



# Journalism, Value Creation and the Future of News Organizations

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## **Research Paper Series**

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### **Journalism, Value Creation and the Future of News Organizations**

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## Abstract

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News organizations in the United States are struggling to respond to technical and social changes that are disrupting the business models that proved successful in the twentieth century. The primary driver of change is that audiences are spending less time and money for news and this is affecting the willingness of advertisers to support news products.

Value concepts are rooted in moral philosophy and economics. However, news organizations produce intrinsic and instrumental value for society; however, this value does not necessarily translate into exchange value.

This study considers why news organizations are, at present, having difficulty creating value. It argues that journalism and the news business and argues it must improve value creation for five central stakeholders: consumers, advertisers, investors, journalists, and society. It examines why and how these organizations are delivering low value, shows why new value creation is needed, suggests ways to do so in the coming years, and argues that new value can only be created if news organizations adhere to fundamental values.

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# 1. INTRODUCTION

Changes in technologies, society, and media-use patterns are disrupting the business models that provided financial resources for news organizations in the twentieth century. Audiences are spending less time and money for news than in the past, and this affects the willingness of advertisers to support news products. The amount of news the public desires and the way it is consumed has and continues to vary widely. However, there is a clear collective decline in news consumption, and news organizations' roles in society are changing.

This essay investigates the reasons behind the changing state of the news business. It focuses on how news organizations create value and why they have difficulty creating as much value today as they did in the past. It applies concepts of value to the strategies and products of news organizations to show how their activities both create and diminish value.

Concepts of value are rooted in moral philosophy and economics, and both perspectives are central to discussions of journalistic activities. News organizations produce intrinsic and instrumental value, furthering the pursuit of truth, knowledge, self identity, and democratic participation. Those values, however, do not necessarily translate into exchange value, which is determined separately in the marketplace. This value problem is crucial to the challenges faced by news organizations today because American news organizations are primarily market-based enterprises and must produce exchange value to survive.

This essay uses a value creation approach to show why it is essential for news organizations to rethink their activities and approaches to journalism today in order to improve value creation for five central stakeholders: consumers, advertisers, investors, journalists, and society. It argues that the changing news environment requires commitment to and utilization of

fundamental values in creating value. Additionally it suggests ways news organizations can add value to their activities and products in the coming years.

## 2. AN INDUSTRY IN TURMOIL

Regular consumption of news is central to the political and social philosophies of liberal democracies and to the existing business models of news organizations. Unfortunately, such regular news consumption is an aberration rather than normal practice. The rates of news consumption are declining precipitously, thus endangering the future of news organizations and their ability to serve their functions in society.

For more than a hundred years the *business* of news organizations has not been content. From the business perspective, contemporary concerns about the industry are not fundamentally focused on content changes or changes in consumption, but rather on the effects of those changes on the business model of delivering audiences to advertisers. From a social perspective, concern focuses on how those changes affect the ability democratic societies to exist. The United States and many other liberal democratic societies serve their communication needs primarily through privately owned and operated media. In the case of these groups, therefore, the two perspectives are inextricably intertwined.

We must not fool ourselves about the importance of news in the lives of citizens/audiences. The reality is that the average person is not now—and never has been—deeply interested in news. For most readers, viewers, and listeners, news consumption is brief and consists primarily of scanning major developments. Most people have only a superficial awareness of major occurrences and other things about which they should be concerned. In the past this lack of interest in news was not a problem for news organizations because the options for audiences to get news, information, and entertainment were limited. In order to promote the consumption necessary an audience, news organizations provided large quantities of content that interested consumers, such as human interest, sports, lifestyle, and entertainment material, as

well as advice and hobby features, comics, and games. Today, there is an enormous variety of choice among content delivery systems and different content providers. Many provide non-news content better than news organizations and serve the undemanding news consumption requirements of the average consumer adequately and at no charge. These other content providers have progressively drawn readers, viewers, and listeners away from news organizations' offerings and are destroying the value that made the business model work in the twentieth century. These changes compel those who see the industry as more than a business to consider fundamental questions of how news organizations create value and what must be done to improve value creation to keep them viable.

This examination considers value creation in journalism, why and how perceptions of the value of news and information are changing, and what the changes portend for the future of established news organizations and their traditional role in democratic processes. The impetus for the study involves questions of why large numbers of consumers are willing to pay for entertainment but not news, and why many do not use news even when it is provided free or at a low price.

