



HORIZON WATCHING INITIATIVE



Strategic Imperatives for Newspapers

Achieving Strategic Alignment

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ACHIEVING STRATEGIC ALIGNMENT

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Foreword

Running a newspaper company has never been more challenging. In addition to the massive undertaking of producing, manufacturing and delivering the traditional newspaper every 24 hours, newspaper executives wrestle with new demands: nurturing a growing digital news enterprise, stimulating innovation and launching new products, meeting imperatives for profit growth and expense reduction, striving to get top performance out of overtaxed employees and managers.

It doesn't leave much time for contemplating the future, assessing what new forces may be gathering, what changes in reader and advertiser needs and preferences will have on our business.

That's where NAA's Horizon Watching Initiative comes in. Established to provide the industry with an eye on the future, the initiative has helped identify technological and competitive forces reshaping the industry and articulate strategies for successful adaptation to this new media environment.

Last year, the NAA Board Committee on Industry Development, which oversees the Horizon Watching Initiative, published a revised and expanded set of 10 strategic imperatives for newspapers, with the promise to drill down on them, flesh out the implications for strategy and highlight examples of media companies that are beginning to execute the recommended approaches. Three reports will be issued this year to expand on these strategic imperatives:

- Align the organization with the strategies, including roles, processes, structure and talent
- Adopt a multimedia mindset, viewing the business as a portfolio of products and services with different business models, pricing and distribution strategies
- Build world-class sales and marketing capabilities

This report focuses on the first of these. We hope that the insights and examples here will help newspaper management teams gain greater insight into what alignment around strategy really means and profit from the experience of the companies that have embarked on it.

Keep in mind that, as urgent as the call to change is for our industry, most newspaper companies are still in the early stages. The examples here should be regarded as works in progress, dispatches from the front. None of the people interviewed for this report felt that her or his organization had every piece in place for comprehensive strategic alignment.

Yet they all are upbeat about the industry and convinced that newspapers committed to genuine change will succeed.

So are we.

—Randy Bennett

VP, Audience and New Business Development



Alignment: What It Means, Why It's Urgent

Automobile mechanics know the importance of having a car's wheels in alignment, precisely adjusted so that they are parallel to one another and perpendicular to the road. Proper alignment enables a car to run straight toward its destination, with minimal steering corrections and sure braking. Poor alignment can cause a car to drift to one side, making handling difficult, even dangerous—especially if you're traveling at high speed.

Similarly, successful execution of business strategy requires that all aspects of an organization be aligned with that strategy. The more difficult the challenge—the steeper and rockier the road to success, the faster the speed demanded—the greater the importance of alignment.

The need for rapid change and for impeccable execution against strategy have perhaps never been more important in our industry than today.

Pronouncements on the difficulties of our industry are pervasive, driven by disappointing advertising revenues, circulation declines and Wall Street's dissatisfaction with the performance of publicly owned newspapers.

Yet this is also a time of opportunity. Newspaper companies are uniquely positioned to take advantage of new digital platforms and reach new audiences, tap into new revenues.

True, the wolf is at the door—but for newspapers committed to change, Santa Claus may be standing right beside him.

"This is the time, right now, when newspapers are still the dominant medium in most markets where they operate," says Alan Horton, who chaired the Horizon Watching Project from 2001 to 2005. "They don't feel like it, but they are. This is the time we should be investing" in strategies that will enable us to meet competition head-on, rapidly grow our online franchises and maximize return of the core newspapers.

For some companies, maximizing return has mainly meant cutbacks. "This is the first time I've seen newspaper companies pull in their horns to the extent that they have and make cost-cutting the be-all and end-all," observes Horton, the retired senior vice president of Scripps newspapers, now chairman of the Scripps Howard Foundation. But absent a concomitant growth strategy, cutbacks can impair a company's ability to gain advertising and audience share—"and at the end of the day, that's what it's all about," he says.

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A key challenge for leaders in today's environment is "how to have strong, robust digital operations and continue to be as strong as possible with our newspapers as long as we can," says Mary Jean Connors, a former senior vice president of Knight-Ridder, now retired, who served on the Industry Development Committee. It requires becoming what she calls "the ambidextrous organization, and that's hard to do. But no one has given us a choice... That's the hand we're dealt, that's the hand we have to play."

Playing that hand successfully requires strategic finesse. In "Execution: The Discipline of Getting Things Done," authors Larry Bossidy and Ram Charan point out that "you can't craft a worthwhile strategy if you don't at the same time make sure your organization has or can get what's required to execute it, including the right resources and the right people."

That process of linking an organization's resources and energy to strategy is what the Horizon Watching committee called alignment.

The way in which strategy is supported speaks more loudly than the content of any business plan, no matter how well crafted.

"If you want to really see someone's strategy, take all their strategy books, missions, visions—take them all outdoors and make a big bonfire," says Eileen Shapiro, an author and strategy consultant. "The *real* strategy is the operating budget, the capital budget, who's been promoted, who's been held back."

"They had mission statements, vision statements, strategic plans that had nothing to do with what they were actually doing. These executives, who are very smart, were unable to see that what they were saying and what they were doing were disconnected."

Consider a newspaper's strategic plan that calls for a shift to 24-hour delivery of breaking news online. If no newsroom job descriptions are changed and if the year's capital investment is going for new insertion equipment, what does that say about the company's real strategy?

