Comparing the competitive advantages of leading news sites in mainland China and Taiwan

J. Sonia Huang\textsuperscript{a} & Jia Dai\textsuperscript{b}

\textsuperscript{a} Department of Communication and Technology, National Chiao Tung University, Hsinchu, Taiwan
\textsuperscript{b} Tsinghua University, Beijing, China

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Comparing the competitive advantages of leading news sites in mainland China and Taiwan

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Department of Communication and Technology, National Chiao Tung University, Hsinchu, Taiwan; Tsinghua University, Beijing, China

In the severe recession in journalism, professional news sites are facing the challenge of increasing their competitive advantage. In this study, a resource-based approach was used to interview 12 top executives of leading news sites and portals in mainland China and Taiwan. The data were analyzed to determine the inimitable resources that enabled them to achieve competitive advantages and how these resources varied under different market conditions. The results identified property-based and knowledge-based resources that were developed by the news sites in reaction to the quickly changing environment of technology and media. Particular differences in communist and capitalist ideology between mainland China and Taiwan, respectively, and their effects on comparative resources are also discussed.

Keywords: competitive advantage; online news; resource-based view; mainland China; Taiwan

Introduction

Digital technology has revolutionized not only how news is disseminated but also how it is consumed. Fifty percent of Americans cited the Internet as a main source of news, far above newspapers and radio, and 71% of Americans aged 18 to 29 years used the Internet as a main news source (Caumont, 2013). Recently, social media, the real-time, viral sensation, were considered an important news source in addition to traditional media. Half of Facebook and Twitter users and 62% of Reddit users read news on those sites (Matsa & Mitchell, 2014). However, a wide spectrum of online media outlets has also aroused the concern about fragmented audiences (Chaffee & Metzger, 2001; Havick, 2000; Sunstein, 2001; Tewksbury, 2005) because they tend to encourage netizens to indulge in a particular medium at the expense of others, and they are tailored to individual interests and needs (Webster & Lin, 2002; Webster & Phalen, 1997).

The irony is that although news sites face challenges from portals and social media, they nevertheless depend on them to maximize exposure and attract users: about 9% of US adults read news recommended by Facebook or Twitter, one quarter of whom went directly to news websites or apps (Project for Excellence in Journalism, 2012). The extent to which news sites have a competitive advantage is crucial to surviving in an increasingly severe competitive environment is a question that concerns the news industry worldwide. Of particular interest is the need to understand the kind of market conditions that are the most favorable for news sites to develop a competitive advantage. For this reason, we employ a comparative approach to examine the competitive advantages of leading news sites in mainland China and Taiwan.
The major difference between media in mainland China and Taiwan is that in mainland China, media are dominated by the Communist Party, both ideologically and institutionally. Although media in mainland China have undergone a process of marketization since the late 1970s, it has been “regulated marketization,” which must be compatible with the control of the Communist party (Zhao, 2000). In contrast, in Taiwan, media are not only independent of government ownership but also are less subject to administrative regulation. We compare news sites across mainland China and Taiwan with the aim of determining how market conditions in the two countries play different roles in shaping the competitive advantages of online news sites.

**Online news development in mainland China**

Since the mid 1990s, news websites in mainland China have been launched on a large scale. As of 2014, there were nearly 200 news websites and 503 million news readers (CNNIC, 2014). In 1999 and 2000, a gradual transition began from the simple e-version of legacy media to the establishment of news sites. However, most sites were associated with state-owned media and were administratively oriented rather than enterprise-oriented. The transition from administrative institutions to enterprises is relatively recent. In 2012, People’s Daily.com became the first news site to be listed in the stock market. In 2014, Xinhuanet.com finished its initial public offering (IPO). According to experts, “under Xinhua’s demonstration effect, major local news websites will accelerate their listing process” (Song, 2013).

Major commercial portals, such as Sina, Sohu, and NetEase (the parent company of news.163.com), have become competitors in the news market. All three portals entered the stock market in 2000. Because portals in mainland China lack the right to report news about political issues, they pay legacy media to obtain political content. With advanced technology and R&D capabilities, however, these portals have built competitive advantages, such as setting up online spaces where users post comments on news, and excelling at coverage in fields, such as technology, finance, and entertainment. Consequently, the traffic in these portals has maintained high growth rates since 2000. A recent development is the incorporation of social media in newsgathering, diffusing, and commenting, which has been accelerated by the rapid development of smart phones and tablets.

**Online news development in Taiwan**

Differing from its counterpart in mainland China, the media environment in Taiwan is among the freest in Asia. Its dynamic and diverse press freely reports on social and political affairs (Freedom House, 2009; Wang & Lo, 2000). Reading or watching news becomes a part of everyday life for Taiwanese. According to a media use survey, more than half of the respondents aged 13 and above reported television as their main source for news (57.3%), trailed by the Internet (21.6%), newspapers (10.6%), radio (2.1%), and magazines (0.1%) (Rainmaker XKM, 2011).