News organizations today are confronted with social and economic conditions that threaten their sustainability. Their historic stability and position in society has eroded significantly and news executives are struggling to find means to regain stability and relevance. Innovation efforts in news organizations are at their highest levels ever; unfortunately, these efforts have been spectacularly unsuccessful.

Hundreds of millions of dollars have been spent redesigning newspapers and creating content designed to appeal to marginal readers. Today newspapers are better designed and more reader friendly than ever before. Television news organizations have the technical capabilities to

provide news and information from anywhere in the world with greater speed and in better forms than in the past. Broadcast news providers reach audiences through program slots in general content streams, specialized channels, and through new technologies. New technologies allow news and feature services to distribute content more rapidly than ever before. Never before has so much news and information been available. Across news media, innovative news gathering and dissemination practices have been introduced and efforts have been made to break down walls between news departments and business, marketing, and advertising departments in efforts to deliver news and information more effectively and profitably. These efforts have created mechanisms that allow much better ways to track and learn about audiences than existed before. Yet none of these factors are solving the fundamental rejection of news and information by audiences, which has been growing during recent decades.

The changes introduced in news organizations in recent decades have been highly limited, cosmetic, and weak, preserving a gilded age of journalism, soothing investors and giving the impression of active managerial responses to the changing environment. Concurrent with the limited innovation efforts have been a constant and deleterious chipping away of resources and diversion of profits to corporate owners, whose primary interests do not lie in improving news organizations or their ability to carry out social roles.

At the same time, large-scale changes in lifestyles and communication technology have changed the roles of news organizations in society and taken away control of the communication space that they once enjoyed. These changes have not been addressed by the limited innovations in news organizations and have run far ahead of the way news organizations' perceive these transformations. Today news organizations can no longer be concerned with mere improvements and adjustments designed to sustain themselves in the short and mid-term.



For the past two centuries, news, information, and analyses provided by news organizations have been the primary means by which the public experienced life beyond that which they personally encountered and observed. New organizations have provided understanding about that which the public has personally experienced or experienced at a distance through their consumption of news reports.

News, of course, conveys information about that which is remarkable and noteworthy; it chronicles and explains less dramatic events, developments, trends, and issues in society; and it provides information about entertainment, sports, and lifestyle developments. News of the first type focuses on the unusual, including information on disasters and social or political unrest. It is normally highly salient to audiences. Media usage clearly spikes during times of social crises, wars, and catastrophe. It is increasingly clear, however, that media are under-delivering value and experience at the day-to-day level when the second and third types of news and information are provided, and that other mediated experiences are being substituted because they also serve the functions that were formerly limited to news organizations.

News consumption in the U.S. today is at its lowest point in half a century and is continuing to drop at a significant pace. Network evening television, for example, drew an average of 52.1 million viewers in 1980 but that number declined steadily to just 28.8 million viewers in 2004.<sup>1</sup> During that period the population rose by more than 70 million persons, so news viewers declined from 229 per 1000 inhabitants to 97 per 1000 inhabitants—a decline of 58 percent. Circulation of the three major news magazines, *Newsweek*, *Time*, and *U.S. News & World Report*, declined 9.9 percent from 1988 to 2003.<sup>2</sup> In population per million terms, however, it produced a decline from 42 per million to 31 per million, a drop of 26 percent. Daily newspaper circulation was 53,829,000 in 1950 and 54,626,138 in 2004, but because of

population growth circulation declined from 353 copies per 1000 population to just 183 per 1000, a 48 percent decline.

Where have these news consumers gone? They have not switched in any great number to cable television news, because the three main cable news channels combined are viewed in only 2 percent of U.S. households daily,<sup>3</sup> and viewers spend an average of only 15 minutes viewing these channels. In national surveys, local television stations are reported to be the primary sources of news for about half the public (about twice the amount for network news), but more than half of viewers report that they do not view the entire newscast, and nearly 60 percent indicate they are not loyal to a particular channel.<sup>4</sup> Some may be using Internet news, but there only about 23 million unique users of MSNBC.com daily, 21 million for CNN.com, and 6 million for FoxNews.com.<sup>5</sup> Many of the users come from outside the U.S., however, and it is not possible to count users who visit more than one site. NYTimes.com, the top rated newspaper site in the U.S., has about 1.9 million unique visitors worldwide each day, but they view an average of only one page a day (either headlines or a single story). Traffic for the Web sites for the *Washington Post* and *USA Today* are about three fourths that of the *Times*.<sup>6</sup> The monthly reach of Yahoo! News is only about 17 percent of Internet users, AOL News about 10 percent; and Google News about 6 percent.<sup>7</sup> Most of that traffic consists of merely of a brief review of headlines rather than reading stories. Given the relatively low consumption figures for Internet news and the fact that the decline in news usage began well before the introduction of the Internet, most researchers agree that there is a real decline in new consumptions and a wholesale disconnect from news products and services.