Consider a plan calling for a shift away from a hierarchical to a team-based company culture. If the people promoted into top executive positions are those using a command-and-control management style, what is the real strategy?

Disconnects between stated strategy and the way organizations are aligned to execute that strategy are common throughout the business world. Shapiro refers to such alignment failures as "split-brain thinking," borrowing a term from the neurological phenomenon in which patients who have suffered brain trauma can't make connections between what they see and what they think.

"I've worked across industries with very bright executives, and I've seen it play out time after time," says Shapiro, author of "Fad Surfing in the Boardroom" and the forthcoming "Bust the Fads."

"They had mission statements, vision statements, strategic plans that had nothing to do with what they were actually doing. These executives, who are very smart, were unable to see that what they were saying and what they were doing were disconnected."

Aligning an organization around new strategies takes clear vision and hard work, but it's the only way to achieve significant change.

Many business executives believe that achieving alignment means articulating strategy clearly and making sure it is thoroughly understood at all levels of the organization. That's an essential first step—but only the first.

The Horizon Watching steering committee identified four key actions that news organizations must take in order to achieve alignment:

- Create and foster an organization that encourages innovation and new product development, rewards risk and has a sense of urgency to win in the evolving media marketplace.
- Revamp performance-management processes and systems; re-evaluate the metrics of success (such as profit growth instead of profit margin).
- Revisit resource allocation practices.
- Develop better pipelines to key talent, and refine pay and benefit packages and rewards systems.

In the coming pages, you'll hear from newspaper executives who have taken steps to create strategic alignment in these and other ways.



A Sampling of Industry Initiatives

ENCOURAGE INNOVATION: THE BAKERSFIELD CALIFORNIAN

Executives at The Bakersfield Californian were ahead of much the industry in recognizing that, in order to thrive, newspaper companies needed to become more innovative and produce a wider range of products. So even before the odometer on the century had flipped, they had begun to try to create an organizational culture that valued innovation.

They established a Futures Committee that included some of their most talented staffers.

“That didn’t work,” says Richard Beene, President and CEO.

Undaunted, they revised their plans and established a Futures II Committee.

“That didn’t work either.”

The problem was that the people they were relying on to drive innovation were also the people they relied upon to put out the daily paper seven days a week, 52 weeks a year.

“This went on for a couple of years. We would create some new products internally, and invariably they would either fail or struggle mightily,” Beene says. News would start a new product or section with no new resources. The ad department was expected to sell more products with the same number of people.

“In retrospect, we saw that what we were trying to do was layer more work on people who already were busy.”

So at an executive retreat a few years ago, they decided that the only way to drive innovation was to put proper resources to it. “As the first step, we carved out people from the existing company and created a new products group. . . of four to seven

people whose sole duties are to work with research and data to find opportunities for readers or advertisers and build new products on new platforms.”

New product team members are skilled in market research, project management, digital editing and niche sales. About half came from the core paper and half are new hires.

In creating the new products group, the executive team also made the commitment to invest 1 percent to 1.5 percent of their top-line revenue into this new product group every year. “This takes it out of this hand-to-mouth situation”—the death

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of many new-product generation efforts—“by providing an ongoing funding cycle that feeds this group and allows them to do their work,” Beene says.

At the same time, executives recognized that “you can’t put people in conflict with their compensation.” They put the investment in innovation below the line, so that losses in new products would not have a negative impact on the bonuses of middle and senior executives whose compensation depends on hitting their numbers.

“We thought that was really important,” Beene says. “We wanted to create a structure that rewarded innovation and

creativity and also encouraged risk-taking.” Putting the expense of the innovation efforts below the line removed the temptation for executives to cut R&D funding in order to make their budgets.

“Once you start spitting out products, then you have to find a home for these products,” Beene notes. “You couldn’t just dump more work on the folks working hard now.”

So they created two new companies—Mercado Nuevo and Valley Direct—where new products are housed. With some 20 employees, Mercado is home to five niche products that

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primarily serve the Bakersfield ZIP codes. Valley Direct has about 30 employees; in addition to providing the home for the community weekly Tehachapi News, it is also the base for the company’s growing business in community phone directories.

The Mercado and Valley Direct offices are outside the main building, and they have separate compensation scales and benefit plans. “The entrepreneurial spirit there is great to see—they just don’t have the baggage” that sometimes hampers innovation inside a traditional business, Beene says. “They work on anything and

everything, set their own schedules; they’re not hung up on who does what, is it my department or your department.”

Staffers for the new entities were hired from outside. At a time when many newspaper companies have cut core complement, the Californian’s actually has grown by about a dozen employees in IT, systems support, product management and new product development.

Bakotopia, the Californian’s social networking site, came out of the new products group. Northwest Voice, one of the first products in the U.S. to capitalize on community contributions, also emerged from the innovation group. So did Mas, a glossy magazine aimed at Hispanic readers. All became profitable in their first year.

“We set pretty strict timelines for new products to become profitable,” Beene says. These vary, ranging from 18 months to three years. Other key measurements are growth in market share and in new accounts. “While we recognize the need to give new products time to establish themselves in the market, you can’t fall in love with them and must know when to pull the plug.”

