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Leading the Way to Better News:
The Role of Leadership in a World Where Most of the "Powers That Be" Became the "Powers That Were"

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Abstract

During the past several years, as traditional news operations have faced sharp declines in circulation, advertising, viewership, and audiences, and as they have begun to make a seemingly unrelenting series of cuts in the newsroom budgets, scholars and professionals have been seeking formulas or models designed to reverse the trend. During those same years, many of the major news organizations that dominated the landscape a generation ago, those that David Halberstam called "The Powers That Be," have lost their leadership role and been absorbed by other companies. This paper argues that while there is good reason to worry about the decline in what might be called "boots-on-the-ground" journalism, there are reasons to be hopeful. While most of those concerned with the topic have urged structural changes in ownership, this paper argues that the key is leadership. To understand the demands on leaders, it is essential to understand which of three motives is most important to the publication's owners: profits, influence, or personal prestige. Each motive presents distinct challenges and opportunities. Looking at the fate of a number of large media organizations over the past decade, the paper argues that the most important model for success is outstanding leadership that combines a talent for business, entrepreneurship and innovation with a profound commitment to great journalism.

Introduction

In a world awash in worries about the death of journalism, there are enough dark waves to inspire fears of a tsunami. Every quarter brings fresh reports of declining newspaper circulation and revenues, along with similar dismal financial news from the broadcasting industry. With each drop in revenue, it seems, corporate owners announce staff reductions and cuts in the newsroom budget. In November, 2007, the Audit Bureau of Circulation reported that 609 papers showed a decline of 3.5% during the preceding year, including 4.5% at the *New York Times*, 6.5% at the *Boston Globe* (which is owned by the New York Times Company), and 3.2% at the *Washington Post*. Moreover, there does not seem to be any end in sight.

There are those who doubt that daily newspapers will survive, at least in printed form. Young people seem to prefer screens to paper, and advertisers, starting with classified ads, have joined (or led) the migration to the Internet, which is often less expensive and more efficient. At a conference in Aspen last summer (sharing a stage with Craig Newmark, founder of craigslist), Dean Singleton, the CEO of MediaNews Group, which owns 57 daily papers in 12 states, estimated that the defection of classified ads to sites such as craigslist is costing his papers at least $10 million a year. Speaking at the World Economic Forum in Davos, Switzerland, *New York Times* Publisher Arthur Sulzberger startled the crowd and gained international headlines when he said, "I really don't know whether we'll be printing the *Times* in five years, and you know what? I don't care, either." Former NBC News anchor Tom Brokaw, noting that younger readers have moved from print to screens, recently said that he envisioned a major newspaper going completely digital in ten years. A reporter for the Business and Media Institute captured his comments. "I was at the *Washington*

Post earlier today," Brokaw said. "And in the lobby they've got a wonderful graphic describing how the printing press works and where it is … 75,000 copies an hour it can turn out. Its last run is at 2:15 in the morning and [has] an automatic paper roll that comes when they run out of paper and the ink is recharged and I looked at all that and I thought: 'Ten years from now, will it be here?' I don't know. Probably … if you would do a hardcore analysis—probably not. It'll be probably digital ten years from now."

Making a similar point with more than a touch of gallows humor, a funny and frightening flash movie produced by the fictional museum of Media History shows Google swallowing the world of information by 2014 and ends with the death (or near death) of print (http://epic.makingithappen.co.uk).

But while some in the traditional news media are in a state or at least a mood of crisis because of the apparent demise of print and traditional broadcast news, Singleton and Sulzberger both profess optimism about the long-term prospects of their companies, and there is every reason to believe that with enough creativity, determination and leadership, journalism in both old and new forms will survive and even thrive in the years ahead. Singleton, for example, believes that his papers can create countless sources of local information in each of the communities they serve, enabling them to build an irresistible base for advertisers.

Thanks to those who have had the vision to understand the opportunities created by the changing technological, sociological, and regulatory landscape, there are countless bright lights on the horizon. As some old formats and stalwarts fade, new news outlets and new sources of revenue will emerge—not just on the web, which has led to some remarkable innovations, but in other forms as well. During the last few decades new technologies and new entrepreneurial ideas, often supported or enabled by government, have created important and even indispensable information outlets, ranging from National Public Radio, to C-SPAN, to CNN, to the Discovery Network, to the Weather Channel, to Bloomberg. All of those very different enterprises were launched or built by people who had a vision and the skills to create something that had not previously existed. The accessibility of news has been improved dramatically by news aggregators, including Google and Yahoo and the Drudge Report, and some of those outlets are starting to fund original reporting, as are "net native" publications such as *Slate*, *Salon*, and the Huffington Post.

During the same years, as a result and as a part of globalization, media companies based in other countries have set up important reportorial beachheads and informational outposts in America, including the *Financial Times*, the *Economist*, the BBC, Al Jazeera, the Metro papers, and the *Guardian*. So there is plenty of good news. But there are also reasons to worry that we may be entering an era where there will be fewer reporters, fewer readers, and fewer informed citizens.

As our founders understood so well, a thriving democracy depends on an informed public; and we can only have an informed public if we have great providers of news, information and opinion that, collectively, reach the widest possible audience with vital information about all important subjects—local, national, and international. Some commentators seeking solutions to the apparent decline in readers and in resources devoted to reporting about matters of importance have put the focus on structural issues such as local ownership, media concentration, or the proper return on investment. But while those areas deserve urgent attention, no formula will work unless news outlets have a thriving financial and consumer base.

The challenge for those concerned with great journalism and with the survival of major news organizations is to understand why some companies have declined—in readership and/or revenues—while others have grown and prospered. The shorthand explanation may lie in what could be called leadership, what business guru Warren Bennis describes as the ability to run a business successfully during a time of change and transformation, and to do so with a commitment to full support for great journalism.

The Trends in News Habits and Interest

Thanks to advances in technology such as the Internet and direct satellite to home broadcasting, more people have access to news of all kinds from all places. When Arthur Sulzberger told the audience in Davos that he would not mourn the death of the *New York Times* print editions, he was offering an optimistic statement about the future of the *Times* as a profitable and authoritative source of news in a digital world. He is determined to make the *Times* the nation's paper, the indispensable source of news for concerned citizens wherever they live. In an earlier era, before technology made it possible to print or post online newspapers everywhere in the world, such an ambition would have been unthinkable. But taking advantage of some technological advances, Sulzberger had decided that the *Times* could, indeed, reach everyone who mattered, an ambitious concept with broad implications for his paper's ability to attract wealthy national advertisers. He took full control of the *International Herald Tribune* as a global print outlet for the paper. He increased the paper's national distribution network to the point where one could find the *New York Times* for sale in a Starbucks on every street corner in the country, and see the distinctive blue wrapping of the paper's national home delivered edition dotting the driveways of affluent neighborhoods everywhere. Now Sulzberger believes that he can use the Internet to expand that franchise. Noting that the paper's online readership had doubled in the last year, with over 1.5 million daily visitors, he told his audience in Davos that the "Internet is a wonderful place to be and we're leading there."

Anthony Mayo and Natin Nohria describe three kinds of outstanding business executives in their new book, *In Their Time: The Greatest Business Leaders of the Twentieth Century*. The first are entrepreneurs, who build new enterprises. The second are managers, who successfully maintain the companies that those entrepreneurs have created. The third are leaders who, as Warren Bennis and Burt Nanus put it, "can move organizations from current to future states, create visions of potential opportunities for organizations, instill within employees commitment to change and instill new cultures and strategies in organizations that mobilize and focus energy and resources." Lou Gerstner used those talents to transform, and arguably save, IBM. Sulzberger hopes to be that kind of leader for the *New York Times*. His biggest threat today, interestingly, may come not from new technology or from new viewing and reading habits, but from an old-fashioned newspaper war with the *Wall Street Journal*, which, as part of Rupert Murdoch's News Corporation, has the capacity, resources and ambition to find aggressive and innovative ways to challenge the preeminent role of the *Times* in reaching those same readers and advertisers.

Other traditional newspaper outlets echoed Sulzberger's hopeful view. When the *Atlanta Journal-Constitution* announced a 9% decline in daily circulation over the first six months of 2007, the paper hailed the figures as good news, based on a decision to shrink its sales territory, cut some promotional papers, and put more resources into online operations. The result, the paper said, was a "huge growth in readership, with annual page views approaching one billion per year and rapidly growing online ad revenues."