Underlying this diminishing attention to news are issues related to the value of news and why it is apparently less valuable today than in the past. It is based in the value creation concept

that successful companies follow as they seek to create and add value to their offerings. The concept is grounded in the principle that value must be perceived by a range of stakeholders and that consumption value is established by the consumers of goods and services rather than their producers. Application of the value creation concept to media is relatively new. Its use is crucial because of the shift developing in information societies, whereby control over content moves from media personnel to audiences. The concept has significant implications for news organizations and for society as a whole because it forces reconsideration of what content is provided, how it is provided, the persons to which it made is available, and how they utilize it. Changes in these factors are fundamental to issues of social and political knowledge and participation in democratic processes, as well as to the sustainability of news organizations. It is a central tenet of business that to be successful a firm must fulfill its customer needs and wants. This is complicated in terms of media because these include both public and private needs and wants of varying significance. Additionally, audiences do not currently provide the main revenue stream for most news organizations.

An emphasis on value creation is important because the contemporary history of news organizations has primarily involved value destruction. Changes in media, technology, and audience and advertiser behavior have destroyed value for most media companies and news organizations. Some of the changes have produced devastating losses of value, whereas others have been less injurious.

Two important examples of how technology and new ideas have destroyed value for existing media but created new value for the entrant firms and their stakeholders are the Cable News Network (CNN) and the newspaper *Metro*. The idea of creating a news channel on cable television was an outgrowth of cable and satellite technology and public policies requiring cable

systems to carry news and public affairs. At the time, network television news operations were focused on their nightly news operations and had a great deal of disdain for cable companies. This created a window of opportunity, which Ted Turner seized to establish CNN in 1980. Turner established CNN using a new distribution system to reach audiences. He also introduced twenty-four-hour news broadcasting.<sup>8</sup> Consequently, CNN became a major news brand, drew viewers away from network evening newscasts, and increased financial pressures on the network news operations because of its success.

Likewise, the establishment of the free distribution daily newspaper *Metro* in Stockholm in 1995 ran against conventional wisdom and established a new type of newspaper funded fully by advertisers. Today publishers in 36 countries produce free daily papers with a combined circulation of 22 million copies that attract 45 million readers daily.<sup>9</sup> *Metro* and similar titles have been particularly attractive to young, urban professionals who were not readers of established general circulation newspapers. These papers are making it difficult for traditional newspapers to attract additional consumers and advertisers, and are increasing competitive and financial pressures in the newspaper industry.<sup>10</sup>

Research on value destruction has historically attributed its development to the effects of new technologies and shown that firms who fall behind technologically have the value of their existing products diminished and their ability to create value with new products destroyed.<sup>11</sup> In recent years, however, it has been observed that not only large technological changes but also smaller developments and market changes can produce similar results. In these environments, firms must innovate and alter their products, organizations, and processes in order to create value.<sup>12</sup> News organizations today are experiencing a continuing crisis of value destruction and if they are to sustain themselves, they must find ways to create new value to replace that which is

being destroyed. If they do not do so, they risk their demise. That prospect has serious implications not only for news organizations but for society as a whole.

### ***The Challenge of Audience Needs and Wants***

Needs are an expression of necessity and both individuals and societies have needs. As individuals we need air, water, food, clothing, and shelter to survive, and we can sustain ourselves with little else. Our other desires are more instrumental to achieve desired states or to obtain desired items, and the necessity of these items varies widely. Societies also have needs if they are to develop, survive, and flourish—resources, solidarity and common identity, security, and justice.

Things and states that are not basic necessities but are desired are represented by the idea of wants. Individuals, for example, may desire a luxury automobile or to be famous, and societies may desire to fund symphonies and to provide activity centers for youths and the elderly. These wants, however, do not rise to the level of necessity and the capacity and ability to achieve them may be limited.

The concept of “need” as defined in journalism is typically based in concepts regarding news that people require. This, of course, leads one to consider the question “Required for what?” Traditionally, this need and requirement has been defined externally from the audience of news, by philosophical ideas that the public needs information to partake in democratic governance and to be engaged in society.