Beene is very pleased with the results of the innovation effort to date. As key success factors, he cites the dedicated resources, both funding and personnel, and the below-the-line accounting.

“It was a long journey to get here, and we’re still tweaking it,” Beene says. One element still to be addressed is how to engage employees who aren’t part of the new products group in the innovation effort.

“You just can’t wake up one day and decide, ‘We’re going to be innovative.’ . . . It’s not the people, it’s the structure. Structure dictates what people can do.”



USE METRICS: SCRIPPS NEWSPAPERS

Trying to align an organization around strategy without the right metrics is “like trying to go on a diet without a scale,” says Mark Contreras, senior vice president for Scripps newspapers. “If you try to do something and you can’t measure it, it’s really hard to do.”

Scripps’ newspaper division relies on metrics to help drive its strategic imperatives across its 28 daily and community newspapers and related businesses.

“Generally, when you can have people in a system, in any kind of a company, that allows them to see how they are doing relative to their peers, good things happen.”

Scripps has five strategic initiatives across the newspaper division: grow advertising share; grow profit; increase online audience and revenues; grow the number of voices in print and online; and stabilize print circulation.

“Those are things that will drive the value of a newspaper franchise,” Contreras says. “Those are easily measurable.”

Each month, each publisher receives a report of as many as 50 pages, detailing how her or his property is doing relative to other Scripps papers, and how Scripps’ performance compares to that of other publicly traded newspaper companies. The data is deep across all aspects of the strategy.

“On a monthly basis, we dissect different categories of ad revenue and how they have performed year over year. Each publisher will get how they compared to the rest of their peers on each category of classified, preprint, ROP, special pubs.”

For online, metrics such as unique visitors and revenue per unique visitor are tracked. Total online revenues are divided “into 10 to 20 buckets, so that as this revenue source grows, they can see on a granular basis how they compare to their peers.”

Data at this level focuses attention on performance, Contreras says. “It does focus publishers’ time. For publishers who are good operators, it’s the best thing you can have.”

But the metrics drive more than operational excellence, Contreras believes. They also drive change.

In January, the Scripps team went through the financial history of each division, looking at news expenses and sharing the

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data with every editor and publisher. “We’ve come to this point reluctantly,” Contreras says. “I don’t like spending any of my time talking about expenses; I’d rather talk about growing revenue and new products. But the last six months, especially the last three months, have put some smelling salts underneath my nose about areas where we need to change radically.”

Many newsrooms today are twice the size they were in the 1960s and ’70s, he says. From the 1970s into the ’90s, revenues provided the “jet fuel” to expand newsrooms. “But the huge rocket that took us to the moon—classified—has come back to Earth.”

Contreras sees a clear need to “morph our content-delivery model to have fewer fixed costs and more flexible, variable costs.” Payroll and benefits are any news department’s largest expenses, and “every time we can spend more on non-

traditional sources of news-gatherers, it will have a beneficial effect on financials.”

Apart from reducing cost, the strategic initiative to increase the number of voices in Scripps papers will have a beneficial effect on content “when we open up to community voices and a wider array of stringer and correspondent voices,” Contreras says.

Scripps has offered some employee buyouts this year but has not mandated any across-the-board reductions in news personnel. As of January, the company began adding a report to the monthly packet showing how many people were hired,

Limiting the number of strategic initiatives and keeping them consistent over time makes it easier to spot alignment gaps – and makes it clear to managers what their objectives need to be.

terminated or transferred—information intended to help publishers make appropriate decisions about news staffing in the context of what their peers are doing.

The right metrics can also help you see gaps between strategy and how your resources are aligned, Contreras says. An analysis of the number of retailers in the markets and

the number of sales reps showed that “we were woefully understaffed,” he says. “It was a ridiculous number. . . We’ve gone from 305 in January ’05 to 425 in January ’07” across 14 newspapers. Now the data on the number of sales feet on the street are reviewed quarterly.

Limiting the number of strategic initiatives and keeping them consistent over time makes it easier to spot alignment gaps—and makes it clear to managers what their objectives need to be, Contreras notes. “We’ve had these same strategic initiatives in place for several years now. It would be very easy to have a new corporate initiative one year, and it gets supplanted the next year with something totally different, and the first one gets forgotten about.”

This year, Scripps is taking a step toward tying executives’ compensation more closely to strategy. Last year, bonuses were based 90 percent on meeting cash flow goals and 10 percent on circulation goals. For 2007, 60 percent of bonuses will be tied to cash flow, 20 percent to online revenue, 15 percent to the aggregated online and print audience and 5 percent on submitting at least four ideas to Scripps’ innovation initiative.

Consistent strategic goals tracked with the right metrics: Contreras believes the success of this approach is clear. Last year Scripps grew advertising 3.3 percent, the best advertising revenue performance of any publicly traded newspaper company.



REVAMP PROCESS: THE DALLAS MORNING NEWS

When Jim Moroney became publisher and chief executive officer of The Dallas Morning News in 2001, he was surprised to find that the responsibility for acquiring and retaining customers was a part of the circulation department, and not a marketing function.

“What I really envied about newspapers, coming out of the television business, was that they could have one-to-one relationships with your customers. In TV, you don’t know who’s watching. I was a bit confused, even perplexed that we didn’t seem to be using this [knowledge] in our customer acquisition and retention efforts.”