Dean Singleton, who has built a national, family-owned chain of dailies with strong local community coverage, sent an upbeat note to his staff in October, 2007, saying: "Can we show the leadership, vision, strategic direction and inspiration required to move our businesses in a winning direction? The answer to these questions is a resounding yes." Singleton believes that online revenues will wind up complementing and, indeed, supporting, the revenues and reportorial functions of paper publication for many years to come. "Let's start by looking at our company today," he said. "This year, we'll generate 89% of total revenue from our core, 7% from online and 4% from niche products. In operating cash flow, we currently generate 73% from core, 22% from online and 5% from niche products. In five years or 2012, we expect 68% of revenue to come from core, 20% from online and 12% from niche. In operating cash flow, our goal in 2012 is *40%* from core, *50%* from online and *10%* from niche. That would be a great business, one that investors would applaud."

While print readership has declined, especially among younger people, the statements of Singleton and Sulzberger, who represent two very different models of daily journalism, reflect the fact that, as a number of recent studies have demonstrated, people are using new media in increasing numbers to access the news. If those numbers continue to increase, and if papers such as those owned by Sulzberger and Singleton can gain a significant share of the growing market, they may have a bright future. As is well known, the number reading news generated by print newspapers has declined. "Even the highest estimate of daily newspaper readership, 43% for both print and online readers, is still well below the number reading a print newspaper on a typical day ten years ago (50%)," according to studies by the Pew Research Center for the People and the Press, and that compares with 71% in 1965, according to Gallup.

But contrary to common wisdom, news consumption among young people has remained fairly steady over the past decade. As of July, 2006, Pew reported, "While newspapers continue to draw anemic numbers of young readers, just 29% of those under age 30, that figure has remained stable since 1996, as some young people have turned to online papers." Surprisingly, and perhaps a bit counter-intuitively, the drop in newspaper readership from combined print and online sources is actually greatest among older readers: from 70% of those over 65 who read a newspaper in a typical day in 1996, the percentage slumped to 58% in 2006.

For the past decade, overall interest in news by people of all ages has remained fairly steady. In fact, after a sharp decline in the 1990s, it is on an upward trajectory this decade, though no one knows if the increase will be sustained or, indeed, might represent a new upward trend. The Pew Center reported in 2007 that average reading for the Pew News Interest Index slipped during the 1990s from 30% to 23%, a seemingly noteworthy decrease, but that in this decade the index "has bounced back" to 30%. The Pew study also found that the amount of time that Americans spend on all news sources combined each day has remained constant or increased slightly during the past decade; it was 66 minutes in 1996 and it is 67 minutes in 2007.

There are also some bright spots in the world of print, including community newspapers, which have been holding steady or growing, and papers that report and print in languages other than English. One of the most important trends in

America during the past decade has been the growth of immigration and a population of new residents and citizens that is eager to learn about this society and to do so in languages other than English. The Tribune Company recognized that trend and made what proved to be an ill-fated investment in *Hoy*, a national tabloid paper in Spanish. Meanwhile, the Lazano family and others placed their bets on newspapers that would serve metropolitan Spanish language audiences with first rate local news in a broadsheet format. As of now, the Lazano gamble has paid off. While the *Los Angeles Times* print edition has been losing readers, for example, dropping from about 1.1 million in 2000 to about 800,000 in 2007, *La Opinion* has been gaining print purchasers at a rapid rate. The owners of Univision made a similar bet on television news and in several cities, including Los Angeles, the local evening news programs on Spanish language stations have been growing in viewership and are often the most popular in the market.

By the numbers, serious magazine readership has been holding steady and, for some more specialized news titles, increasing. For the past several years, the Project for Excellence in Journalism and the Poynter Institute have prepared invaluable annual reports on the state of the news media. According to their *State of the News Media 2007*, with considerable effort the three traditional newsweeklies; *Time*, *Newsweek* and *U.S. News & World Report* have been holding fairly steady with a collective readership of about nine million. Meanwhile, there has been a steady rise in the circulation of magazines such as the *New Yorker*, the *Economist*, the *Nation* and, most striking of all, *The Week*, a fairly recent British-owned start-up that edits and publishes articles that have appeared elsewhere.

Broadcast news numbers continue to decline, but obituaries may be a bit premature. The viewership for the three network news broadcasts has been dropping continually at the rate of about one million viewers per year, and the audiences for the PBS News Hour and the network morning news shows have all been on a downward slope, as noted in *The State of the News Media in 2007*. There may or may not be a bottom in sight. For now, however, the three evening network newscasts, even in their diminished condition, still reach about 26 million viewers, a fairly good audience for advertisers and a vital audience for those concerned with an informed electorate.

In 2006, for the first time since they were launched, the audience for the three cable news networks (where talk show numbers are combined with hard news numbers) declined a bit, reaching a cumulative average of 2.5 million viewers in prime time and a cumulative audience of 1.5 million during the day. Fox News remained the dominant cable network, with more than half the cable news viewers, but it, too, lost some audience in 2006. Interestingly, the audience for some of the cable news (as distinct from talk) shows, such as MSNBC's Keith Olbermann, CNN's Anderson Cooper and Wolf Blitzer, and CNN's headline news, grew during the year. Cable news, of course, is still a relatively new phenomenon. While it does not compare in audience size to broadcasting during any individual program, cable news is economically healthy because revenues come from cable subscribers as well as from advertisers. Nor have the opportunities for innovation on cable ended. During the past two years, Al Gore and Joel Hyatt started a novel and profitable experiment called Current TV that has succeeded by offering a forum for news and other videos that a wide range of journalists, activists and producers make available to the company at little or no cost.

Meanwhile, in most communities radio news has largely faded from the commercial airwaves, thanks in large part to FCC deregulation. But for the past three decades, public radio executives, seeing a need and an opportunity, created a new sound, a new business model based on underwriter and listener support, and built powerful newsgathering operations at both the local and national level. The audience for public radio news doubled from 1994 to 2007, according the Pew research, and while it has flattened out or declined slightly during the past year or two, NPR has been expanding its network of news bureaus around the globe and reports that more than 20 million Americans are regular listeners to its national newscasts. In recent years, public radio stations in cities such as New York and Los Angeles also have built strong local news programs.

As a result of the two-way capabilities of the Internet and the ways in which digitalization has produced sharply lower costs of computers, cameras and other forms of technology, almost everyone now has, or soon will have, the capacity to become involved in the information generation, collection and assessment business—from bloggers to citizen journalists—performing functions that were once the province of reporters and editors, and carrying out some other functions as well, expanding the range of opinions, serving as expert fact checkers, providing eye witness reports and testimony, and often without compensation. There is every reason to believe that this trend will continue.

These success stories in the news media have different origins, but they also were the product of entrepreneurs and leaders who saw that new technologies, new government regulations, new public tastes, and new social trends created exciting opportunities. They understood the opportunities created by satellite delivered programming to cable headends, creating the possibilities for new networks; they understood importance of cable's financial model, which is funded by subscriber fees; they understood that immigrants want to learn about their community and that they will read, at least for a while, listen, and view news in their native language; they understood that a mobile audience will listen to smart news on car radios. Most surprising, perhaps, some of them understood or found that some people, such as public radio listeners, would pay for news they needed even if they could get it for free; and that some reporters and producers, like the contributors to Current TV or the Huffington Post, would provide news content for free for the satisfaction of joining the public debate.

A Major Concern: Fewer Professional "Boots on the Ground" Reporters

Those concerned with the need to have a truly informed electorate are particularly worried about the signs of a precipitous decline in the number of professional "boots on the ground" reporters, the professionals who engage in enterprise or investigative reporting in Baghdad or city hall. This is particularly true as newspapers have been going through what can best and most hopefully be described as a bad patch. Though their role as editors of the *Washington Post* might make it sound a bit prideful for them to say so, in 2003, in *The News About the News,* Len Downie and Robert Kaiser correctly titled one chapter "Newspapers: Where News (Mostly) Comes From." On the national and local level, newspapers maintain much larger reporting teams than any other news outlets. For example, Downie and Kaiser noted that the *Raleigh News & Observer* can cover its community in depth, thanks to a newsroom of 260 people, a far larger team than the staff at the local television stations. (They also point out the difference in pay structure, noting that the city's three network television anchors together make more than the *News & Observer's* entire newsroom payroll). The public as well as other forms of media—from broadcasters to bloggers—rely on newspapers to develop the stories that make for an informed public. This is true from city hall to the statehouse to news from around the world.

