest in a new/established business model?
Sub research question 3	What did the regulatory jolt bring? How incumbents responded?
Research topics (stage 3)	
Research topic 1	Institutional logics - How did you see the price fixing practice in the Japanese publishing field and why? Could you tell me your activity in relation to the price fixing practice?
Research topic 2	Business models- Which actors are most important for your daily business? Could you explain how you make money? What was your motivation when you resisted to the JFTC? How was the interaction with the JFTC?
Research topic 3	Environmental jolt- What has changed before and after the Japan-U.S. SII in relation to your daily activity?



**Table 4.5** Preparation procedure for semi-structured interview (2)

Main research questions (stage 1)	
Main research questions	What is the relationship between institutional logics at organisational field level (FIL) and institutional logics at societal level (SIL)?
	How do incumbent actors resist institutional change projects by way of rhetoric?
	What are actors' vested interests in resisting institutional change?
	What differences can be observed between institutional change projects initiated by technological jolts and regulatory jolts?
Sub research questions (stage 2)	
Sub research question 1	Did the incumbents calculate a cost-effect relationship in everyday operation?
Sub research question 2	How did the incumbents operate the business on a daily basis?
	Did they have particular interest in new/established business model?
Sub research question 3	What did the technological jolt bring? How incumbents responded?
Research topics (stage 3)	
Research topic 1	Influence of institutional logics - How did you see the price fixing practice in the Japanese publishing field and why? Could you tell me your activity in relation to the price fixing practice? – How was the interaction with the electronic makers? What do you think of their response to your activity?
Research topic 2	Business models- What did you emphasise in your activity? Which actors are most important for your daily business? Could you explain how you make money? What was your motivation when you resisted to the electronic makers?
Research topic 3	Environmental jolt- What has changed before and after the introduction of the semiconductor memory in the publishing field in relation to your daily activity?

Table 4.6 Informants for the semi-structured interview

<b>First round data collection</b>			
<b>Publishers</b>	<b>Date</b>	<b>Taped</b>	<b>Duration</b>
Publisher A	26th, May, 2004	taped	1hour
Publisher B	15th, July, 2004	taped	1hour
Publisher C	23rd, Oct, 2005	taped	1hour
Publisher C 2 <sup>nd</sup> visit	27th, Oct, 2005	taped	2hours
<b>Wholesalers</b>			
Wholesaler A	6th, Aug, 2004	taped	45mins
Wholesaler B	28th, Sep, 2004	taped	30mins
Wholesaler C	27th, Oct, 2004	not	2hours
<b>Retailers</b>			
Retailer A	9th, Jun, 2004	taped	1hour 50mins
Retailer B	9th, Aug, 2004	taped	50mins
Retailer C	10th, Aug, 2004	taped	35mins
Retailer D	24th, Sep, 2004	not	1hour
Retailer E	20th, Oct, 2004	taped	45mins
Retailer F	20th, Jun, 2005	not	45mins
Retailer G	30th, Jun, 2005	taped	2hours
Retailer G 2nd visit	4th, Aug, 2005	taped	2hours
Retailer G 3rd visit	12th, Nov, 2005	taped	1hour
<b>The JFTC</b>			
The JFTC	13th, Jul, 2004	not	2hours15mins
The JFTC (retired)	9th, Jun, 2005	taped	3hours
The JFTC (retired)	29th, Jun, 2005	taped	1hour
<b>Second round data collection</b>			
<b>Publishers</b>	<b>Date</b>	<b>Taped</b>	<b>Duration</b>
publisher AA	30th, Sep, 2009	taped	2hours
publisher BB	15th, Feb, 2010	taped	1hour
publisher CC	15th, Feb, 2010	taped	1hour15mins
publisher DD	27th, Nov, 2009	taped	1hour
publisher EE	6th, Oct, 2009	taped	1hour
publisher FF	10th, Dec, 2009	taped	45mins
publisher GG	16th, Oct, 2009	taped	1hour
publisher HH	1st, Oct, 2009	taped	1hour10mins
publisher II	7th, Oct, 2009	taped	1hour30mins
publisher JJ	7th, Dec, 2009	taped	1hour
publisher KK	8th, Dec, 2009	not	1hour

publisher LL	29th, Sep, 2009	taped	2hours
publisher MM	29th, Sep, 2009	taped	1hour
publisher NN	30th, Nov, 2009	taped	3hours
publisher OO	3rd, Dec, 2009	taped	2hours
publisher PP	15th, Oct, 2009	not	1hour
publisher QQ	27th, Nov, 2009	not	30mins
publisher RR	5th, Oct, 2009	taped	2hours
publisher SS	7th, Oct, 2009	taped	1hour
<b>Wholesalers</b>			
wholesaler AA	02-Oct-09	taped	1hour
wholesaler B 2nd visit	16-Oct-09	taped	1hour
wholesaler CC	06-Oct-09	taped	30mins
<b>Retailers</b>			
Retailer AA	20-Feb-10	taped	45mins
Retailer B 2nd visit	30-Sep-09	taped	1hour
Retailer CC	07-Oct-09	not	1hour
Retailer DD	11-Feb-10	taped	1hour
<b>Electric appliance makers</b>			
maker A	17-Nov-09	taped	1hour
maker B	04-Dec-09	taped	30mins
maker C(retired)	27-Dec-09	taped	2hours
maker D (retired) 1st visit	09-Oct-09	taped	3hours
maker E (retired) 2nd visit	10-Oct-09	taped	1hour
The JFTC AA (retired)	09-Oct-09	not	1hour