Moroney observed that newspapers spent a lot of dollars on acquiring customers and very little on retaining them. “‘Pressure starts’ was the way we described many of our acquisition channels. I found myself thinking, ‘Gee, if we have to put so much pressure on people to start our paper, how confident are we that they really want it?’”

Long a fan of database marketing, he felt that the newspaper needed to move toward a more sophisticated acquisition and retention model built around database capabilities.

“That required people with a marketing background. At the same time, I wanted to improve our distribution and find ways to do it more productively and efficiently.”

So Moroney dismantled the News’ circulation department. Now, all aspects of customer acquisition and care are under the marketing department. The remaining circulation functions reside in a department called distribution.

Virtually all of the resources that circulation had for customer acquisition were transferred to marketing. “This move was all about bringing up-to-date marketing sophistication to our acquisition and retention efforts,” Moroney says. “We were not trying to cut expenses in doing this.”

Before the change, the circulation department had 178 FTEs and marketing had 46. Now, 98 people work in distribution and 103 in marketing. The net difference in 23 fewer employees represents other restructuring actions unrelated to the change of responsibility for subscriber acquisition and retention, Moroney notes.

“What I really envied about newspapers, coming out of the television business, was that they could have one-to-one relationships with your customers.”

Separating the circulation functions into marketing and distribution has facilitated new successes in both areas. The Morning News now distributes USA Today in its market and has other distribution agreements in the works.

In marketing, “we are really getting away from a channel-driven strategy—how we use the telemarketing channel, the crew channel, the direct-mail channel—to looking at the audience and asking what the best channel is to acquire those audiences through,” Moroney says.

They hired a marketing firm to conduct a segmentation study around the question of how people in the market get their news and information. “We used that segmenting to identify who our core customers were, who our most likely customers to acquire could be.” Then they began experimenting with messages and channels, using database tracking tools to get real-time information about how each campaign was working.

“We experiment with core groups using different messages, and we have the computer tools to bring that data back much more quickly. We can put more resources behind the message that gave us the highest return.”

This kind of marketing analysis simply wasn't a core competency of the traditional circulation department and couldn't have happened with the old processes in the old structure.

Preparing the organization for such a big change took time. Even though the strategic imperative for changing the customer acquisition responsibility was clear to him early in his tenure, Moroney found considerable internal resistance. Since he was new to the industry, he decided to take some time “to try

In talking about the keys to effecting the change, Moroney emphasizes that “we didn't just pull the plug overnight; it was staged over time.”

to understand why things were the way they were, because maybe there were very good reasons for that.”

In conversations with managers in the company, he heard two things: “One, that this was just the way it had always been done, and two, that there were some urban legends around newspaper companies who had tried to move this function from circulation into marketing and had disastrous results and then had moved it back again.”

After some management changes, Moroney finally felt he had a circulation and a marketing director in place who could make the significant structural and process changes needed. “I felt there was the right mutual respect and collaboration between them that we could make this handoff in a way that didn't hurt our subscriber acquisition and retention efforts.”

In talking about the keys to effecting the change, Moroney emphasizes that “we didn't just pull the plug overnight; it was staged over time.”

“Number one, I talked about this for at least two years before we did it. I kept talking about why I thought it was important... the organization got used to hearing it from me.

“And number two, I did it only when I felt I had leadership in both departments aligned around a common goal—that is, what was best for the newspaper, not what was best for their departments. They understand their responsibility is to the greater organization, and sometimes they need to give up things for the greater good.”

Though he calls the results “very preliminary,” Moroney says he is “absolutely” pleased with them. “You'd always like to have things up and running faster, but I think we did it in good time, based on how much effort goes into it.”

“I'm pleased that we've had some surprises. We've worked with two or three different campaigns, and we expected number one to give us the best return. The surprise was that the one we didn't expect was really the best one.

“That tells us that these tools are going to make us better. Intuition, while good, isn't as good as our intuition plus tools.”



REALLOCATE RESOURCES: THE ST. PETERSBURG TIMES

Joe DeLuca was frustrated. Eighteen months after creating an integrated marketing plan for growing the audience for the St. Petersburg Times' Tampa Bay edition and related products, little had happened.

"Everybody had signed up for it," says DeLuca, Tampa publisher and vice president of the St. Petersburg Times. "But it took a year to implement stuff that should have taken three months. The resources were tied up in different goals people had, so [action plans] took too long to filter down."

The plan called for growing audience across online and targeted print products as well as the core newspaper. "We need to aggregate audience. We cannot get the audience we deserve in that market by just building the circulation of our daily paper."

The plan included "all kinds of external promotion, including face-to-face marketing and events, and so forth. Even though we all agreed to it, when it came to tactical execution, we had to go to 27 different places in the organization to make it happen.

"I couldn't get it done, as strong as the relationships I had were, as much as the support and commitment, we just couldn't make it happen."

So he and his colleagues on the Times' executive team began to look at the barriers blocking implementation.

As part of their situation analysis, the team took a snapshot look at the materials that had been produced for various audience development activities. "We looked at two weeks of stuff that had gone outside the organization, from a TV commercial to a cable spot, letters, signage, house ads, everything. We gathered it all together and put it on a story board, and it looked like it was from 10 different companies."