The first news site in Taiwan, Chinatimes.com, was launched in 1995 by one of the biggest newspaper companies, China Times Inc. (Wu, 2005). Subsequently, most news media also established an online presence and have operated commercially. As of 2010, at least 15 Taiwan news sites have gained a substantial market share in terms of audience reach (InsightXplorer, 2009). News portals, such as Yahoo! News...
Resource-based theory and competitive advantage

Since the mid 1980s, scholars of strategic management have investigated a resource-based model of the critical value of the internal resources of a firm and the firm’s capabilities of managing these resources. Wernerfelt (1984) coined the term “a resource-based view of the firm” (RBV of the firm) (p. 171) under the assumption that firms may be heterogeneous, and resources may not be perfectly mobile across firms (Barney, 1991; Hunt & Morgan, 1995), resulting in comparative advantage.

Based on the RBV, Barney (1991) identified four specific attributes of a firm’s resources: (a) value, (b) rareness, (c) inimitability, and (d) non-substitutability (i.e., the VRIN model). A valuable resource enables a firm to implement strategies that improve efficiency; rare resources are those usually possessed exclusively by certain firms; resource inimitability is the ability of a firm to exploit certain resources depending on its unique historical conditions; and non-substitutable resources are those that are not possessed by other firms (Capron & Hulland, 1999).

Resource-based theory is now widely acknowledged as one of the most prominent and powerful theories used to describe, explain, and predict organizational performance (Barney, Ketchen, & Wright, 2011). Studies have documented the correlation between resources and performance (Amit & Schoemaker, 1993; Wernerfelt, 1984). The supposition is that by marshalling a set of complementary and specialized resources that are valuable, rare, inimitable, and non-substitutable, a firm is able to develop competitive strategies and earn higher-than-normal returns. Miller and Shamsie (1996) noted that resources may be classified into four categories based on two dimensions: property-based versus knowledge-based resources and discrete versus systematic resources, which are based on the inimitability of property rights, knowledge barriers, and resource configurations.

**Property-based vs. knowledge-based resources.** Property-based resources are physical capital (Williamson, 1975) that is protected by property rights, such as contracts, deeds of ownership, or patents. These resources tend to monopolize the factors of production, embody exclusive rights to a process or technology, and tie up channels of distribution (Miller & Shamsie, 1996). Knowledge-based resources, previously called human capital (Becker, 1964), organizational capital (Tomer, 1987), or information-based capabilities (Amit & Schoemaker, 1993) are intangible know-how and skills protected by knowledge barriers. Thus, these resources are difficult to imitate by competitors (Barney, 1991; Lippman & Rumelt, 1982).

**Discrete vs. systematic resources.** To enhance the robustness of the above categorization, Miller and Shamsie (1996) sub-classified property-based resources and knowledge-based resources into systematic and discrete resources. They were inspired by Black and Boal (1994), who argued that resources are best classified as contained resources or system resources, based on the complexity of the network to...
which the resource belongs. Specifically, systematic resources are historically endowed valuable resources, such as the components of an organization, and discrete resources are valuable resources independent of organizational contexts.

**Analytical framework**

To examine the resources of Chinese online news sites, the study integrates Wernerfelt’s (1984) concept of heterogeneity and immobility, Barney’s (1991) VRIN model, and Miller and Shamsie’s (1996) categorization of resources to build an analytical framework of competitive advantage (Figure 1). Inimitable resources will be analyzed according to the four types resources (i.e., systematic property-based, discrete property-based, systematic knowledge-based, and discrete knowledge-based). The following research questions are posed:

**RQ1:** What inimitable resources do online news sites develop to achieve competitive advantages in terms of property and knowledge-based resources?

In addition, extraneous factors, such as market structure, should be considered in the analysis of resources (Scherer, 1980). Of particular interest to this study is that mainland China and Taiwan’s online news sites function in different market structures; with the former are state-controlled and regulated and the latter work in a free market. Thus, a comparative study in the context of the Chinese market is an important contribution to the understanding of the effects of market conditions on the formation of comparative resources:

**RQ2:** How do extraneous factors, such as market conditions, influence the competitive advantages of online news sites?

**In-depth interviews**

In-depth interviews are well suited to eliciting the experiences, knowledge, and worldviews of social actors. Researchers usually select interviewees whose experience is central to the research problem in some way (Lindlof & Taylor, 2002). Because the present study focuses on the construction and development of competitive advantages, the subjects of the study, namely, relatively successful news sites, should be not only representative but also strong in terms of competitive advantage. Thus, assuming that they possess relatively high levels of competitive advantage, we chose top-ranked news sites in terms of website traffic from various sources, e.g., Chinalabs, InsightXplorer, Google’s Doubleclick, and Alexa. The sampling process started from those leading national online news services across mainland China and Taiwan and

![Figure 1. Analytical framework.](image-url)
ceased at saturation as indicated by information redundancy. As a result, Table 1 lists our qualitative sample which consists of key decision makers from 12 online news services. Alexa’s global rank is also provided for reference.