James Hamilton has observed that “news outlets that cover public affairs have always struggled with the tension between giving people what they want to know and giving them what they need to know.”<sup>13</sup> They do so to serve what Robert Entman calls the “key democracy-

enhancing purposes of news”<sup>14</sup>: its core functions of illuminating policy, power, ideology, and self interest, that is, helping people monitor and cope with the world, exposing them to debates on issues and ideas, and mobilizing them to participate in society.

The goals and purposes of journalism are traditionally rooted in ideas of how media and journalism should affect audiences and society and how individuals can be induced to respond in desirable ways. This approach originated first in democratic social theory and was embraced by social and media theorists interested in influencing social behavior. This formulation of journalistic needs contains a significant paradox that has been noted in David Mindich’s exploration of why news does not interest young people today: “Journalists need to inform their audiences. If their information is boring, they will lose readers and viewers. However, if they pander to audience tastes, they may have an audience but nothing worthwhile to communicate.”<sup>15</sup>

However noble the approach of using media to inform audiences and influence individuals to become engaged citizens, we must recognize that the definition of need in which the approach is rooted is based on normative assessments about what is required for an effective democratic society and what journalists should provide. This creates a relationship in which news and content are thrust upon audiences based on the values and social need perceived by journalistic professionals and social theorists. Needs as defined in this approach are thus external to individuals in the audience and not necessarily related to audience members’ internal perceptions of need. The traditional approach is thus concerned about *public* needs rather than *private* needs.<sup>16</sup> From the private need perspective, individuals seek information to find answers, to reduce uncertainty, and to make sense, and their needs and uses for that information are driven by many motives.<sup>17</sup> Although there is some convergence between public and private needs, the

approaches do not yield similar demands from the consumer standpoint. The traditional approach may have been somewhat effective when media and technologies were limited and audiences more passive in their reception of content—although one can seriously question whether an informed citizenry and civic engagement were ever produced in significant quantities during the golden age of media and journalism in the mid- to late twentieth century.

Concurrently, news media have been seeking to provide material in which people are interested and that they want to read see or hear. Audience wants are, obviously, served by media in hopes of becoming more successful by gaining larger audiences. Because audiences are collections of individuals it is impossible to assess what each member wants. Consequently, media managers make assessments of what they believe aggregate groups of audiences want to receive. There is furthermore a tendency to try to serve the wants of the largest audience group to the detriment of smaller groups. This market-driven approach has been understood by many news organization managers to involve constant surveying in search of interests that will attract large audiences of desired demographic groups. The results have been, predictably, to reduce serious news and to increase health information, relationship content, entertainment coverage, and lifestyle materials that reflect the content of magazines, niche cable channels, and Internet sites and to attempt to provide something for everybody. These efforts attempt to reduce the complexity of topics and their presentation so that content is usable by people with comprehension abilities at a junior high school level.

This strategy behavior is a living illustration of Harold Hotelling's economic model that shows that competitors tend to provide similar products in order to serve the largest number of customers. They imitate each other in order to benefit most from competition and to avoid adverse effects of significant competition. The end result is "excessive sameness".<sup>18</sup> News-

audience research recognizes that there is no single type of news consumer and that a range of demographic and psychographic factors such as aspirations, values, and lifestyle produce differing preferences and desires. Although media audiences have different preferences, media managers have recognized that the greatest number of customers will congregate at the center of the market and a smaller number of customers with other preferences at the edge. Because managers' decisions have been driven by advertiser wants for larger audiences, too little variety results from media competition, and audiences are underserved by the excessive sameness designed to provide lowest-common-denominator service to appeal to larger audiences.

This market-driven approach has been criticized as producing a dumbing down of journalism<sup>19</sup> and a shift to soft news. Indeed, the amount of soft news has doubled since 1980, accompanied by a marked increase in news with human interest elements, crime and disaster stories, sensationalism, and stories without public policy components.<sup>20</sup> At one level this can be seen as serving the wants of some members of the audiences to the detriment of others, but it also must be seen as serving what media managers think they need—in the short run, at least.