Responsibilities for growing audience for the core paper, tampabay.com, the free-distribution tbt* and other products were spread

across departments. "If you wanted to create a balanced approach to growing audience, you had to go to each of these areas. . . . They all did their own thing. If you aggregated all the dollars we were spending on marketing, including trade, it was like \$20 million a year—yet if you talk to anyone in the organization they would say we are doing a lousy job of marketing."

The team decided that, to support the audience development goals, a radical change in structure and resource allocation was needed. DeLuca had attended the Advanced Executive Program in the Media Management Center at Northwestern University in 2005, where he had been part of a team working on a concept for organizational architecture around audience acquisition. He and his colleagues started refining that idea.

They are in the early stages of establishing a new Department of Audience Development. It consists of four brand managers, a marketing support manager and a manager for finance and administration under a director of audience development who reports to the vice president for sales and marketing.

The first step in creating the new department was to dismantle the former circulation department.

Traditional circulation departments have three basic functions: sales and marketing of the paper, providing delivery services and handling such business functions as contract administration and verification of numbers for ABC reports.

"Those functions call for very different core competencies," DeLuca says. "Newspapers really struggle to find circulation directors who are as good at, say, marketing as they are at operations."

So they decided to move the functions into the departments where the core competencies reside. Delivery is now part of operations, administration and reporting have moved to finance, and the sales and marketing function is now part of the new audience development department.

Though the new organization is still under construction. DeLuca is high on the prospects for its success.

“We have not had brand managers before. . . Their job is to be the foremost expert of the audience of the product they’re responsible for. They work with the person responsible for that content and create an integrated marketing plan. They stay on top of the research, make sure we are evolving content that drives that audience, that the growth plan is focused on the target we are trying to reach, where the advertising folks have said they can get a return on it.

“One of the things we’re trying to teach the organization is that audience growth for the sake of audience growth is not where we’re going. We want advertising goals to drive audience development.” Reaching 5,000 more print or online customers within the Tampa MSA, for instance, provides a much greater return than if those customers are scattered in more distant counties.

Richard Reeves is excited about the way in which the new structure will open new conversations—and new marketing possibilities. “The Times’ brand manager is to be embedded in news, talking with people about what we should be promoting, what’s coming up in the next week, how can we gain audience,” explains Reeves, the vice president for sales and marketing, to whom the new director of audience development will report.

“The beauty of this to me is now you picture that same Times brand manager coming back to the brand managers’ meeting,” talking with the brand managers for tampabay.com and the free-distribution tbt*. “I imagine them saying, ‘If that’s what’s happening over there, I can take advantage of that. How do we get this on tampacy.com and push it out there further? Do I do this a day later, do we come out a day early? How do I let somebody know we’re about to put additional hurricane information out there, this brand new stuff?’”

Those brand managers will then take the ideas to the editors for their products and decide how best to promote, repackage and present it to their audiences.

While the new model is still under construction, with some key positions yet to be filled, the change already has brought some positive lessons.

Making sure everyone in the organization saw the problem was a

key factor in gaining consensus around the solution, DeLuca says. When they couldn’t implement the audience development plan everyone had supported, “that resonated with people,” he says.

“So far we’re doing a good job telling the story. Before we went to this org chart, there was almost unanimous consensus we needed to fix this.”

A second lesson came with the realization that they were investing far more money in marketing than they had realized. When talking about the size of their marketing budgets, most newspaper executives think only about what is in their marketing departments, in the advertising and promotion budget. “Most people don’t go to the circulation budget and add the two together,” Reeves points out. “When it’s away in the silo, it’s hard to get at it.”

But if you think about “marketing” in its larger sense—not just advertising, but the way in which newspaper companies take their products into the market—the millions of dollars spent on trying to acquire and retain subscribers and single-copy buyers is a huge asset. Adding the dollars together “helped us get to a different place” mentally, Reeves says, which led to new ideas for taking advantage of an enormous resource.

“I think that one of the hard lessons for our business is that you’re not going to take one product and be all things to all people,” as newspapers were—or at least thought they were—in the past, Reeves says. Yet, he notes, the tremendous assets newspaper companies have—“we know how to write, we have relationships with hundreds of business, we know how to print and deliver stuff”—make it possible to invent multiple ways to reach customers and serve advertisers.

DeLuca agrees. “We have this huge opportunity. A thousand people a week are moving into this market. But we weren’t nimble enough to seize the market opportunity because of the way we were structured. We had an organizational structure built to publish and sell newspapers. If you have a new business, and you don’t bring the full heft of organizational resources to grow it, how can you win?”



Reorganize: The News & Observer

As executive editor and senior vice president of The News & Observer, Melanie Sill is charged with executing a key component of strategy: to operate the leading news Web site in the market.

But some months ago, she concluded that the newsroom's structure was getting in the way of that.

"I use the analogy of our building," she says. Built decades ago to house the departments and press for printing a newspaper, "it wasn't designed for the work we're doing now. And our newsroom structure was the same—we were too sprawled out, separated, in silos"—and still oriented toward once-daily production, not the continuous news delivery made possible by the Internet.