It may seem counterintuitive that some legacy media, including Chinanews.com in mainland China and Chinatimes.com in Taiwan, are included in the sample but do not seem to have competitive advantage over legacy media. Nevertheless, the fact that they have become top-ranked websites in terms of traffic is evidence that they are a relatively strong resource and are therefore worth exploring.

In-depth interviews were conducted with top executives of the 12 news sites. These top executives were chosen as interviewees for the following reasons. First, they are key decision makers in constructing and deploying corporate strategy. They are vice presidents, directors, editor-in-chiefs, or senior managers that are directly responsible to develop and enhance competitive advantages at their respective news websites. Second, their executive positions indicate that they are experienced professionals who have worked in the industry long enough to develop a profound understanding of it, and they therefore are important informants in this study. Initially, we intended to interview a greater number of people in each company but found that because we located the key decision makers in the development of competitive advantage, interviews with other employees would either provide limited information or increase the amount of redundant information. Thus, we asked the 12 most informative executives to participate as interviewees.

We aimed to maximize diversity among the participants although they share some common characteristics, which allowed for comparability. Consequently, the chosen news sites have different backgrounds in terms of market positioning, company structure, and target audience. For example, three major categories of online news sites were included: portals, online-only news sites, and websites of legacy media.

Notably, because online news used to play a subsidiary role in legacy media, the top executives of online news may not be deemed as “top” as those of portals and online-only news websites. However, the websites of legacy media selected in this study were top ranked; therefore, they are comparable to portals and online-only news websites in terms of traffic and popularity. With the exception of their dependence on news resources and administrative affiliation, these websites have self-sufficient structures. Hence, their top executives shoulder responsibilities similar to those of executives of portals and online-only news sites. For example, although Xinhua News Agency established a management committee to supervise the operation of its website Chinanews.com, most policies and decisions were made directly by the president and vice presidents of the websites. Hence, we consider that the top executives of websites in legacy media are comparable to executives in the portals and online-only news websites.

In the semi-structured interviews, each respondent described the website’s synergy of facilities and equipment; detailed the ownership, copyrights, trademarks, reputation and distribution channels; explained the skills adopted to integrate and coordinate expertise and to promote adaptation and flexibility; and indicated the extent to which individuals possess technical, managerial, and creative skills. Based on the data gathered in the interviews, we gained an understanding of each website’s inimitable resources in terms of systematic and discrete property and knowledge.

Because the 12 interviewees are top executives across mainland China and Taiwan, contacting them and arranging interviews involved complicated procedures.
Table 1. Interviewees from top news sites.

<table>
<thead>
<tr>
<th>Sample</th>
<th>Position</th>
<th>Media URL</th>
<th>Global Rank</th>
<th>Location</th>
<th>Media Type</th>
<th>Founded Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Vice president</td>
<td>news.qq.com</td>
<td>9&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Mainland China</td>
<td>Portal</td>
<td>1998</td>
</tr>
<tr>
<td>3</td>
<td>Media director</td>
<td>news.163.com</td>
<td>26&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Mainland China</td>
<td>Portal</td>
<td>1997</td>
</tr>
<tr>
<td>4</td>
<td>Media director</td>
<td>ifeng.com</td>
<td>67</td>
<td>Mainland China</td>
<td>Legacy media/ Portal</td>
<td>1998</td>
</tr>
<tr>
<td>5</td>
<td>Vice president</td>
<td>china.com.cn</td>
<td>318</td>
<td>Mainland China</td>
<td>Online-only</td>
<td>1997</td>
</tr>
<tr>
<td>6</td>
<td>Vice president</td>
<td>chinanews.com</td>
<td>417</td>
<td>Mainland China</td>
<td>Legacy media</td>
<td>1999</td>
</tr>
<tr>
<td>7</td>
<td>Content director</td>
<td>tw.news.yahoo.com</td>
<td>4&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Taiwan</td>
<td>Portal</td>
<td>1999</td>
</tr>
<tr>
<td>8</td>
<td>Editor-in-chief</td>
<td>Udn.com</td>
<td>1059</td>
<td>Taiwan</td>
<td>Legacy media</td>
<td>2000</td>
</tr>
<tr>
<td>9</td>
<td>News director</td>
<td>appledaily.com.tw</td>
<td>1629</td>
<td>Taiwan</td>
<td>Legacy media</td>
<td>2003</td>
</tr>
<tr>
<td>10</td>
<td>Editor-in-chief</td>
<td>nownews.com</td>
<td>2290</td>
<td>Taiwan</td>
<td>Online-only</td>
<td>2008</td>
</tr>
<tr>
<td>11</td>
<td>Editor-in-chief</td>
<td>chinatimes.com</td>
<td>2404</td>
<td>Taiwan</td>
<td>Legacy media</td>
<td>1995</td>
</tr>
<tr>
<td>12</td>
<td>Senior manager</td>
<td>news.msn.com.tw</td>
<td>5951&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Taiwan</td>
<td>Portal</td>
<td>2000</td>
</tr>
</tbody>
</table>

Note: <sup>a</sup>Alexa did not report subdomain ranks for portals, but the traffic of news sites is proportional to the domain traffic. <sup>b</sup>Alexa only reported Yahoo’s global rank, but did not rank it by country. However, local data from InsightXplorer (2009) showed that Yahoo News is the most viewed news sites in Taiwan.
The interviews were conducted intermittently from 2011 through 2013. To prevent data from becoming outdated, the earlier interview transcripts were double-checked against the data from the interviews conducted in 2013, and necessary updates were made. The interviews lasted one and one half to two hours on average. All interviews were audiotaped and transcribed verbatim.