Assessing what audiences want and providing it is often termed market-driven journalism. It has been observed that critics use the term “as the sound-bite explanation for ‘junk news’—the editorial equivalent of fast food.” Conversely, “Defenders of market-sensitive news wrap themselves in the flag of majoritarianism, insisting that market-driven journalism is the most democratic of new forms, responsive to a majority, or at least a plurality, of viewers.”<sup>21</sup>

Casting the decision in light of polarities between need and want, between good and bad content, and between non-market and market choices would seem to create a value dilemma for news organizations that puts the industry in an adversarial relationship with its audiences. This simplistic conceptualization of audiences and the market assumes that the public wants trash and



that they have no values because they are apparently rejecting news that is good for them. This is a highly deprecating view of audiences and customers that will make it difficult for news organizations to ever connect with them, as well as a dangerous conceptual trap. Merely because large numbers of the public reject current offerings by news organizations does not mean they want junk news or trash TV. In fact, those TV programs and channels that emphasize such coverage have relatively low ratings as well. Casting the news industry's future in simplistic whatever-they-will-pay-attention-to terms is also problematic because it is a formula for even further value destruction—there is always someone who can do it more cheaply and salaciously—and because such a view sees value creation only in terms of a portion of the potential audiences and does not consider how to create value for the range of stakeholders in news and information.

Understanding private needs forces one to consider the motivations for news and information seeking and use. The motivations for most news consumption primarily involve answering individuals' questions, for example, "Is there anything I need to be worried about? What interesting things are happening? Information seeking involves finding answers, reducing uncertainty, helping decision making, sense making, and satisfying emotional needs.<sup>22</sup> Clearly, acquisition and consumption of news is less functionally oriented than most information-seeking behavior, where education, research, curiosity, problem solving, and decision making produce specific short-term information consumption. But for audiences, news consumption ideally serves less instrumentally immediate needs of surveying the environment, developing knowledge, preparing for social interaction, and becoming an educated citizen. At its worst it provides distraction and engenders emotional rather than rational responses.

The challenge facing news organizations today, however, is not a relatively simple want/need problem for which an effective balance can be sought that will provide a solution to the industry's problems. The fundamental challenge is that the roles and functions of media in society are changing. In contemporary society, individuals are using media in a very different environment than the twentieth century. Digitalization and new technologies have changed communication functions and abilities from one-way to two-way communication, from passive to interactive communication, from mass media to specialized media, and from fixed-location to mobile-use devices. The most significant change is a shifting of the locus of control over the content from communicators to audiences, who now play a more active role in information selection and creation. Individuals in the audiences increasingly exercise selectivity and filtering abilities, interact with content, and contribute content of their own. These changes represent a fundamental power shift in the public communication sphere that requires all of us concerned with the broader needs of society to alter our ways of thinking about audiences, the role of media in society, and how we seek to develop informed and active citizens.

It is no longer adequate for us to merely think theoretically and philosophically about the potential benefits of news and information to society. Lamenting change and longing for a past environment will do nothing to improve the prospects of news organizations. To be effective in the contemporary environment, we must increasingly understand the value of journalistic activity from the audience viewpoint—that of a greatly empowered individual consumer. We must understand needs and wants from their viewpoint, how news and information creates value in their lives, and how that value can be enhanced to support the goals of an informed and engaged citizen.

Because consumers are increasingly being asked to fund content and its social functions through cable, Internet, and mobile phone services fees, we need to consider the value created for them by focusing on how it serves their current needs and wants for information and their psychological and social requirements for successful interaction. But we must be mindful of the economic and business perspectives on human behavior that show that needs and wants are nearly insatiable, and bound by rational maximization of the use of money, time, and other scarce resources by consumers.

This discussion focuses on how those needs are met by the value produced in news and informational content and the implications of the shift in determination of value from journalists to audiences. This paper's focus on creation of news from the value creation and consumer value perspectives—i.e., the value created in the production and the value of the use of news and information—differs from previous studies of news production that have focused not on value but on process.<sup>23</sup> It places the flight from traditional news and information within the context of declining value of content to an increasingly large amount of the public.

The value creation perspective asserts that value is in the mind of the consumer and is a measure of worth or importance placed on a product or service.<sup>24</sup> There are clear indications that consumers' views of the value of contemporary news and information are relatively poor given their unwillingness to make significant temporal and monetary expenditures for that content.

Two activities of news organizations are crucial to the concept of value creation. The first activity is the actual creation of content by journalists, photographers, videographers, and related content professionals. This process is influenced by the choices of what is considered newsworthy or informative, how it is covered, and how it is presented. The second activity that creates value is the selection, organization, packaging, and processing of self-created content and

content obtained from other sources. The value is created for audiences because content organizers expend the time to consider the enormous amount of available or potentially available materials and daily make hundreds and even thousands of decisions about its quality, usefulness, and importance. Creation of news and informational content and its packaging with other content are the core activities of news organizations and represent the essential elements that produce value for audiences. How that activity takes place influences the value of that content. Information and news analysis, for example, adds more value to content than mere basic information and journalistic production because activities and processes that add knowledge and understanding create additional value to audience members beyond that of receiving basic facts. There is clearly a gap between what established news organizations and information providers are doing in terms of content creation and packaging and how audiences value that work. This gap is created by a variety of factors that have altered the media environment and the way media are used by news consumers.