Only a few major newspapers have teams of reporters in Iraq, for example, and their dispatches and detailed reports and analysis have become indispensable sources of news for citizens and policy makers alike. But they operate at enormous expense. The *New York Times* bureau alone costs over $10 million a year to operate. It requires security forces, a secure site, and a small army of reporters from the *Times* as well as reporters from Iraq who speak the language, know the culture, have contacts, and can move around the country. At home, it takes a large newsroom to cover everything from schools to city hall to high school sports, and it takes teams of reporters to cover events such as Katrina or major investigative stories. Without giving it a second thought, Americans take that kind of coverage for granted. But cutbacks have led newspapers to eliminate foreign bureaus at a rapid rate. The *Boston Globe*, for example, which once had a distinguished group of international correspondents, no longer has any bureaus outside of the United States.

Some investors think that for most papers international reporting is an unaffordable frill. As part of "News War," a four-part PBS series on the future of news, Frontline interviewed Charles Bobrinskoy, the vice chairman of Chicago-based Ariel Capital Management which, at the time of the interview in late 2006, was the fifth largest investor in the Tribune Company. Importantly, Bobrinskoy believes in newspapers as a good, long-term investment; he believes in the opportunities for innovation and in the ultimate financial returns that will be generated by traffic on the web; and he correctly argues that to thrive, papers have to do a superb job of covering their local communities. But he also argues that they should be spending less money covering national and international stories. "You can get by with less reporters than the *L.A. Times* has," he argued, "because it's trying to cover the world. It's trying to report on why Bush went to war in Iraq instead of what's going on in Southern California … We're saying there's a role for probably three national newspapers: the *Wall Street Journal*, the *New York Times*, and *USA Today*. Each has its own niche; all three are national newspapers. We don't think there's any demand for a fourth. The *L.A. Times* is trying to be that fourth."

As some reports indicate, we are witnessing an almost daily decline in the number of professional journalists. The size of the *Los Angeles Times* newsroom, for example, has shrunk from about 1,200 to about 850 in the past seven years. But while newsroom cuts are a cause for serious concern, a series of studies conducted over the past three decades and described in *The American Journalist in the 21st Century* help to provide some perspective. During the decade from 1992-2002, the number of editorial workforce jobs in daily newspapers declined from 67,207 to 58,769, and the cuts have continued since then. But in an article in the March/April 2007 *Columbia Journalism Review*, Michael Schudson and Tony Dokoupil examined the studies in *The American Journalist in the 21st Century,*[1] and helpfully (or at least hopefully) urged that the editorial cutbacks of recent years be understood in the context of a longer span of history.

In 1970, around the time of Watergate, there were 38,800 editorial staff members at the nation's dailies; in 1982, that number had grown to 51,650; and in 1992 it reached 67,207. So while the number of reporters working for traditional outlets has been declining during the past decade, from 1970 to 2002, when the number dropped to 57,760, there was an increase of about 20,000 people in the editorial workforce at daily papers—a jump both in absolute terms and relative to the population. Moreover, during those same years the editorial workforce at weekly newspapers grew steadily, and it continued to grow during the last decade, from 11,500 in 1970 to 16,226 in 1992 to 21,908 in 2002. Combining daily and weekly papers, the number of editorial jobs grew from 50,000 in 1970 to 78,000 in 2002. While these numbers don't reflect cutbacks during the past five years, which have been substantial, it should be noted that they also don't include those reporters who have been hired during recent years by companies to report for the Internet, nor do they include self-employed reporters working as bloggers. [2]

Looking at two books about the state of the newspaper industry also helps to offer some historical context. In 2004, Philip Meyer published an important and insightful study of the current condition aptly called *The Vanishing Newspaper*. In 1944, however, some 60 years earlier, Oswald Garrison Villard published *The Disappearing Daily,* bemoaning the demise of serious newspapers in America. Based on a series of studies published by *The Nation*, which he edited, Villard started his book with these sobering words: "The outstanding fact in any survey of the American press is the steady and alarming decrease in the number of dailies." Expressing a concern that is central to many critiques of the modern era, he said, "Consolidation, suppression and a strong drift toward monopoly are taking their toll." He also complained that dailies had been undergoing a "continuing change from a purely informative and news-printing medium into an organ of entertainment" and that they had, as a result, been suffering a "great loss of political and editorial influence."[3]

If there really was a golden age, it may have had a very brief lifespan. But while there may not be an immediate cause for alarm, there is every reason for innovative thought by those concerned about the future of the profession—and about the indispensable role of good, professional journalism in a democracy.

The Search for Great Leaders

During the past few years, commentators have looked for structural or financial solutions designed to stop the cutbacks in industry and to restore daily papers to greatness. Some have called on businesses to pay less attention to the bottom line and quarterly profits; some want to break up conglomerates; some would enforce and strengthen rules designed to prevent cross-ownership of newspapers and broadcast properties; some call for more local ownership; some suggest that more newspapers should be owned by foundations. Each of these proposals has merit. But none will work if revenues continue to decline or if the owners and managers are not truly committed to great journalism.

In the end, the key ingredient is the leadership, creativity and commitment of the owner, editor, and/or corporate manager. In 1979, David Halberstam demonstrated the importance of such leaders in *The Powers That Be*, where he brilliantly profiled four enormously successful and influential news media companies: CBS, Time, Inc., Times-Mirror, and The Washington Post Company. (He gave more cursory treatment to the *New York Times* because, he explained, it had been so well explored in other books.) Halberstam described the ways in which Otis Chandler transformed the *Los Angeles Times* and Katharine Graham transformed the *Washington Post* into great papers.

Today, only one of those companies—the Washington Post Company—remains; and it does so partly because it, like the New York Times Company, is controlled by the original family members under a dual stock voting arrangement. The other three have all been absorbed by other companies—indeed, each has been absorbed by another company that, in turn, was absorbed by yet another company.

If there is much to be learned from Halberstam's book, there is much to learn, too, from a study of how so many of the "Powers That Be" became the "Powers That Were," while other media giants entered the land. To produce and protect great journalism, companies must have leaders who have two sets of important qualities: 1) a commitment to great journalism and to the financial investment that makes it possible; and 2) the range of business skills needed to build and sustain great companies in a world where there are certain to be continuing changes in technology, society, markets, regulations, and tastes.

Leadership comes in many stripes, starting with a true commitment to journalistic excellence. But it also requires talents in a number of other areas, including an understanding of business, law, and technology, and some spark of brilliance as a manager and/or entrepreneur.

In thinking about the kinds of leadership skills needed for great journalism, it's useful to consider the various motives that drive people and enterprises into the field. While one might form a variety of different lists, and there are important overlaps, there are three not necessarily contradictory motives that need to be understood: 1) profits; 2) influence; and 3) prestige. A fourth motive, a commitment to the public interest, might be considered as a component of each and, in some cases, as a separate category. Each motive has a noble history in this country, and each can lead to a different series of decisions. But all have a common need for good leadership.

The Profit Model

In recent years, discussions about business models have tended to focus primarily on public companies, profits, and what might be called the Wall Street, public-ownership model. In a chapter of *The Vanishing Newspaper* called "How Newspapers Were Captured by Wall Street," Meyer explains the growing impact of financial markets in the 1960s as newspapers and newspaper chains, starting with Gannett, went public, and became financial darlings as investment firms recognized the value of monopoly status, as the consumer economy grew at a record breaking pace, and as newspapers found ways to cut costs by using new printing technologies. Investors started to expect and ask newspapers to realize investment returns of more than 20%, a much higher rate than most other businesses.