In recent years, the News & Observer had gradually merged its online and print news departments, breaking more stories online and experimenting with new multimedia news formats. "We were trying to do all these things, but the structure we had didn't serve this very well, so it was time to change."

Staffers across the department were involved in brainstorming ways to improve the online news content. Taking advantage of the new medium's immediacy to provide continuous news online "is something everyone could see was needed."

So early this year, the N&O created a continuous news team to put breaking news and updates on the Web site over an 18-hour cycle every weekday. The team consists of a leader, who reports to the metro editor, and two reporting positions that operate on three-month rotations.

The team members' focus is on posting breaking news online. While they anchor some stories, "these are the folks watching WRAL and the other competition, getting the press releases, looking at what's coming up and making sure we're on top of the news," Sill says. With its focus on immediacy, the team's

work supplements that of the approximately six newsroom positions devoted to online content and of the online producers, who are not part of the 225-member department. In addition, all editors and copy editors are being trained to post news online.

Staffing for the new initiative came from existing complement. "We went through this process to figure out what we could let go of, or do differently," Sill says. Deciding what to stop doing was one of the most difficult challenges.

The N&O created a continuous news team to put breaking news and updates on the Web site over an 18-hour cycle every weekday.

Among the changes: Reducing the staff covering education from about eight FTEs to six and reducing the number of newsroom managers by about 10 percent to increase the number of reporters.

Though the reorganization is still in its early days, two lessons stand out in Sill's mind. "Some of the things I think we knew were going to be important we were right about—like trying to get people as involved and engaged as possible in the process as possible."

Eight staff committees worked on the reorganization plan, each with about six to eight members. Among them: a multimedia committee, which resulted in a new multimedia department

bringing together photo, graphics and multimedia producers; the print-online news committee, which led to the continuous news team concept; a “break down barriers” committee, which resulted in a rotating investigative position and ideas for increasing cross-department pollination, and a promotions committee, which developed ideas for more effectively promoting content and personalities in print and online.

Some of the ideas that worked best came out of the newsroom committees—and saying yes to their recommendations both raised the level of buy-in and provided substantive improvements. “We ended up with a better plan than we would have without this process,” Sill says.

Despite the inclusiveness, the change was emotionally difficult for many staffers. “Understanding how distressing all the financial uncertainty [in the industry] is to people in the newsroom—that’s the backdrop to anything you propose,” Sill says. “People are worried that they’re going to lose their jobs,”

even when a staff reduction isn’t part of an announced change.

“Grassroots staffers in newsrooms feel pretty helpless right now. We have to respect that.”

Though counseling support was offered as part of the change management plan, “I wish we had been able to do more listening about people’s worries and fears,” she says.

The initiative is in its early days. “The next step is to really start measuring and changing behavior and looking at the coverage to make sure we’re getting what we set out to get,” Sill says. “We’re counting the number of updates, doing some analysis of what we’re missing,” and asking such questions as “Why did the competition have that five minutes before us?”

“My main mission is to make sure we really have the change we set out to achieve with the reorganization. . . . We want to make sure that if things aren’t working, we’re not afraid to change it again.”



The Right Talent

■ FINDING THE RIGHT TALENT

Reaching the growing online audience has become a critical and central strategy for newspapers seeking to defend their news franchises and develop new advertising revenue streams.

“As we recognized that we had to grow online, we started to look at all the jobs that touched the web,” says Emily Chambers, vice president for human resources for **Cox Ohio Publishing** in Dayton.

“What are the skill sets necessary? Once you figure that piece out, where do you find those people?”

Chambers and her colleagues found some of them in their own back yard at the School of Advertising Art in Kettering. “When we saw the work coming out from that art school, we realized this is exactly what we’re looking for,” Chambers says. They now have a year-round internship program with the school, and it was one of those interns who designed DaytonDailyNews.TV.

Recruiting from an advertising art school instead of a traditional journalism school made some people uncomfortable at first, Chambers acknowledges. “But people can latch onto data”—especially results. “By bringing these designers into the organization, by getting the right people with the right talents, we have proved there are multiple ways and places to find skilled resources,” Chambers says.

To launch Bakotopia with the features and functionality the business plan called for, executives at **The Bakersfield Californian** decided they would need to create a new technology platform. Their staff didn’t have the skills to program the code they needed.

Nor could they find the right people in their own back yard—and when they did find them outside Boulder, Colo., they ran into a snag. Those talented young programmers didn’t want to live in Bakersfield.

“It was important for us—we needed that expertise,” says Californian CEO Richard Beene. So they hired the programmers as regular employees—and let them telecommute from a thousand miles and two states distant.

“They didn’t want to live here, didn’t need to live here,” Beene says. “We have become this technology center that is powering and enhancing these Web sites. That was totally different for us.

“This stuff, these guys, it’s a different breed. They thrive off challenges . . . they’re all young.” Incorporating staffers whose outlook, needs and habits are radically different is a major challenge, Beene notes. “It’s part of how comfortable newspapers are with owning their own technology—which is an increasingly important question.”

Some newspapers have discovered that it isn’t just *where* you look for that different breed of talent—it’s *how* you look.

When **The Roanoke Times** began searching for a new editor, hiring someone who could build on the newspaper’s award-winning multimedia journalism was a high priority. So instead of running conventional print ads or posting text on industry sites, the hiring team developed a multimedia advertisement, featuring news staffers and Publisher Debbie Meade talking about what they were looking for in an editor.