### ***Media Proliferation and Audience Changes***

Contemporary society has seen an explosive growth of media types and companies providing a continuous supply of entertainment, news, and information.<sup>25</sup> The ability to provide audiences with significant choices of content and its availability has resulted from great changes in the technology, policy, and economics of media. Since the development of the telegraph and news agencies, the ability to provide news and information to audiences has grown enormously as telephony, broadcasting, cablecasting, satellite technology, the Internet, and mobile communications have added increased abilities to gather and distribute news and other content. These have been supplemented in recent years by the appearance of new journalistic and non-

journalistic sources for news and information including talk shows, websites, blogs, chat rooms, and e-newsletters.<sup>26</sup> The technological changes that have altered the media environment have not merely altered the technology available, but transformed who creates content, how it is created, the methods of news work, how news companies are organized, and—most importantly—the ways in which individuals use and interact with content.

During the past several decades, newspapers, television newscasts and news agencies have progressively struggled with declining consumption of their content. Although the fragmentation of audiences and distribution of media use across the growing types and amount of media has been a factor,<sup>27</sup> there is a more fundamental challenge of audiences leaving traditional news sources and traditional information dissemination channels behind. The problem is not one of substitution of television news for news magazines or news on the Internet for that in newspapers. Audiences are not switching from print and broadcast news to news in other forms; they are reducing news consumption altogether.

Journalists and editors working for the Project on the State of American Newspapers, which is sponsored by the American Society of Newspaper Editors, argued that news organizations themselves are at fault. They blamed declining support for journalism on an increasing separation between the interests of readers and newspaper owners.<sup>28</sup> The problem, however, is deeper, more complex, and does not just involve skepticism about established media or getting news from non-traditional sources. Instead there is a wholesale flight from information that has produced a significant decline in interest in news altogether. A Times Mirror Center for the People & the Press study in 1990 revealed a generational shift away from interest in public affairs since the 1970s,<sup>29</sup> and a 2005 study showed that interest in and use of news across all media is very low by persons under 40.<sup>30</sup>

News organizations have responded to these challenges with efforts to create audience-driven news, cross-departmental teams, and cross-media activities. Many of the efforts have changed the presentation of news, but they have also resulted in an increasing commercialization of news and informational content.<sup>31</sup> Despite the changes made in print and broadcast news, the problems with diminishing audiences for news and information have continued to deepen. These difficulties have been compounded because many news companies have adopted generic business language and strategies with little understanding of the underlying assumptions and conditions upon which they are founded and without carefully assessing their applicability to news and information firms. It is no wonder that these strategies have not been able to solve the fundamental questions of sustainability that plague news organizations.

Although it is clear that increased choice in news providers has produced audience fragmentation and that traditional techniques for conveying news and information—in place for a century in print and a half century in television—have contributed to the changing position of news organizations in society, the real problems in relating to audiences are more fundamental. The difficulties of contemporary news media are deeply rooted in changes in society and lifestyles as a whole.

### ***Social Changes, Institutional Relationships, and Organizational Trust***

The disaffection with news content has not occurred within a vacuum but is part of broader trends in society. A multitude of factors are related to the phenomenon. Changes created by mobility, urbanization and suburbanization, employment and work structures, roles of women in society, family structures and interactions, family size, leisure time availability and use patterns,

media consumption, and increasing reliance on technological means of communication have all played roles in changing lifestyles and affected news and information needs and preferences.

These social and lifestyle changes have changed the ways people construct their identities and the forms in which they connect to communities and society. This is seen as creating a public detachment from many conventional forms of organized community activity<sup>32</sup> and from civic processes that have been deemed fundamental to democratic society.<sup>33</sup> Declining civic engagement has affected how people relate to society and each other and to a diminution of a variety of activities and factors that traditionally have bound society together. It has reduced political and civic participation and diminished connections with colleagues, friends, and family.

These changes are seen in diminished participation in traditional social organizations, civic activities and elections at all levels of government. They are reflected the decline of downtown districts that previously served as magnets for community activity, in declining participation of parents in the activities of their children's schools, and in the reduction of volunteerism in traditional institutions.