The expectation of such high returns created enormous pressures on publishers and editors once the halcyon days of monopoly profits started to fade. Publicly-owned companies, which expected ever higher returns, made unrealistic demands on their products. Even family-owned newspapers felt the pressure. For example, by the late 1990s, the Chandler family, heirs to Harrison Gray Otis, the founding father of the *Los Angeles Times*, had little connection—emotional or philosophical—with the paper and company that their relatives had built. Wanting a higher stock price and a higher return, they were impressed by the much higher profit margins of the Tribune Company's publications. In 2000, they and the company's other shareholders sold the Times-Mirror to the Tribune for $8.2 billion. During the next seven years, the

Los Angeles Times was successful by many standards of measurement, earning profits as much as $250 million a year, as the Tribune Company sent fresh publishers and editors into the fray at the *Los Angeles Times*, winning a record number of Pulitzer Prizes while making dramatic cuts in all areas of operations. But for the Tribune Company as a whole, profits, profit margins, and the stock price continued to fall. The Chandlers were so dissatisfied that they pushed for the sale of the entire Tribune Company.

In 2007, Sam Zell, primarily known as a real estate investor, purchased the entire company, including the Chicago Cubs, 23 television stations, and 11 newspapers, including the original Times-Mirror properties, for $8.2 billion—almost exactly what the Tribune had paid for the Times-Mirror alone less than a decade earlier. If the purchase of the Times-Mirror had been bad for the Chandlers, it had been even worse for other owners of Tribune Company stock. They had vastly overpaid for the Times-Mirror, as evidenced by the fact that the entire Tribune Company sold for almost the exact price that the Tribune had paid for the Times-Mirror. Moreover, there were few strong bidders for the assets even at that price. Most of the money for Zell's offer came from debt and an employee stock ownership plan. Zell's own investment was less than $350 million. Great editing and cost-cutting managers had not led the Tribune Company's papers and other assets to financial success.

During the same period, a number of major publicly held media companies, including Knight-Ridder, found themselves in a similar situation, facing pressure from dissatisfied shareholders. At the turn of the 21st century, the profit or Wall Street model for newspapers was not working, or at least not working as well as had been expected by investors just a few years earlier. Though the reasons were somewhat different, many great media companies found themselves in the same bind as the auto industry, the old telephone industry, and the airlines. The rules had changed, and the markets were unforgiving.

The profit model worked somewhat better for companies that were either family held or well diversified. Thanks to a stock arrangement that gave control to the Sulzberger family, and thanks to the fact that the Sulzberger family cared more about their publishing heritage than about the bottom line, the New York Times Company was able to resist pressure from a group of investors led by Hassan Elmasry of Morgan Stanley, who objected to the two-tiered ownership structure that put ultimate control in the hands of the family. Bobrinskoy probably reflected the view of many investors when he told Frontline that "the *New York Times* is a special case, and because of its ownership structure, the *New York Times* has paid less attention to returns for its shareholders than really any other newspaper…. I would say the *New York Times* comes close to ignoring issues like returns for shareholders, and that's what Morgan Stanley is so upset about."

Morgan Stanley's effort to challenge Sulzberger started with the 2006 shareholders meeting, where the owners of 28% of the shares withheld their votes; it ended with the 2007 meeting when the owners of 42% of the shares refused to support management. Elmasry and others noted that the company's net income was down by 3% in 2004 and by 13% in 2005; that the company had a net loss in 2006 (after writing down the value of the *Boston Globe* and its other New England publications, which the Times Company had purchased in 1993 for $1.1 billion, the highest amount ever paid for an American newspaper up to that time); and that the profit fell by 32% in the first quarter of 2007. Moreover, from 2003-2007, the company's share price dropped by 48%.

Finally, on October 17, 2007, Morgan Stanley threw in the towel and sold its stock in the company. Interestingly, a week later, when the Times Company reported its third-quarter earnings, the company announced that net income was up 6.7%.[4]

The week of the New York Times Company shareholder meeting, Washington Post Company Chairman Donald Graham wrote a powerful defense of the two-tiered stock system. It appeared in the *Wall Street Journal* on April 27, 2007, and presented an articulate defense of what the system had meant for his family's own paper, and for the survival of great journalism at the *New York Times*.

"It isn't guaranteed that anyone owning the *Times* would spend more than $200 million on its newsroom budget, or deploy dozens of foreign correspondents around the world," Graham wrote. "Sending any one of those reporters overseas costs lots of money and doesn't add a penny to this year's circulation or advertising revenue. The *Times* sent them abroad in the belief that, in the long term, the paper would mean more to its unusual set of readers if it gave them an extensive report on the world and the country.

"No newspaper has been exempt from the economic challenges of recent years. Yet I would guess that in each of the last few years the *Times* has published the highest-profit newspaper in the United States. And going forward into the Internet age, what large newspaper holds cards as good as the *New York Times* and nytimes.com? (I can only think of one.)"

But a two-tier shareholder structure, while helpful, is not an adequate solution if the family has lost interest in the company's journalistic mission, as had happened with the Chandlers, or finds itself faced with an offer that is just too good to turn down, as happened when Rupert Murdoch offered to pay the shareholders of Dow Jones, including the members of the controlling Bancroft family, twice the market value of the stock.

Looking at the experience of the past decade, what stands out is the importance of good business leadership. While the Washington Post Company may yet find itself in some trouble, the shareholders have benefited enormously from wise business decisions, some of which were unrelated to journalism. In 1984, the Post purchased Kaplan, Inc, which the company calls “the nation’s premier provider of educational and career services for individuals, schools, and businesses.” A year later, the Post bought cable systems serving 350,000 subscribers from ABC/Capital Cities. Though no one could have imagined it at the time, those and a few other strategic investments have helped to keep the company profitable during difficult times for the paper. As a result of these wise investments, the Post Company’s shareholders are more satisfied than those at many other papers. In effect, the Post Company has been willing to use revenue from other operating units to cross-collateralize the paper’s investment in outstanding journalism.

While the Post Company leaders were buying valuable assets, the leaders of Dow Jones were making a series of unfortunate decisions. In 1987, Warren Buffett said that if he could only own one property, it would be Dow Jones, which at the time was one of the best managed companies in the world. But in the years that followed, while continuing to produce great journalism at the *Wall Street Journal*, the parent company was making a series of major business mistakes, including a $2 billion investment in a financial services company called Telerate. While paying a fortune for the company, Dow Jones failed to invest in the technical infrastructure and ultimately had to write off the entire investment, watching helplessly as an upstart named Michael Bloomberg built a similar company from scratch. Meanwhile, Dow Jones sold its 25% interest in Commonwealth Cable, a stock holding that, as a part of Comcast, would today be worth about $4 billion. As a result of those decisions, the total market cap on Dow Jones when Murdoch came calling was about $3 billion and he was able to buy the company for $5 billion. Had the company held on to the cable stock, the market cap would have been at least $7 billion. Meanwhile, Bloomberg's upstart financial information business now has a market cap of $20 billion.

It seems fair to conclude that, in addition to commitment to great journalism, outstanding leadership in the profit-motivated media business requires some other vital skills and attributes. For example, "the powers that be" benefited, or could have benefited, from leadership that saw the advantages of 1) creating a dual stock ownership structure as several but not all family-owned newspaper companies succeeded in doing; 2) building good relations with shareholders, particularly family members; 3) moving into new profitable media areas as new technologies emerge; 4) taking risks but knowing when to cut losses and when to avoid excessively foolish investments; and 5) making and holding on to good financial investments in other areas that can keep shareholders happy even if the news business falls upon harder times.

The Influence Model

Some publications are created and funded by wealthy people or entities to have influence even where they cannot, and do not ever expect to earn a profit.[5] Throughout American history, people and institutions have created newspapers and other media outlets in order to advance causes, candidates, and ideologies. The primary model of ownership in the early republic was partisan newspapers, supported by political parties and their governmental allies. Though it might be deemed a conflict of interest in the modern era, political parties, factions, and wealthy and ambitious men (always men) often started or purchased papers in order to run for office or to influence those who were in office. William Randolph Hearst, whose papers were often also fabulously successful, created and used newspapers as part of his campaigns for office. At the state and local level, there were hundreds of such owners.

While less common among newspaper owners today, the influence model is still alive and well in the daily press and it is even more common among the owners of periodicals. There is a serious risk that such publications will be filled with bias, errors, and bile. But looking at its role over the course of American history, and at the ways in which such outlets contribute to public debate, the influence model is at least as legitimate as the profit model. Influence-inspired publications have sponsored great investigative reporting, nurtured the development of important research and theory, and provided invaluable outspoken commentary.