**Inimitable resources**

The research questions asked first what inimitable resources online news sites have as competitive advantages, and second how they vary across different market conditions. Table 2 provides an overview of the resources identified in the research.

**Property-based resources**

*Systematic property-based resources.* The interview data revealed two relevant property-based resources that the online news sites possessed: newsgathering rights and support by the parent company.

First, based on their newsgathering rights and competence, legacy media and online-only news sites have apparent competitive advantages in their news content. A notable finding is that in mainland China, communist ideology has a significant influence on news sites. Although it was not surprising that newsgathering rights were only granted to state-owned media, especially regarding political news (Jhen & Liu, 1996; Zhao, 2008), it was unusual to learn that communist ideology actually determines the core competitiveness of state-owned sites, such as Chinanews.com (affiliated with the China News Service, one of the only two news agencies in mainland China) and China.com (affiliated with China International Publishing Group, a foreign communication institution). When important political events, such as the National People’s Congress or press conferences held by the State Council Information Office, are open for newsgathering only to state-owned sites, these sites are able to send out dozens of reporters and editors, while portals are unable to conduct any interviews.

Another important systematic property is support by the parent company, which also influences the performance of the websites. In this regard, legacy media has a unique advantage. For example, in Chinanews.com, the ratio of news reported by the parent company China News Service is three times that reported by the website. Similarly, Ifeng legacy media have a unique advantage because of the strong newsgathering capability of the parent company, Phoenix TV, which not only provides content but also helps to promote the visibility of Ifeng: When a reporter

<table>
<thead>
<tr>
<th>Table 2. Resource deployments of online news sites.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inimitable Resources</strong></td>
</tr>
<tr>
<td><strong>Property-based</strong></td>
</tr>
<tr>
<td>Systematic: News-gathering rights;</td>
</tr>
<tr>
<td>Support of parent company</td>
</tr>
<tr>
<td>Discrete: Content authorization;</td>
</tr>
<tr>
<td>Brand personality; Talent flow</td>
</tr>
<tr>
<td><strong>Knowledge-based</strong></td>
</tr>
<tr>
<td>Systematic: Innovation; Management styles</td>
</tr>
<tr>
<td>Discrete: Internet expertise; Social media use</td>
</tr>
</tbody>
</table>
from Phoenix TV has the opportunity to ask questions at events, such as a national press conference, he or she would say, “I am asking you the question on behalf of both Phoenix TV and Ifeng.com” (Interview with Ifeng).

In contrast, because capitalistic ideology is used in resource allocation, the competitive advantages of news sites in Taiwan promote balanced newsgathering. Legacy media, of course, still have a relative advantage over others. For instance, because their parent companies provide news resources, Chinatimes.com and Appledaily.com focus on the deep processing of news: “Only when they feel that reports from frontline correspondent are superficial, will they do [an interview]… Most of the time they stay at home, and when they come out, it must be in order to add value to the news” (Interview with Chinatimes).

Although the portals are at disadvantage in newsgathering, some companies with international backgrounds, such as MSN, have a competitive advantage in global resources:

Headquarters takes care of purchasing the copyrights globally… Like the earthquake in Japan [case], our Japanese colleagues collected and prepared some reporting materials in a short time, and our global photo editor quickly picked up a whole set of photos of the disaster from the AP gallery. In other words, they helped us pick up materials that could be used globally, and we didn’t need to buy them by ourselves. (Interview with MSN)

Based on the newsgathering rights and support by the parent company, three models of news production emerged (Table 3): (1) in-house reporting and in-house editing (IRIE); (2) outsource reporting and in-house editing (ORIE); (3) outsource reporting and outsource editing (OROE).

Portals have to outsource reports and purchase content from other media. However, the degree to which the ORIE model is adopted varies among the portals. News.qq.com aggregates 90% content from partners, and it rarely conducts news reporting. However, Sina has reporters and editors for non-political channels, such as finance, sports, and entertainment. In the same vein, Udn.com launched its video channel in 2010 and has produced news packages on its own to add variety to the news site.

The OROE model is unique among Taiwanese portal sites. The two largest portals in Taiwan, Tw.news.yahoo.com and News.msn.com.tw, outsources both reportage and editing to news organizations, such as the Central News Agency.