The development of factors leading to this disengagement has been observed for a half century. In 1950, Riesman, Glazer, and Denny argued in *The Lonely Crowd* that changing personalities and relations of persons in society were altering work, leisure, and politics, and that these factors were particularly noticeable in the growing middle class of postwar America.<sup>34</sup> Three decades later Christopher Lasch observed that social and psychological changes were affecting individual behavior and national culture, leading to a loss of sense of history and social context and an increasing withdrawal into the self. All of these are seen as producing negative effects on politics, education, and interpersonal relations.<sup>35</sup>

Disengagement is not total, however, and new forms of participation that are focused through less traditional social institutions are evident. Special-interest groups, arts collectives, clubs, professional associations, consumer cooperatives, and a variety of virtual communities have emerged alongside traditional engagement mechanisms. These supplement and provide different avenues for participation, but these new types of engagement tend to be focused on the individual rather than collective social and political interests. It is more difficult for news organizations to connect with and cover these newer forms of engagement and community because they represent widely diffused interests and often are not supported by formal structures and organizational arrangements that can be easily observed and contacted.

In the political realm, a disconnect from traditional political participation can be seen as a response to the distance between government and the public that has grown concurrently with the size of government since the mid-twentieth century. The professionalization of government—evidenced by lifetime politicians; by governmental experts in foreign relations, education, social service, environment, and scores of other fields; and by civil servants for whom the public sometimes seems a bother—has produced a toll on public involvement. The number of issues dealt with by national, state, and local governments has expanded widely, large bureaucracies have developed at all levels, and governments have increasingly employed public relations and marketing specialists to become intermediaries between decision-makers, civil servants, and the public. The number of issues confronted and the information that citizens must have to effectively participate in democratic governance has grown exponentially, and news organizations have concurrently increased the amount of information they provide. Simultaneously, the need for information brought about by globalization and economic and social changes have added even more information to the flow. The result is that the public is



drowning in a tidal wave of information and fighting desperately to escape its hold. The force of the disjointed, unconnected, and continuous wave of information is disorienting. There is so much information that individuals are unable to process it. It has become a hindrance to life, not an aid to it.

Because citizens feel incapable of managing the enormity of information needed to participate effectively in society, we have seen the emergence of single issue politics on individual topics in which individual groups of citizens are interested and can grasp. They seek out information on those topics and participate in governance activities involving them through non-governmental organizations and lobbying groups that monitor and represent their interests and viewpoints.

The role of media, particularly television entertainment, in displacing other leisure activities, including social interaction and civic activities, is also a significant factor in disengagement.<sup>36</sup> The heavy use of television has effects beyond merely reducing time for other activities. A number of observers argue that its overwhelming commercialization and overly abundant provision of banal entertainment reduces the abilities of individuals to relate to society and take part in serious public discourse.<sup>37</sup>

The general social trend toward disengagement and detachment from traditional organizations is directly related to the difficulties faced by contemporary news organizations. News and information as conceptualized in modern journalistic practice most focuses on traditional institutions of social interaction that reflect the interests of the most socially, economically, and politically active members of the community. Because active engagement with these customary institutions of society has declined and news organizations have not yet effectively found ways to cover and illuminate many new forms of less structured and

institutional engagement, it should be no surprise that the percentage of persons who value news and information that is primarily concerned about the activities and issues in traditional engagement institutions and mechanisms has diminished.

The declining consumption in news has also occurred because the proliferation of information channels, and developments in communication technologies, have fundamentally altered the position of news organizations in the communication process. In the past, news organizations existed in a supply market in which media organizations were able to direct or control the flow of communication and dictate many consumption choices because of oligopolistic and monopolistic conditions that existed in media industries. Today, however, much of that control has shifted to audiences because of the changing industry structures and technologies and they have created a demand market in which the traditional ways that news organizations have selected, gathered, packaged, and supplied news and information are less effective.

The continuing decline of audience interest in traditional presentation of news and information and in consuming material from the established channels of news and information indicates that there is a significant gulf between the content provided by established outlets and audiences' interests and needs. The available content is increasingly being seen as less valuable by many readers, listeners, and viewers. This, of course, has fundamental implications for the survival of news organizations and for the traditional functions of media in social life, politics, and democracy.<sup>38</sup>

The perceived separation of interests has also affected the trust placed in news organizations. Although trust in institutions as a whole is diminishing, media and news organizations rate particularly low on lists of trusted institutions. Trust and trustworthiness are

based in perceptions, observations, experience, and relationships. High levels of trust or distrust both develop from experience and observation, with the consequence that it is easier to maintain trust than to acquire it, and it is much more difficult to reestablish trust that has been lost than to initially build it. Trust is thus a form of social capital that is central for the sustainability of large organizations in the contemporary world<sup>39</sup> and necessary if a firm is to create effective, long-term relationships with customers.<sup>40</sup>