Several major newspapers fit the influence model. The *Washington Times* was launched in 1982, funded by Sun Myung Moon, leader of the Unification Church, as a conservative alternative to the *Washington Post* in the nation's capital. According to an article in the *Post* in 2002, the Unification Church had, as of that date, lost money every year, with a total subsidy of $1.7 billion in its first twenty years of operations. In Pittsburgh, Richard Scaife's *Tribune-Review* offers an apparently money-losing outlet for his strongly partisan views. In New York City, a group of wealthy investors started the *New York Sun* in the belief that there were issues and perspectives that were being ignored by the city's daily press. The *Christian Science Monitor* operates at a huge annual deficit, estimated by some to be over $40 million a year. On its website, the paper explains its mission. "The Christian Science church doesn't publish news to propagate denominational doctrine;" it says, "it provides news purely as a public service. Here's why: If the basic theology of that church says that what reaches and affects thought shapes experience, it follows that a newspaper would have significant impact on the lives of those who read it. A newspaper whose motive is 'to injure no man, but to bless all mankind,' as its founder charged, would have a 'leavening' effect on society, as well as on individual lives." The backers of these papers—the *Washington Times*, the *Pittsburgh Tribune-Review*, the *New York Sun*, the *Christian Science Monitor*—are prepared to operate their papers at a loss or at break even in order to have influence.

The influence model has an even stronger tradition among periodicals. While magazines such as *Time* and *Newsweek* generally operate under the profit model, others such as the *National Review*, the *Weekly Standard*, the *Nation*, and the *New Republic*, all of which play a significant role in the national debate, are expected to have operating losses. Some have individual angels, some have multiple ideology-driven backers, others—like the *Weekly Standard*, which is funded by Rupert Murdoch's NewsCorp—are kept alive by companies and/or owners who believe in their mission. The Internet's low cost of entry and operation has expanded the number of such outlets geometrically.

For much of the 20th century, influence-motivated periodicals played a vital role in the public debate, especially in the early years of the century when publications such as *McClure's* had enormous impact through the reportorial work of muckrakers such as Ida Tarbell, Lincoln Steffens, Ray Stannard Baker, and Jacob Riis. In a later era, *Ramparts* magazine and *Mother Jones* attempted to carry on that tradition.

Leadership for publications that have influence as their primary motivation calls for its own set of skills. In addition to a passion for great journalism, those whose motive is influence need to be prepared to make a long-term commitment of their own funds, to be successful at raising money from others, and/or to have the entrepreneurial talent to create a stable base of contributions and other revenue sources. *Commentary*, for example, which made a powerful contribution to the development and propagation of neo-conservative thought, has a stable financial base through the support of the American Jewish Committee. *Mother Jones* has thrived as a muckraking journal on the left for a generation thanks to a wide circle of progressive contributors.

Hamilton Fish and Victor Navasky demonstrated talents as business leaders at the *Nation*, an icon of the liberal world since it was founded in 1865 by a group of radical abolitionists. In 1977, when the *Nation's* circulation had dwindled to 18,000 readers, Fish put a group together to buy it. In 1985, Arthur Carter bought a controlling interest in the magazine and helped to provide deficit funding on an annual basis. By the early 1990s, Fish, Navasky and their colleagues had built the circulation to 100,000, but Carter still had to make up an annual deficit of about $400,000. In 1995, Navasky organized a group to buy the magazine from Carter. Determined to make the magazine self-supporting, Navasky attended the Owners, Presidents and Managers executive education program at Harvard Business School. In the following years, with the help of George Bush's policies, which energized the progressive world, circulation grew to more than 180,000. Meanwhile, the *Nation* created a book publishing arm, special fellowships, fund-raising cruises and other devices that brought importance and funding to the venture. By the early 21st century, it had become financially viable. By contrast, while it turned out some excellent reporting and opinion pieces, the *New Republic* failed to advance during those years. Its circulation, which at about 92,000, was a little higher than the *Nation* in 1992, declined slightly and by 2006 was less than half that of the *Nation.* In addition, it had a substantial continuing operating deficit.

The Prestige Model

In *The State of the News Media 2007*, the authors observed that "very wealthy individuals are now looking at newspapers as they might look at sports franchises—high profile, enterprises important to their communities, where making lots of money may not be the main point." While there is an overlap with those who want to have influence in society, there are some important differences, too. Unlike those whose primary motive is influence, this group is probably somewhat less likely to be concerned with the content of the news.

The prestige model is by no means new. Newspaper ownership has always had a special lure. There are no box seats, of course, and as in sports one risks creating some very angry customers. But the owners of daily newspapers are automatically an important civic force. In New York City, Mort Zuckerman and the *Daily News* might fall into this category. As David Carr explained in his *New York Times* business section column, "Mr. Zuckerman has ambitions that brick and mortar cannot fulfill, so he owns the *Daily News*, the paper with the biggest circulation in New York, as well as *U.S. News & World Report*, the struggling weekly. His willingness to finance good journalism has landed him on television, put him in the thick of policy debates and allowed him to beat the drum on behalf of the state of Israel." Since the motive is not financial, the assets do not need to maximize returns or even turn a profit. But there are limits, Carr argues. "The *Atlantic Monthly* may have put Mr. Zuckerman on better guest lists, but it bled money," so he sold it in 1999.

It is curious, in fact, that more papers have not been purchased with this motivation. Billionaires spend huge amounts on projects that are not designed to maximize investment, from sports teams to second and third homes, to art works and charities. The movie industry, which rarely proves a good investment, has found a seemingly endless stream of backers. When the Tribune Company appeared ready to sell the *Los Angeles Times* as a separate asset, three of the city's richest men, Eli Broad, Ron Burkle and David Geffen, tried to find ways to buy it. All three said that they wanted to buy it so that it could remain a great paper, not to maximize profits. But none of them had the interest to outbid Sam Zell for the entire Tribune Company.

The Hierarchy of Motives

There is no reason to believe that the logic of the founding fathers would favor any of these three motives above the others. The bedrock of our democracy calls for pamphleteers and for newspapers of record, for editorials, opinions and ideology, as well as for honest, objective, boots on the ground journalism.

Interestingly, the daily newspaper menu in New York consists of all three models of ownership, which helps explain why the city, unlike most others, has four English language daily papers of general circulation, not counting the *Wall Street Journal*. The profit model, if a somewhat unusual version of the profit model, is represented by the *New York Times*; the influence model by the *New York Sun*; and the prestige model by the *New York Daily News*. It is somewhat difficult to know where to place the fourth paper, the *New York Post*. The paper, owned by a public corporation, may lose as much as $40 million a year, and may never earn a profit. That is not its goal. Rupert Murdoch's News Corporation presumably owns it in order to have an outlet in New York; but also to have a place to support Murdoch's political friends, skewer his political foes, and express his political views.

The Public Interest

While most if not all news outlets have some degree of commitment to the public interest, there are some that might arguably be identified separately, where it is or should be the core mission. Publications that are controlled and/or funded by foundations or government might fall into this class. For daily newspapers, the *St. Petersburg Times* might serve as exhibit A. (Notably, it is difficult to find an American publication that represents exhibit B.) It was owned by Nelson Poynter, who also started *Congressional Quarterly*. When he died, Poynter put all of the assets into a foundation that owns the *Times* and uses the profits to fund The Poynter Institute. Presumably, its sole motive is putting out a great newspaper.

The *Guardian*, once known as the *Manchester Guardian*, is owned by the Scott Trust, created in 1936 to ensure that the paper would continue to be operated according to CP Scott's philosophy, summed up in an article where he proclaimed that "Comment is free, but facts are sacred…. The voice of opponents no less than that of friends has a right to be heard." Under the terms of the Scott Trust, the enterprise has the duty to maintain a secure financial footing for the business: "to devote the whole of the surplus profits of the Company which would otherwise have been available for dividends … towards building up the reserves of the Company and increasing the circulation of and expanding and improving the newspapers." These principles remain the only instructions given to an incoming editor of the *Guardian*.[6]

Other examples of what could or should be pure public interest models include government funded operations such as public broadcasting and the BBC (which is funded by a fee on television sets). Such entities are chartered and funded to serve the public by providing news and information, not to generate a profit, achieve prestige for owners or managers, or to serve the interests of any particular faction. No doubt there are observers of all political stripes who would find exceptions to that concept, or argue that it is not being well executed, but that is their mission.