<table>
<thead>
<tr>
<th>Portal</th>
<th>Legacy media</th>
<th>Online-only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainland China</td>
<td></td>
<td></td>
</tr>
<tr>
<td>news.qq.com (ORIE)</td>
<td>chinanews.com (IRIE)</td>
<td>china.com.cn (IRIE)</td>
</tr>
<tr>
<td>news.sina.com.cn (ORIE)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>news.163.com (ORIE)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ifeng.com (ORIE/IRIE)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taiwan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>tw.news.yahoo.com (OROE)</td>
<td>udn.com (ORIE)</td>
<td>nownews.com (IRIE)</td>
</tr>
<tr>
<td>news.msn.com.tw (OROE)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>appledaily.com.tw (ORIE)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>chinatimes.com (ORIE)</td>
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</table>
(CAN), because their news channels are only one of many channels of the portals and thus were allocated limited human resources.

**Discrete property-based resources.** Copyright authorization, brand personality, and talent flow emerged as distinctive discrete properties possessed by the news sites. In general, copyright authorization was described as the normal strategy among the news sites across mainland China and Taiwan. The interview data revealed that neither news providers nor news portals intended to sign exclusive contracts with each other because news providers wanted to maximize the number of portals that carry their content, and the portals wanted to minimize the authorization fees:

> It gets more and more difficult for portals to initiate exclusive contacts partly because of high authorization fees and partly because rivals may still get the content anyway. (Interview with NetEase)

In only a few instances, exclusive authorization was pursued as a unique asset by news sites to differentiate themselves from others. For example, Ifeng.com and News.msn.com.tw had intermittently signed exclusive contracts with news providers:

> Last year we signed an exclusive contract with the National Film Board of Canada, which provided us with the authorization to use any documentary resources they possess. Furthermore, we have recently focused on “exclusion” and relevant strategies to compete with other websites. (Interview with Ifeng)

> We are more interested in obtaining exclusive authorization for global events, such as the United Kingdom’s royal wedding and the Olympics, rather than local events. (Interview with MSN)

Another discrete property-based resource possessed by news sites is brand personality, which refers to the human personality traits or characteristics of a brand, which differentiate the website from others (Chan-Olmsted, 2006). One manifestation of brand personality is the characteristic of news content. News.qq.com, for instance, is reputed for its daily column “Topic Today,” which explains current events using simple reasoning and common sense:

> We summarize and refine materials and interpret current events by employing common sense. This strategy is necessary because impulsive young people tend to develop extremely biased opinions when news events are first reported without understanding the common sense underlying the events. (Interview with QQ)

Similarly, News.163.com (NetEase) is well known for its “news with an attitude”:

> Generally, media sources and the content of various portals are identical; then where is your attitude?…. People generally think NetEase news is relatively sharp, especially users’ comments on news. Unlike Tencent (the parent company of news.qq.com) and Sina, which focus on providing massive but shallow information, NetEase is more prominent in showing the depth of news. (Interview with NetEase)

The executive of Sina was also very cautious in assuring news quality and gatekeeping news sources:

> Sina has reliable news because it releases news only if it has two or more reliable sources. No news is reported if there is no reliable source, even when it is emergency news…. The editors don’t turn off their phones even when bathing and sleeping in order to receive messages in time. (Interview with Sina)

A few websites, nevertheless, still struggle with their brand identification. For example, Udn.com is still making efforts to downplay its identity as the online version of **United Daily News** and to establish its own personality:
We’ve had this goal from very early that udn.com is an independent media, rather than the website of the United Daily News, and therefore it should have its own media strategy. We want to reduce to some extent the feature of United Daily News. Although we know that it is difficult to change the image of the brand, it is our principle to move in this direction and make some effort to change.

Last, talent flow among the websites is a common phenomenon, especially from traditional media to new media or from new media to a portal. Most news directors of portals had experience in media. For example, the editor-in-chief of Nownews.com had worked for the United Daily News and Eastern Television (ETTV); the news director of Yahoo had worked in the United Daily News and China Times. The reporters for these websites are mostly senior journalists with experience in traditional media. The situation in mainland China is the same. The Vice President of Chinanews.com mentioned that Chinanews.com is “the cradle of the talents in journalism” because employees often leave to work in other media, where they are promoted. For example, editors that leave Chinanews and apply for jobs at Sina and Sohu “basically need not to be interviewed.” Similarly, most NetEase news executives, such as the chief editor and deputy editor, have also worked for traditional newspapers.

Knowledge-based resources

Systematic knowledge-based resources. Knowledge-based resources represent intangible organizational and individual knowledge about professional rules, norms, culture, and expertise. The interview data revealed two systematic knowledge-based resources among the websites: innovation and management style.

Innovation that was adopted to fit news into new technologies was remarkably common among the websites. Legacy media, such as Udn.com, focused mainly on news that fit with different media platforms:

I recently established a research team for tablet PCs, which represent future and novel trends. The introduction of tablet PCs, such as the iPad, has revolutionized the previous ideology of web-based news reading. A significant difference exists between reading by using a touch screen and reading by clicking a mouse. (Interview with Udn)

Other legacy media, such as Chinanews.com, Appledaily.com.tw, and Chinatimes.com, reported making large investments in developing news apps for smartphones, and they have seen increasing numbers of downloads. In addition, some sites have developed technical products based on specific needs. Appledaily.com.tw, for example, created most of its 3-D animations.