Table 6.1 OECD's Recommendation on Competition Policy and Exempted or Regulated Sectors

<p>1. To undertake, with the participation of competition authorities, reviews of regulatory regimes and of exemptions from restrictive business practices laws to consider:</p> <p>a) Whether the initial reasons or circumstances which gave rise to regulations, or to particular aspects thereof, remain valid under contemporary conditions</p> <p>b) The extent to which those regulatory regimes or particular aspects thereof have achieved their objectives, and the true social, economic and administrative costs, as compared to benefits, of achieving those objectives by means of regulation</p> <p>c) Whether the same objectives could in fact be achieved under contemporary conditions by the operation of competition subject to control under restrictive business practices laws, or by forms of government intervention which restrict competition to a lesser degree</p>
<p>2. In undertaking the reviews mentioned in paragraph 1 above, to take into account the experience of other countries in which specific policies regarding regulated sectors have been achieved with a reduction in the extent of regulation or with a more extensive application of competition policies and competition laws</p>
<p>3. Where the reviews mentioned in paragraph 1 indicate that regulation remains desirable to achieve public policies or where public enterprises are involved, to consider whether increased competition and increased application of restrictive business practices laws, consistent with the objectives of regulatory policy, would be useful in alleviating the adverse effects which may result from extensive regulation. More specifically, they should:</p> <p>a) Reconcile, as far as possible, existing regulatory schemes with their competition policy and restrictive business practices laws</p> <p>b) Ensure that express or implied exemptions from restrictive business practices statutes are no broader than necessary to achieve the public interest objectives of the regulatory schemes</p> <p>c) Exempt from the operation of competition laws only those restrictive activities of enterprises in regulated industries which are required or expressly approved by the competent authorities as desirable or necessary to achieve the purposes of the regulatory scheme</p>
<p>4. To grant competition authorities appropriate powers to challenge abusive practices, including unfair discriminations and refusals to deal, by monopolies or cartels approved by the competent authorities particularly where such behaviour is beyond the purposes for which the regulatory scheme was enacted</p>
<p>5. To make efforts to detect non-filed or unapproved agreements which, although lawful if notified to or approved by the competent authorities, have not been so notified and approved; and to treat such agreements under appropriate restrictive business practices standards</p>
<p>6. To provide adequate means of consultation and co-ordination of action between regulatory authorities and competition authorities so as to enable the latter to have a positive impact on the formulation and implementation of regulatory schemes and policies regarding issues</p>

Source: OCED's archival record

([http://www.oecd.org/document/4/0,3343,en\\_2649\\_34753\\_44941700\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/4/0,3343,en_2649_34753_44941700_1_1_1_1,00.html))

Table 6.10 Members of the study group for the deregulation

Name and position	Speciality and link with neo-liberalism
Toshimasa Tsuruta (Professor, Senshu University)	Specialising in industrial organisation. Tsuruta (1997) obviously supports the neoliberal regulatory reform.
Etsuo Ishizaka(Professor, Hosei University)	Specialising in media communication. He does not support nor oppose neo-liberalism.
Hideki Ide (Professor, Keio University)	Specialising in industrial organisation. Hatta & Ide (1989) argue inefficiency in some Japanese industrial sectors due to the obstacles for utilising market mechanism.
Daitaro Kishii (Professor, Hosei University)	Specialising in competition policy. Kishii, Wada, Hienuki, Mukouda & Uchida (1996) highlights the importance of utilising market mechanism.
Kazuharu Kiyono (Professor, Waseda University)	Specialising in industrial economics. Kiyono (1993) indicates that regulatory policy needs to generate incentives in industrial sectors.
Makoto Kojo (Professor, Sophia University)	Specialising in Antimonopoly Act. He seems to support neo-liberalism. For example, Kojo (1997) supports neo-liberal regulatory reform.
Akiyoshi Sekine (Japanese national broadcasting service)	N/A
Ushio Chujo(Professor, Keio University)	Specialising in transportation economics. Chujo (1995) argues that deregulation brings price competition and ultimately benefits consumers.
Akio Torii(Professor, Yokohama University)	Specialising in industrial organisations. Torii (2001) examines the effectiveness of resource utilisation in Japanese industrial sectors. He does not argue that the deregulation solves most of the issues in industrial sectors. Rather, he focuses on the importance of the maximisation of resource utilisation.
Nobuhiro Nakayama(Professor, Tokyo University)	Specialising in intellectual property law. He is not necessarily drawing on neo-liberalism.
Shouichi Royama(Professor, Osaka University)	Specialising in finance. Royama (1986) argues the necessity of liberalisation in financial industries in order to utilise the market mechanism.
Akira Kaneko(Professor, Keio University)	Kaneko (1983) argues that strictly enforcing Antimonopoly Act and hence the utilisation of market mechanism is key for consumer benefits.

Source: The JFTC's report issued in June, 1990 (position was in 1990)

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