Under the law, all American broadcasters are licensed to "serve the public interest, convenience and necessity." For the first several decades of radio and television, the FCC effectively required broadcasters to have news divisions and carry newscasts in order to win or maintain a license. The costs of news were subsidized by the profits that commercial broadcasters were able to generate in other areas. But in later years, news divisions became profitable, then they became profit centers, and then they were expected to justify their existence by virtue of their financial performance. For most broadcasters, the notion that news should be a subsidized service became an artifact of history. All of which proved that CBS News President Richard Salant was prescient when he called his staff together sometime in the 1970s to make an announcement. "We have good news and bad news," he famously said. "The good news is that the news division has just turned a profit. The bad news is that the news division has just turned a profit." To a very large extent, broadcast news had moved from the public interest model to the profit model of ownership.

During those same years, the FCC and the courts frequently held that in a clash between the private views of the operator and the public's interest in being informed, the public interest was paramount. The FCC enforced that requirement through the "Fairness Doctrine," which required that broadcasters cover all major issues, and that they do so by presenting all important points of view. Many broadcasters probably still view their public interest obligations as paramount, but the FCC has long since eliminated the "Fairness Doctrine" and abandoned any effort to make sure that the public interest guides the news operations of broadcasting outlets.

Leadership Model as a Model

For those concerned with the future of news and of boots on the ground reporting, there is a compelling interest in helping all of these ownership models to succeed, and in knowing whether there is one type of owner or one type of ownership model that is most likely to produce great reporting. But the answer may well be that the most important ingredient for all of the models is great leadership.

While many and perhaps most of those involved in the news business would legitimately claim to be guided by more than one of these motives, there is a fundamental difference in emphasis. If the profit motive is paramount, the owners will not long allow the corporation to fail to provide a good return on investment, even for the prestige of owning a paper, for the influence it wields, or for the public interest that it serves. This is particularly true for publicly held companies; less true for those controlled by a family with a two-tier ownership structure. If the influence model is paramount, the owners may tolerate financial losses, but they may be more likely to discourage or censor some forms of balanced or excellent reporting, such as investigations of political allies, even though others might argue that such reports serve the public interest. If the prestige model is paramount, the owner may be willing to see the publication break even or lose money, may be willing to support great reporting even if the results are at odds with the owner's ideology, but such owners may not approve of reports that undermine their status in the community or attack their community of friends and associates. Hopefully most owners in all of these groups have some commitment to the public interest, though they may disagree about where that interest lies.

While there are countless ways in which great journalism needs support, there is no substitute for bold, creative leadership as the history of the past three decades demonstrates. While some news organizations languished, others found new and exciting ways to build valuable non-profit and for-profit franchises.

Examples of Creative Leadership

Each change in government regulation, advance in technology, and shift in the tastes or demographic makeup of the country presents fresh challenges and opportunities. For a time, radio appeared to threaten print because radio stations were going after many of the same advertisers and it threatened to serve the news interests of readers. The first radio ad aired in 1922, and by 1938 radio advertising expenditures exceeded those for the print media. Then television, which emerged as a national force in the early 1950s, posed a potential problem to radio as well as to print. For similar reasons, cable presented a serious threat to television, fragmenting the viewer and advertiser base of television. Today, the Internet is proving to be what some call a disruptive innovation. But history and experience demonstrate that disruptions can create new opportunities as well as new challenges. In each case, there have been leaders and companies that found ways to thrive in the new environment, while others languished or disappeared.

Although the FCC had required that certain radio frequencies be set aside for non-commercial use in the 1940s, NPR was not created until 1970—long after most people had given up on radio as a major source of news—and it took several more years for it to become a dominant international news service. Lots of people and institutions deserve some credit for public radio, including the Carnegie Commission on Educational Television and those who developed the legislation creating the Corporation for Public Broadcasting and who, perhaps almost as an afterthought, included radio as well as television in its charter.

In 1971, Bill Siemering created "All Things Considered" with a new sound that came to represent NPR. Eight years later, NPR launched "Morning Edition." Building on a base of largely underused FM stations, public radio built a powerful national network; during the 1990s, the regular audience for news on public radio grew from about 5% to about 15% of the American public, according to studies by the Pew Research Center for People and the Press, thanks to great reporting, a pioneering a new sound, new formats, and new sources of funding, ranging from the government, to foundations, to listeners. There were a lot of innovative leaders along the way who understood the power of radio, the changing habits of listeners, the opportunities created by emerging technologies, and the ways in which new funding sources could be developed and exploited. According to a January, 2008 report by the Pew Center, while the number of people turning to television and the print media for news about candidates and campaigns has been falling pretty sharply, the number who turn to radio (along with the Internet, cable news, comedy, and morning TV) has been growing. Between the 2000 and 2008 presidential elections cycles, the percentage that regularly get their political news from the nightly television newscasts declined from 45% to 32% and the percent who get such news from daily newspapers dropped from 40% to 31%. Meanwhile, the percent that regularly get political news from public radio grew from 12% to 18%. Those interested in new sources of funding in an age when the Internet makes everything available for free, might pay special attention to a very strange and counterintuitive component of the public radio business model: public radio is now largely funded by contributions from listeners who could receive the programs for free.

For those in the media business, satellite delivered cable offered enormous promise. As the technology developed, starting in the late 70s, and as cable companies expanded their capacity in the years that followed, the business created opportunities that were particularly lucrative because of the dual revenue stream model that allows companies to collect revenues from subscribers as well as from advertisers. With its capacity for market segmentation, it had the potential to create a channel for every section of the paper or the newscast—with one station for national and international news, another for business, another for sports, one for entertainment, one for weather, even stations for food and for gardening. For those already in the news business, cable could have been an entrepreneur's dream come true. But looking back at the winners and losers of the 30-year history of satellite delivered cable channels, surprisingly few of the winners came from established news media outlets.

Interestingly, cable channels started their trajectory as an enormously profitable new journalistic outlet in around 1979, the year that Halberstam's *The Powers That Be* was published. But none of the five companies that Halberstam celebrated took full advantage of cable's new opportunities. Most of cable's great early entrepreneurs came from outside of the charmed circle.

Brian Lamb started C-SPAN in 1979, in the still early years of cable, as a cable industry financed non-profit network. In the early years, C-SPAN's primary programming consisted of congressional proceedings, first in the House on C-SPAN I and then, starting in 1986, for the Senate on C-SPAN II. It received no funding from any government source but earned the favor of cable companies who understood the political value of presenting congressional hearings. Those companies carried C-SPAN and paid for the privilege of doing so. With a keen understanding of government, technology, and the cable industry, and an innovative eye for new and important programming opportunities that would build on his brand, Lamb extended his franchise to news conferences, public hearings and meeting, books, and straightforward interview shows.

Ted Turner, who had no news gathering organization of his own but understood the power and potential of cable and of satellite delivered programming, launched CNN in 1980 as the world's first 24-hour news service. Like other cable stations, CNN benefits from a revenue model that provides dual income streams of income: one from viewers who pay for the service each month as a largely hidden part of their cable bill; the other from advertisers. By contrast, cable systems do not pay over the air broadcasters or networks such as ABC, CBS, and NBC for the right to air their signals. Using that model, CNN quickly became hugely successful and now claims to reach a billion people around the globe. In later years, Fox News and MSNBC launched all news cable stations based on the same funding model. Although none of the individual shows on the three all news cable services reaches a fraction of the audience that watches the prime time news programs on ABC, CBS and NBC, the collective audience that those channels reach throughout the day is roughly equal to the collective audience for the three network evening news broadcasts. The news cable stations are all more profitable than those newscasts because of the dual revenue stream model.

A number of other entrepreneurs found a profitable niche by creating cable stations with specialized and popular areas of news and information. In 1984, ABC purchased 80% of ESPN, which has become the dominant source of sports news. Since it charges cable subscribers about $3 a month for programming, ESPN is now much more valuable than the ABC television network, with a value that has been estimated at $18 billion. The Hearst Corporation's 20% of ESPN could be worth more than $3.5 billion. In 1987, a group of entrepreneurs launched the E! Entertainment Network (then called Movietime), as a low-budget service that aired movie trailers, entertainment news, event coverage, and interviews. It quickly became a major source of entertainment news and celebrity gossip and in 2006, Comcast purchased the Walt Disney Company's 39.5% share of E! for $1.23 billion.