Because portals possess strong research and developing capability, they go even further in integrating news resources. Yahoo launches a news reporting “campaign” when important news occurs: “We will pull out additional information that differs from the news, information that is well organized and richer in content, including blogs and articles written by public intellectuals... and we call this a ‘campaign’” (Interview with Yahoo). Similarly, 163.com has been developing series products to present news effectively:

For example, we have Data Blog, we have the Time Line, to present news in different formats through Internet technology products. Perhaps in most people’s minds, [news] is only pictures and videos besides texts, so we added some flash animation presentations and we have Aggregation Read, which is popular this year. Every year we have new products to try. (Interview with NetEase)
Regarding management style, most online websites in Taiwan reported fairly flexible management styles of news production, such as adopting a laissez-faire approach to human resource management. The executives for Taiwan’s websites, for example, believed that restrictions and regulation inhibit creativity and innovation, so they encouraged self-management:

We tend to operate in a free style. We do not actually discuss management or how to manage, and everybody works in peace. (Interview with Yahoo)

My management always has none of these things [rules and orders], and it is spirit-style management. We do not need to rely on conventions and regulations…. Those things constrain [creativity], and you have no way to break. (Interview with Nownews)

The laissez-faire approach also reflected the supervisors’ deep adherence to their principles of management:

I try not to manage. When the company’s operational processes need to be managed, that means that we hired the wrong person…. We basically want employees to know that they can be self-motivated to do something…. To be honest, when an executive stays too long in the manager position, he’ll be distanced from the market, and doesn’t know what the market needs. Under this circumstance, the company might face problems if the manager gives the directives. (Interview with Chinatimes)

In contrast, in websites in mainland China, self-management is rare. A restrictive management style is ubiquitous, which is another feature of communist ideology. The interview data revealed that legacy media were restricted mostly because of the authorities’ constraint and regulation of politically sensitive news:

We have a clear newsroom convention. In addition, we often receive directives from the higher authority, prohibiting reports or requesting us to report within a certain framework. (Interview with Chinanews)

All news agencies have editor manuals that specify rules regarding how the National People’s Congress and the Political Consultation Congress should be reported, which persons are deputies or representatives and which are members, and the titles of the representatives, etc. These rules may seem trivial and detailed, but mistakes cannot be tolerated…. Rules are also established regarding how reviewers review reports, whose opinions should be sought when a decision is difficult to make, who has the last say, and which department has the power to make the final decision. (Interview with China.com)

In mainland China, portals do not seem to have adopted the same restrictive management style. Instead of employing restrictive rules for editors, they mainly rely on the gate-keeping of legacy media for journalistic judgment:

The selection of news is based primarily on our content provider’s judgment…. We only buy content from legitimate media. They all have strict procedures regarding interviews, editor’s signature, fact checking, etc. When the news is out, it is already a finished product. (Interview with QQ)

Hence, gate-keeping by legacy media helped the portals to avoid potential political risk. The major work of portals then is simply to repackage news content and distribute it through multiple media channels.

**Discrete knowledge-based resources.** The news sites possess two major, discrete knowledge-based resources: Internet expertise and social media use.

For example, the vice president of China.com.cn noted that new media reporters “must cultivate an understanding of novel technologies and new economies and the ability to interact with people.” Udn.com mentioned a similar preference for Internet
expertise: “We favor applicants with extensive Internet experience; that includes abundant experience in Internet use. . . . I expect successful applicants to have unique and original concepts and ideas regarding Internet use” (Interview with Udn).

Because most portals are tech-driven companies, their Internet expertise is superior to that of legacy media. For example, 163.com emphasized that “any technical issue is not an issue” and noted that its Internet expertise helped in realizing journalistic designs:

We have a public resources sector, including design department. Issues, such as how to design a patent banner or frame, and how to develop technology products, will be solved by the public resource department. Channel editors propose their ideas; technology and design departments will help to achieve them. (Interview with NetEase)

Internet expertise benefits not only the production of news but also the sale of news. Several portals, such as QQ, 163, and MSN, mentioned that their sales departments re-categorize and repackage all news products daily and target them at potential audiences and advertisers, a process that can be realized only through advanced Internet expertise. MSN, for example, noted that because Microsoft has a variety of products, their news link cannot be exposed only on portals, but also on MSN messenger and hotmail pages. The multiple outlets for MSN news account for 80% of overall exposure. Similarly, the Online Media Group at News.qq.com has worked to aggregate all important Internet platforms under the parent Tencent company, including QQ video, QQ Weibo, and QQ messenger, in order to reach the largest possible audience.

In recent years, social media use has emerged as a knowledge-based resource as an increasing number of readers continue to access news through social media. Nownews.com, for example, is well known for its high visibility in social media. It not only has official accounts in LINE and WeChat but also interacts with its audience through Facebook. Many media have studied Nownews’ success in using Facebook. Similarly, Chinatimes.com invested in audience community building by establishing accounts on social media, such as Plurk and Facebook: “Young girls are managing (the accounts); they use cute words that we don’t know how to use in order to attract the audience” (Interview with Chinatimes).