The catchy interactive ad drew attention on industry sites and blogs—but more importantly, it served to

shape the candidate pool in some new ways, Meade says. “We did get some people in the group who did not come up through the traditional lines.” Though the people who emerged as the strongest candidates probably would have surfaced in a traditional search, “that is not to say they would have applied. They were attracted by the ad because it gave them a sense of who we were. It said, ‘Look at us, we’ve won awards, transformed ourselves; we’re innovative.’”

The format of the ad also helped ensure that only people who want to work in a news operation like the Times’ would apply. “We didn’t run the risk that we would say one thing and people would think that we meant another,” Meade says. “People who didn’t want to think this way would self-select and not even join the pool.”

To view the ad, go to <http://www.roanoke.com/editorjob/interactive.html>.

■ REWARDING THE RIGHT BEHAVIORS

People do what they are rewarded for. In achieving strategic alignment, one of the most critical pieces to get right is to make sure that the activities and behaviors people are rewarded for are the ones that will advance the new strategy.

A key strategy at **The Virginian-Pilot**, as at many newspapers, is to stimulate innovation and develop more products outside the core newspaper. “We started with the premise that core newspaper growth is going to be flat to very slow at best over the next several years,” explains Publisher Bruce Bradley, who also serves as the president of Landmark Communication’s newspaper division. “There are lots of things we can do to make it flat rather than have it decline,” such as improving sales force effectiveness and cutting expense. “But if we are going to grow, we have to expand beyond the core, not just the core ink on paper.”

Bradley and his executive team examined all their non-core product lines and projected what profits, based on

current performance, each would produce in 10 years. Then they added 25% and made that a BHAG—a big, hairy, audacious goal—for growing non-core products.

Achieving it will take higher performance from existing products as well as creation of new ones. Most of all, it will take the energy and commitment of the Pilot’s managers.

So the plan includes a profit-sharing program, based upon improvement in profit over the previous year. If the profits grow up to 5 percent, a tenth of those incremental dollars will go into a pool to be divided among all the Pilot’s team leaders. At 10 percent growth or more, one-fifth of the incremental increase will be distributed to managers.

“Every team leader is eligible,” not just those who develop new lines of business, Bradley says. “The thought is that we want every team leader to be focused on innovation, defined as a way to improve the quality of whatever it is you’re working on, or figuring out a way to run your part of the business more effectively, or working with your team members to come up with new products and services.”

■ BUILDING THE RIGHT CULTURE

About a year ago, executives at **The Miami Herald** came up with a simple and elegant strategy that reaches across products, across platforms, across the two main languages of the market: “Reach everybody, every day, their way.”

A number of project teams were established to work on the new strategy, including a project on the kind of company culture it would take to execute it. “We brought together a group of people at all different levels from around the organization, people who understood the organization well enough to understand what the obstacles in the culture really were,” says Elissa Vanaver, the Herald’s vice president for human resources.

“We asked, ‘If you could pick three things we could do this year that would make the most difference in tearing

down some of the obstacles to having people move quickly and execute on the strategy, what would they be?” Team members reported that they found the management culture negative, hierarchical, even oppressive. Their top recommendation: Give managers 360-degree feedback—reflecting the assessment of their peers, subordinates and supervisors—and then hold them accountable for managing in ways that would break down silos, push decision making downward, and give people clear messages about strategy and expectations.

Vanaver and her colleagues wanted the feedback to be perceived as a developmental tool for managers, not a punitive device. They developed a 360-degree evaluation form for their intranet. Managers initiate the process, filling out a self-evaluation, and getting their peers and subordinates to rate them on the same dimensions. They develop their own action plan for addressing the feedback, which they work on with their supervisors. Participation is optional at this point, but the Herald is making it a part of their bonus structure.

Much of the value in the process comes when managers see the discrepancies between the way they view themselves and the way others see them. But Vanaver and her colleagues found another benefit in the program. “This becomes the definition of what constitutes a good manager,” she says. “It describes good management techniques . . . and communicates behaviors that will lead to success.”

A third plus was the impact on the employees who were on the project team. “One of the things that group struggled with was, ‘What do you want from us, what do you want us to produce?’ We kept saying, ‘You tell us what we need to do.’ They had never been on a task force where they could really execute.”

In addition to a sense of accomplishment and of having made a difference, team members also took away new insights about group decision-making, organizational dynamics and what it takes to change a company

culture. “At the end of the process,” Vanaver notes, “these people said, ‘Wow this was really incredible.’”

Another key element of the company’s culture—its diversity—also plays a critical role in supporting the new strategy, Vanaver notes. “If we want to reach everybody, every day, their way, having a workforce that is more than 50% white in a community that is 69% Hispanic isn’t going to work.

“Generational diversity is starting to play big, too,” she says. The company’s culture studies show that “people like to come here and stay here; we’re mostly old, boomers and older. You can’t run an online

“We asked, ‘If you could pick three things we could do this year that would make the most difference in tearing down some of the obstacles to having people move quickly and execute on the strategy, what would they be?’”

newspaper if everybody’s like that. You really need people who use products differently, think differently, bring different things to the table.”