In 1982, Frank Batten created the Weather Channel as a part of Landmark Communications, his family's privately owned media company, which owned several newspapers as well as radio and television stations. Thanks in large part to the value of the Weather Network, Batten now ranks #239 on the *Forbes* list of the wealthiest Americans with an estimated net worth of $2 billion.

In 1985, John Hendricks, who was producing educational videos and distributing documentary programming to cable stations, launched the Discovery Channel with $5 million in start-up capital from the BBC, the American investment firm Allen and Company, and several other investors. It quickly grew to become the most widely distributed cable company in the world.

NBC launched CNBC in 1989 as the Consumer News and Business Channel. Two years later, NBC outbid Dow Jones for the larger Financial News Network and began to extend its reach. When Rupert Murdoch purchased Dow Jones and announced his intention to start the Fox Business Network, he reportedly placed the value of CNBC at $4 billion.

The entrepreneurs and companies that created C-SPAN, the Discovery Networks, ESPN, CNN, Fox News, MSNBC, the E! Channel, the Weather Channel, and CNBC built tremendous wealth for themselves and their shareholders, and they created new and in some instances important news and information services for readers, listeners and viewers. Meanwhile, as is demonstrated by the demise of the independence of three of the five companies profiled in *The Powers That Be,* many of the older companies failed to take advantage of new opportunities or made serious missteps.

The relative collapse of CBS demonstrates what can happen when a great company fails to move ahead with the times. For a great many years, William Paley was an industry innovator, pioneer and leader. Under his control, CBS recognized and took advantage of new opportunities, creating a major record label (later sold to Sony), moving from radio to television (though Paley was at first reluctant to make the move to television), and even funding its own laboratory to develop new electronic and consumer products. But somehow, as Paley got older and as others took over the business, that entrepreneurial zest disappeared. Unlike ABC, which purchased ESPN and other cable assets before becoming a part of Cap Cities and then Disney, or General Electric/NBC, which purchased the Financial News Network and built CNBC and MSNBC, CBS missed the cable boat entirely. After a brief stab at an arts channel in the early 1980s, for example, the CBS that William Paley built never went into the cable business.[7]

Something about the mindset of some companies facing the opportunities and threats of technological innovation may be illustrated by the stories described in *Maverick Inventor*, Peter Goldmark's memoir, which could serve as a cautionary tale. It describes the risks of avoiding opportunities to innovate because of a fear of creating competition for a company's current brand. A brilliant scientist born in Hungary, Goldmark and his team at CBS Laboratories invented the long-playing record and a form of color television later used by NASA. In the late '60s, Goldmark's team invented what they called the "Electronic Video Recorder," or EVR, which had some technical problems but was stymied in part by CBS's fears that the use of such devices could interfere with television viewing, the company's stock and trade. The team also invented a device to play recordings in automobiles which, according to Goldmark's account, was blocked by Paley who feared that it would reduce the time people spent listening to the radio, including to CBS stations, while driving. Both devices, of course, were later developed by other companies—by Sony, which marketed the U-Matic 3/4" videocassette in 1971, and by Phillips, which developed the audiocassette. In the end, CBS did not block competition. Instead, it failed to take advantage of a technological revolution.

Paley, who had been an innovative leader early in his career, failed to find a suitable successor. He sold the company to Larry Tisch, a brilliant investor who owned companies ranging from the Loews Hotels to insurance companies to Lorillard Tobacco. As summarized by *Forbes Magazine*, Tisch came along in 1986 as "a so-called white knight for CBS, buying a quarter of its shares and defending it from the clutches of would-be raiders such as CNN's Ted Turner and Republican Sen. Jesse Helms. His stewardship of the network was controversial as he sold assets, fired news reporters and cut costs before selling the network to Westinghouse in 1995 at a sharp profit."

Four years later, Westinghouse sold CBS to Viacom, a much more innovative company that had built or purchased such cable franchises as Nickelodeon and MTV. Ironically, Viacom had its origins as the program syndication arm of CBS, distributing shows such as "I Love Lucy." CBS was forced to spin it off into a new, independent company when the FCC adopted a rule prohibiting networks from owning and distributing programming. Over the years, Viacom became more entrepreneurial than CBS and ultimately swallowed its former parent. The moral: great media companies always need to be prepared to take advantage of developments and changes in technology, demographics, social tastes, and regulation. If they don't innovate, invest and grow, they may well be swallowed.

CBS was in good company. Of the four companies profiled in *The Powers That Be*, only The Washington Post Company still stands. The successors to Henry Luce sold Time, Inc. to Warner Brothers, which became a much larger company and then entered into a disastrous merger with AOL. Meanwhile, in the years following Otis Chandler's departure, Times-Mirror became a part of the Chicago Tribune Company which, in turn, was acquired by real estate entrepreneur Sam Zell.

Just as there have been losers during the years since David Halberstam wrote *The Powers That Be*, there have also been some remarkable winners. For their 2005 book, Mayo and Nohria asked a panel of 7,000 business leaders to list the top 100 business leaders of the 20th century.[8] Six people known largely or primarily for the success of their news operations made the list: Henry Luce, Ted Turner, Adolf Ochs, Katharine Graham, William Randolph Hearst, and William S. Paley.

They also provide their own list of the most important entrepreneurs, managers and leaders for each decade. Early in the century, the lists are crammed with news leaders. For the first decade, Charles Curtis, who created *Ladies Home Journal* and the *Saturday Evening Post* is the subject of the book's first profile, and he is joined on the list that decade by Conde Nast, E.W. Scipps, Hearst, Ochs, and Harrison Gray Otis. For the next decade, they include Harry Chandler (Otis's son-in-law), Robert McCormick (who built the *Chicago Tribune*), and McCormick's cousin, Joseph Patterson (*New York Daily News*). In the 1920s, they include Luce, Samuel I. Newhouse, Paley, and DeWitt Wallace (*Readers Digest*). David Sarnoff, who built RCA and NBC makes the list for the 1930s. A long list for the 1940s includes Walter Annenberg (*TV Guide*), John H. Johnson (*Ebony*), Leonard Goldenson (ABC), Bernard Kilgore (*Wall Street Journal*), Helen Reid (*New York Herald Tribune*), and Dorothy Schiff (*New York Post*).

For the 1950s, the authors add Hugh Hefner (*Playboy*). The 1960s feature Tom Murphy of Capital Cities/ABC, Sumner Redstone, who built Viacom, Turner, Robert Guccione (*Penthouse*), Graham, and William Kirby (Dow Jones). The only name for the 1970s is Earl Graves who started *Black Enterprise Magazine*. The 1980s includes Christine Hefner (*Playboy*) and J. Richard Munro (of *Time*, which had become Time Warner), as well as Robert Johnson (Black Entertainment Television) and Oprah Winfrey, both of whose companies do some journalism. Not a single name connected with great journalism appears on the list for the 1990s. Needless to say, the lists are neither authoritative nor comprehensive. But even if some prominent names are missing, the list illustrates that the past few decades have witnessed a decline in role of journalism as a business and as a source of great entrepreneurs, managers and leaders.

Surprisingly, Mayo and Nohria omit the name of the man who is probably the most creative leader in journalism today: Rupert Murdoch.

During the past few decades, no one has understood the value of growth, innovation and investment as well as Rupert Murdoch. Starting with his roots in Australia, where in 1953, at the age of 23, he inherited the Adelaide *News*, a paper with a circulation of 100,000, he quickly built an empire that included a chain of Australian papers by the time he was 30, bought London's huge *News of the World* in 1968 as well as the *Sun*, now the best-selling English language daily in the world, and he expanded to the United States when he bought the *San Antonio Express* in 1973 and then the *New York Post* in 1976. Quickly moving from print to other media, creating an international empire in the process, he built direct television satellite companies in Europe, Asia and the United States, bought 20th Century Fox, purchased channels in the major television markets, used Fox and his stations to create a fourth television network, and bought Harper Collins, moving into book publishing. When he couldn't purchase CNN, he started the Fox News Channel, which stunned many skeptics when it far surpassed CNN in viewers. Seeing the power of ESPN, he started the Fox Sports Network. Though he may not have understood all of the implications, he knew that social networks were an invaluable commodity; some thought he paid too much for MySpace, but within a year he appeared to have gotten a bargain. Some said that he paid too much for Dow Jones, but many observers believe that he is the one man who can get full value out of the company. With admiration and derision, he has been called a buccaneer and a pirate. He is unquestionably a visionary, willing to hire talented executives, to support creative talent, to take risks, and to explore new media frontiers.