Portals have an advantage in social media use because of their multiple platforms. For example, Sina shares resources between its news channel and Weibo: on one hand, the news content made by the news channel is converted in real-time to Weibo; on the other hand, the news channel collects news resources through Weibo. In Weibo, for instance, the daily updates to thousands of celebrity accounts often become leading entertainment news.

In this section, we discussed the internal resources possessed by different online news websites, in terms of both property and knowledge-based resources. In the following section, we analyze and interpret extraneous factors in order to understand the roots and rationale of the differences between websites in mainland China and Taiwan.

Extraneous factors: Communist vs. Capitalistic Ideology

In mainland China, government regulations strongly influence how online news sites develop and deploy their inimitable resources. As mentioned above, state-owned news sites have stronger property-based resources because they have exclusive rights
to report political news, whereas portals are limited to report in certain fields, such as technology, sports, and entertainment.

In addition, state-run media are also subsidized by the state, so they are subject to much less pressure from the market. For instance, the ratio between state funding and private income for Chinanews.com is 1:1. Moreover, China.com.cn has been funded by its parent unit, China International Publishing Group, which is responsible for disseminating the government’s propaganda to the overseas audience.

In exchange for state subsidies, these sites were required to promote propaganda, even if such news attracted little attention:

You have to do [propaganda], and sometimes spend a lot of energy on it, although the attention is not high, or only a few people will be interested. But only for a small number of people, you’ll have to do it. It is [our] responsibility. This is why the State has given us a partial subsidy, right? (Interview with China.com)

Exclusive news sources also helped China.com.cn to have a tremendous increase in traffic during the National Congress of the Communist Party because interested overseas Chinese and foreigners would primarily use the website as a source of relevant government news.

Although state-owned news sites are privileged in covering the most exclusive political news, they nevertheless have to comply cautiously with the restrictions on reporting politics:

We had several internal briefings, and we were given instruction not to research or write about particular leaders of the Communist Party of China. What may seem like a commercial corporation could, in fact, be led by the son of a member of the Standing Committee of the Political Bureau. Whoever reports scandals about these personages may be in severe trouble. We have internal training and confidential materials regarding which companies are related to which and to whose son or illegitimate child. (Interview with anonymous website)

Such restrictions are usually unwritten but conveyed opportunistically by the authorities. Instructions are issued daily through special hotlines to guide news reports. Regarding the control of political news, portals such as NetEase and Sina pointed out that one of the reasons that they do not conduct original reporting is primarily because they hope to “avoid involvement in sensitive political issues.”

Furthermore, regulations in mainland China are more stringent if an online news site has outside investments. For example, originating in Phoenix TV, Ifeng.com, a Hong Kong-based television broadcaster, encounters many constraints even though it is affiliated with a Beijing-based company:

We do not possess newsgathering and editing rights; thus, the information provided on our website is listed as “information” rather than “news.” The authorities have not granted us reporter credentials because we are employed by Ifeng.com; they consider us foreign media. Our servers, registration, and daily operations are all supervised and monitored, and we are a typical China-based news media enterprise. However, despite our years of experience and service, they still refuse to grant us rights and credentials. Consequently, we cannot and dare not call our reports “news.” (Interview with Ifeng)

Under such stringent control and regulation, the reporters and editors interviewed in this study described their working conditions as “surviving in the cracks”:

All executives working in new media, and I believe in other commercial media, too, are like the central processors of a computer. He needs to weigh media judgment, business judgment, political judgment, and survival judgment, and will eventually choose what kind
of specific policies [to do]. To survive, and at the same time get things done, this is actually
the biggest challenge that new media practitioners are facing. (Interview with Ifeng)

However, even in this harsh environment, the boundaries are still flexible, through
which inimitable resources, such as personal connections within the Party
leadership provide exclusive news sources. For instance, Ifeng exclusively broad-
casted some sensitive news but was not subjected to sanction:

For sensitive news, we need to have a consensus on what measures we can take, so that
we can do it safely. We gathered so much good news that was killed really fast….
We currently have a dedicated public affairs department, in fact, whose job is to deal with
the government. We have a common understanding of many things… Our boss has to
invest a lot of energy in dealing with the bigger bosses. (Interview with Ifeng)

Hence, the consequence of political control is that state-own media or media with
personal connections within the Party leadership have access to exclusive news
sources and are privileged in political news making. This endows them with great
bargaining power in negotiating the price of content authorization. The executives of
portals noted that they invested enormously in gaining content authorization from
legacy media sites “[The fee is] expensive, because almost every year there is a big
increase in price. For instance, ChinaNews.com is particularly ruthless; the increase in
price [per year] is much higher than the Consumer Price Index” (Interview with QQ).