The new generation of employees want different things from their employer, Vanaver says. “They want benefits they can use right now, not pension vesting. Work-life balance is very important to them. . . . One of the best things we can do is develop a broader array of work-life benefits. People walking in the door want flexibility. We need to build flexibility into the way we manage. That’s what’s going to keep the diversity.”



Ten Lessons Learned

Because many of the initiatives cited above are in early stages, we can't suggest that adopting them will guarantee success. But in looking across these alignment initiatives in progress, 10 important lessons emerge that may provide guidance for those seeking to make the transformation from newspaper companies to newsgathering enterprises.

1. Aligning an organization to support new strategies requires significant change—tweaking won't suffice.
2. Strategy isn't what you declare it to be—it's where you invest your resources, including executives' and employees' time, capital investment and operating funds.
3. In any alignment initiative, clear, continuous communication with all stakeholders is critical. Communication isn't just about explaining—it's also about listening, to gauge how well initiatives are understood and to understand what barriers people perceive.
4. Change is hard on organizations; be sure to provide opportunities for employees at all levels to air their concerns and even to grieve for what is being left behind.
5. Decisions on strategy and resources must come from the top. But the more you can involve front-line managers and staffers in deciding how to implement changes, the more likely the success.
6. The fewer the number of strategic initiatives in place, the easier it is to see whether resources are aligned appropriately.
7. In reallocating resources, one of the most difficult decisions is what to stop doing—but it's also one of the most critical.
8. People do what they are rewarded for doing. If you want a different result, change what you measure and make sure you are rewarding the behaviors you want.
9. The efforts of even the best, most change-oriented and flexible employees can be stymied by an outmoded organizational structure.
10. Alignment initiatives may benefit from outside support. Many of the companies cited here used consultants to help with their initiatives.



Next Steps

To see how well your company's strategy and its resources are aligned, here are some questions to consider:

BUDGETS:

- What percentage of capital investment is going toward new business v. the core newspaper?
- Over the past five years, how much of your operating budget has shifted toward new business v. the core newspaper?
- How much of a shift do you anticipate in the next three years?
- Does that shift match your projections for revenue from new businesses?

ORGANIZATIONAL ENERGY:

- What percentage of the time in your executive team's meetings is spent on strategy and discussions of new business v. core operational issues?
- How much time do you spend meeting with employees to discuss strategic direction and the need for change? How much of that time do you spend listening?

HUMAN RESOURCES:

- How much of your annual training budget is going to provide new skills and equip employees for change?
- When positions come open, what review process do you have in place to determine whether that position should be kept as is or reinvested elsewhere?
- What resources do you have in place to address employee concerns and provide mental and emotional support during major change initiatives?
- Take a snapshot of who has been promoted in the past year. Do the demographics of that group support your diversity goals? Do their talents represent the skill set you will need in the next five years, or the skill set that produced results five years ago?
- Consider the traits and characteristics of your most dynamic and valuable employees, and use that as a checklist in evaluating potential hires.



Resources

- NAA's Audience Development Initiative (www.growingaudience.com) and Horizon Watching Project (www.naa.org/horizon) offer numerous reports on the changing media and advertising market, as well as reports on such topics as long-term planning, building a high-performance workforce and the changing classified advertising marketplace.
- Newspaper Next is a project of the American Press Institute to research and test viable new business models for the newspaper industry. In association with the innovation consulting firm Innosight, N2 has issued a report and recommendations on how to restore growth in the newspaper industry and conducts regional workshops. <http://www.newspapernext.org>.
- "News, Improved: How America's Newsrooms Are Learning to Change" is a report on the \$10 million Newsroom Training Initiative funded by the Knight Foundation. In analyzing the results of several initiatives, the report suggests that a new strategic training model "drives innovation and audience appeal by improving newsroom culture and news content." <http://www.newsimproved.org>.
- "All Eyes Forward" is the report of "The Learning Newsroom" project, an effort to improve news organizations' ability to change, jointly sponsored by ASNE, API and the Knight Foundation. It details the experience of 10 participating newsrooms and offers "a curriculum that gave journalists the tools to break away from old workplace structures." <http://www.learningnewsroom.org/>
- In "Execution: The Discipline of Getting Things Done" (Crown Publishing, 2002) Larry Bossidy and Ram Charan offer a methodology for strategic review and linking strategy with operations.

About the Author

Kannon Consulting is a Chicago-based strategy and marketing firm focused on building "Outside-In" business and marketing strategies to help clients grow revenues in the changing environments they face. New competition, emerging technologies and the need to revitalize growth all create an increasing need for market-driven strategies built on rigorous, structured thinking. Kannon's analytical, collaborative and iterative approach helps address complex, multiple strategic options while offering actionable insights and solutions.

Wendy Zomparelli served as president and publisher of The Roanoke Times before joining Kannon as a senior consultant in 2007. With more than 25 years of experience as a journalist and newspaper executive, Zomparelli has been recognized for her insightful leadership and her ability to create high-performance organizations. She has been named the Reynolds Distinguished Visiting Professor of journalism for fall 2007 at Washington and Lee University. Wendy works as a member of Kannon's marketing and strategy consulting team. She also heads a new division, Kannon Performance, designed to help clients reinvent organizational structures, processes and practices to stimulate innovation and drive results.

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