By the standards used by Mayo and Nohria, Murdoch would seem to be a true leader. But by the standards of great journalism leaders, he has yet to meet the mark. He has met the first set of standards brilliantly, but he has yet to prove his commitment to great journalism.

When Murdoch won control of the *Wall Street Journal*, many observers doubted that he would maintain or increase the quality and objectivity of its reporting. "Good journalism for an intelligent general audience is hard," *New York Times* executive editor Bill Keller told *The Observer* in an e-mail that took a light stab at his new adversary. "And we're really good at it. Taking on *The Times* is not as easy as waving a credit card and proclaiming yourself 'fair and balanced.'"

Critics pointed to his record with the *Times of London*, a money-losing world class publication, sometimes called the newspaper of record, which tripled circulation under his ownership but, in the eyes of many, ceased to be a great paper. For many, the story of Murdoch's role as an owner was framed by the portrait in *Good Times, Bad Times*, Harold Evans' account of his experiences and observations as the paper's former editor. Evans came to the *Times* as something of a journalism celebrity, known for inspiring outstanding investigative reporting as editor of the *Sunday Times*, including its pathbreaking stories about the birth defects caused by Thalidomide. To Murdoch's credit, he hired Evans to run the *Times of London*. But by Evans' account, the credit ended there.

"[Murdoch] guaranteed that editors would have control of the political policy of their newspapers … that the editors would not be subject to instruction from the proprietor on selection and balance of news and opinion … that instructions to journalists would be given only by their editor," Evans wrote. "In my year as editor of the *Times*, Murdoch broke all these guarantees."

As the *Journal* itself noted on the day that Murdoch completed his purchase of Dow Jones, "Opponents of the deal called it a dark day for journalism. Leslie Hill, a [Bancroft] family member who opposed the deal, resigned as a Dow Jones director late Tuesday afternoon. In a letter to the board, she conceded the deal was a good one in financial terms, but said it failed to outweigh 'the loss of an independent global news organization with unmatched credibility and integrity.'" While they ultimately agreed to sell their controlling interest in Dow Jones to Murdoch, the Bancroft family was sufficiently concerned about such reports to insist that Murdoch agree to create a special committee composed of leading journalists who would help to assure that the paper retains its credibility.

Murdoch's supporters point to the *Australian*, Murdoch's quality broadsheet based in Sydney. If he intends to be a great news leader, the *Wall Street Journal* will provide Murdoch with the chance to create a lasting legacy.

Are Great Leaders of Journalism Companies Born or Made?

The surest path to news media control is through inheritance, and some of those who have been born to the company or industry have been outstanding mangers and leaders. The Mayo and Nohria list, for example, includes Harry Chandler, Robert McCormick, Joseph Patterson, Katharine Graham, and

Christy Hefner, all scions of leading media families. David Halberstam would certainly add Otis Chandler to that list, and in this generation one might add Donald Graham and Arthur Sulzberger. In addition, Ted Turner started with his father's billboard business, which he took over at the age of 24 after his father's suicide; William S. Paley was 26 when his father bought a small group of radio stations largely to promote his cigar business; and Rupert Murdoch inherited his first paper at 23 when his father died.

Some major journalism organizations have found corporate leaders in the newsroom. After the remarkable success of Bernard Kilgore, who came from the newsroom to lead the Dow Jones company from 1945 to 1966 (and to increase its circulation from 33,000 to more than one million), the Bancroft family decided that the company should be run by an outstanding journalist, not a business executive or member of the family. When Nelson Poynter put the assets of the *St. Petersburg Times* and his other publications into what became the Poynter Institute for Media Studies, he also created an unusual succession plan: voting rights to the controlling stock belong to the Chairman of the Poynter Institute, the top executive, who names his successor. Poynter also made it clear that he was deeply concerned about teaching the business side of journalism because, as he explained "there is a direct relation between excellence and profit." But those chosen as the company's leaders have all come from the ranks of journalism, not business.

Most companies expect people with a background in law or business to become the successor leadership. That was the pattern at three of the five companies in *The Powers That Be.* Otis Chandler was succeeded by Bob Erburu, a leading corporate lawyer, and then by Mark Willes, who came to the company from General Mills with no background in journalism. From 1946-1971, William Paley enjoyed an enormously successful partnership at CBS with Frank Stanton, who had a Ph.D. in psychology; but Paley refused to retire, forced Stanton to step down as President, and proceeded to install and then force the resignation a series of business executives, including Arthur Taylor, John Backe, and Thomas Wyman, before selling the company to businessman-investor Larry Tisch. At Time, Inc., Luce installed Andrew Heiskell, who had spent almost his entire career on the business side, as the company chairman.

Whatever their background, creative and successful leaders of journalism tend to understand the threats and opportunities created by changing technology, government regulations, the law, evolving public tastes and media use habits, demographic trends, and creative partnerships. They also have a profound understanding of the special role of journalism in society and a commitment its role in their company as a public trust.

They have much in common with other great business leaders. But what sets them apart is their willingness to stand up to government when the public's need for information demands it, and to use a disproportionate share of their resources to support and at times subsidize the needs of their newsroom, even when shareholders might wish them to beef up the bottom line. As we reach the last third of the first decade of the 21st century, we can hope that some such leaders will set a new standard for excellence, making the next list of leaders for Mayo and Nohria and offering a bright chapter to an enterprising journalist who wants to celebrate this era's powers that be.

Endnotes

[1] David H. Weaver, Randal A.Beam, Bonnie J. Brownlee, Paul S. Voakes, and G. Cleveland Wilhoit, *The American Journalist in the 21st Century: U.S. News People at the Dawn of a New Millennium* (Mahwah, NJ; Lawrence Erlbaum Associates, 2007).

[2] *Ibid.*

[3] In 1923, Villard produced an equally powerful critique of the decline of the press. Writing in *Some Newspapers and Newspaper-Men,* he complained of "the commercialization of what should be the noblest of professions." Although he noted that there were exceptions that provided reason for hope, he said, "It is inconceivable that so great a Republic should find itself unable to secure for its voters that stream of unbiased and truthful news without which an electorate can be neither informed nor intelligent."

[4] For industry observers, that news was offset by troubling quarterly reports elsewhere, including a 10.5% third-quarter drop at Gannett and a 54.7% slide at McClatchy.

[5] In *The Vanishing Newspaper*, Philip Meyer usefully describes another aspect of influence, arguing that newspapers have two kinds of influence: "society influence, which is not for sale; and commercial influence, or influence on the consumer's decision to buy, which is for sale." He goes on to argue that "the beauty of this model is that it provides economic justification for excellence in journalism."

[6] Of course the fact that a foundation is owned in whole or in part by a foundation does not, of itself, assure that its primary motive will be the public interest. Foundations are major shareholders in a number of publications that follow a conventional profit-oriented model as well as the influence model. For example, the McCormick Foundation was the largest shareholder in the Chicago Tribune Company up until the time that it was acquired by Sam Zell. But the foundation was not known to use its influence to challenge the company's profit or Wall Street model of ownership.

[7] The failure to take advantage of such advances is not confined to the private sphere. In the early days of satellite broadcasting, the Corporation for Public Broadcasting played an innovative and important role by funding satellite delivered programming for radio and television stations. But in 1980, when public broadcasting could have created a very valuable cable franchise, it failed to do so. A study called "PACE—A Proposal for a Non-Profit Cable Network," strongly recommended that CPB create such a service, but the stations, concerned about competition from a national service, objected, and CPB and public broadcasting passed up the chance to be at the forefront of the cable era.

[8] Anthony J. Mayo and Nitin Nohria, *In Their Time: The Greatest Business Leaders of the Twentieth Century* (Boston, MA: Harvard Business School Press, 2005).