Contrary to mainland China, no government regulations exist to control news
sites in Taiwan. Thus, no exclusive news sources and privileges exist among the
websites. All sites compete freely and equally in the market. Content providers,
therefore, lack bargaining power in negotiating prices with the portals because the
news content is not exclusive or sufficiently differentiated. Some content providers
even stopped cooperating with portals because of the low news price. Udn.com had
ceased to provide content to Yahoo, which caused a chain reaction among other
legacy media, such as Chinatimes and Nownews: “After all, the price paid by Yahoo
is too low. . . it is so unfair” (Interview with Nownews).

However, the complaints of news providers do not seem to have had a significant
effect on Yahoo:

We only tell them [media sites] that, in fact, unless they want to develop [a portal] on their
own, their cooperation with us is not necessarily an unworthy situation. But then we still
may have other plans for cooperation. Although we ended cooperation with Udn before,
we actually have maintained contact . . . . They recently began promoting video, and we
have been talking with them. They might be one of our video providers. (Interview with
Yahoo)

After all, the ideology emerging in the Taiwan news sites is capitalistic: In order to
profit, legacy media need to authorize content for Portals’ use to maximize news
exposure and traffic. However, because news content becomes increasingly
homogenized, and exclusive sources become rarer, they are forced to tolerate the
low fees paid by the portals. Although some legacy media proposed boycotting the
portals, this measure was not taken because some content providers were still willing
to accept low prices in order to increase their exposure.

Conclusion
This study was conducted because of the rapid development of news websites in recent
years. The purpose of the study was to investigate the inimitable resources that online
news sites develop to achieve competitive advantages and how they vary across different market conditions in mainland China and Taiwan. The findings from the in-depth interviews with top-ranked online news sites helped to increase the understanding of the competitive advantages that leading websites have under either the communist or capitalistic ideology, as well as how they react to the fast-changing environment of technology and media.

The major contribution of this study is that it identified and categorized the distinctive resources that the leading news sites developed and compared them according to three different kinds: legacy media, online-only news websites, and the news channels of portals.

Regarding property-based resources, news-gathering rights, support by the parent company, content authorization, brand personality, and talent flow were factors that differentiated the news sites. They also varied in market conditions: under the communist ideology in mainland China, state-owned sites, such as Chinanews.com and China.com, are privileged because they are allocated exclusive news sources by the State. Under the capitalistic ideology in Taiwan, although content authorization from a parent company (e.g., traditional newspapers) empowers legacy media, the fact that there are no exclusive news sources and news content tends to be increasingly homogenized impels news sites to add new elements, such as content generated by users, to build competitive advantage.

Regarding knowledge-based resources, regardless of market ideology, all sites encouraged innovation in technoidiological development and the improvement of Internet expertise and social media use. The findings showed that among them, a distinction lay between the media-driven legacy media and the tech-driven portals. Legacy media mainly adopted innovation to repackage news products and maximize exposure through multiple platforms, whereas tech-driven portals focused either on embedding news products in multiple applications or on mediumlizing the applications to serve users’ needs for information.

What significance do the differences among the websites have in terms of competitive advantages have in the long run? An emerging trend, which is represented by Ifeng’s experience, is that legacy media will gradually transition to portals in order to strengthen their competitive advantage. Initially established as the official website of Phoenix TV in 1998, Ifeng (formerly phenixtv.com) was positioned as a vertical news site in 2006. It was then repositioned as a portal in 2008, when its reporting of a series of big events brought it to the forefront of news sites, after which many of its channels grew rapidly. Although it has been listed on the New York Stock Exchange since 2011, its executives realized that they need to reconsider the strategy because Ifeng has become one of the top five portals in mainland China. It has entered competition with strong opponents, such as the tech-driven portals Sina, Sohu, NetEase, and Tencent: “To compete with them, you have to see that you are not just media, you should be a real competitor and practitioner of a new industry, driven by new technology” (Interview with Ifeng).

Ifeng’s story sheds light on all news sites. For legacy media and online-only sites, perhaps the challenge is to develop a good product matrix, good technology-driven knowledge and “killer” applications. Hence, the differences between communist ideology and capitalist ideology, as the findings of this study demonstrate, could gradually decrease: When social media and portal news apps take an increasing market share as news sources, sustaining a competitive advantage in content becomes
challenging. In Taiwan, because news sites have no exclusive sources, legacy media have little if any competitive advantage over others. Portals are challenged to improve the technology of repackaging and embedding news in multiple platforms, thus relegating news to the status of a value added to whatever products are advertised for consumption by users.

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Notes on contributors
J. Sonia Huang is an associate professor of Communication and Technology at the National Chiao Tung University, Taiwan. Her research focuses on industrial economics and strategic management for new media. Her work has appeared in Journalism & Mass Communication Quarterly, Journal of Media Economics, the International Journal on Media Management, Asian Journal of Communication and Chinese Journal of Communication.

Jia Dai is an assistant professor at the School of Journalism and Communication, Tsinghua University, mainland China. Her research interests include media sociology, new media and social transformation, and environmental communication. Her published research includes articles in Journalism & Mass Communication Quarterly, Journalism Practice, Asian Journal of Communication, and other Chinese journals.

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