Trust diminishes with psychological and physical distance, so the relations between the individual and subject of trust are central. The degree of trust is affected by perceptions of similarity of interests, experiences, values and norms, and familiarity.<sup>41</sup> Thus individuals tend to place the highest trust in family, friends, and teachers and in organizations with which they are most closely associated and have regular interaction. Trust is given to persons and institutions that are respected, seen as not unduly self interested, and can be relied upon. Trustworthy individuals and organizations offer some degree of leadership, provide counsel and guidance, and are perceived as reliable, sincere, knowledgeable, experienced, and approachable.

Trust, however, does not result solely because of rational strategic responses to behavior that has been observed. It also emanates from moral foundations that affect how we relate to others and perceive the world.<sup>42</sup> This permits trust to extend to institutions and people with which we have had no previous knowledge and not yet formed an opinion of trustworthiness based on experience or observation.

In general, the degree of psychological distance between individuals and institutions is naturally higher than between people. Trust in institutions is based on perceptions and beliefs related to shared interests and values, transparency in institutional processes, and the extent to which the institutions give voice to their concerns and lives or provide service to their needs and

wants. This is one of the reasons why the public tends to place higher trust in local media than in national media.

Problems with trust in media result because institutions generally tend to be perceived as faceless and soulless. One of the paradoxes of media is that although the organizations may be distant, persons within them have faces and make connections with audiences. We have in recent decades experienced the rise of celebrity journalists, commentators, and program hosts with whom audiences identify strongly. Although there is great distrust in media organizations, the public to differing degrees places high trust in some media personalities such as Oprah Winfrey, Bill O'Reilly, Jon Stewart, and Larry King. This phenomenon is especially problematic for news organizations because it is easier to identify with people who express views—especially similar views, hopes, and aspirations— than with people who are perceived as being detached. Thus connections and trust between audiences and celebrities is easier to create than between audiences and journalists who imbue the values of the profession.

The problems created for news organizations by diminished or lack of trust, and its credibility component, have been recognized in the industry for several decades but they have become more significant in an era in which consumer have large numbers of choices of sources for news and information. The growing gulf between journalists and news organizations is also a central issue because trust between organizations and their employees is an important factor in the development of perceptions of trustworthiness outside or organizations.<sup>43</sup>

To sustain themselves in the future, then, news organizations need to find ways to bridge the gulf between themselves and their audiences and to develop greater trust. Without those elements, their ability to create value will be inhibited.

## ***Changing Business Models***

The ways that news organizations obtain income from their activities and the opportunities for continued revenue from the sources are changing along with audiences, creating the conditions that bring the significant financial pressures to bear on the enterprises. These changes today occur as the organizations are moving away from positions of high prosperity and stability rather than towards them.

The situation is well illustrated by the modern history of newspapers, whose business model is changing most among news organizations. Before the 1800s newspapers were read primarily by elites made up of the royals, nobility, and wealthy landholders and merchants. This occurred partly because the business model was based on costs for papers being borne nearly entirely by readers, who paid a high price. It was necessitated because literacy rates were extremely low among the general population, and many survived on non-wage paying economic relations. Urbanization, public education, and the industrial revolution changed the nature of society in the nineteenth century by creating a large group of wage earners with the ability to read. The industrial revolution also changed means of production so that newspapers could be printed at lower cost. Simultaneously, the increasing availability of manufactured and prepared goods led to advertising intended for mass audiences, and revenue from advertising permitted publishers to keep their prices for copies low enough to create mass audiences. This dual revenue model became the base of advertising for newspapers (and, later, popular news magazines). This change in the business model meant that advertising provided one-half of the revenue of American newspapers by 1880, which rose to two-thirds by 1910, and is 82 percent today.

The flow of the advertising revenue stream increased enormously during the last half of the twentieth century—particularly after the 1970s—making newspapers very profitable firms

and became the impetus for the growth of large, publicly traded newspaper companies. During the period the amount of advertising income nearly tripled in real terms. This growth of advertising income created a fundamental change in the newspaper business model, making the industry increasingly dependent upon advertising revenue. The dependence on advertising increased from 71 percent of total revenue in 1956<sup>44</sup> to 82 percent of revenue at the end of the twentieth century.<sup>45</sup>

This increasing dependence on advertising allowed newspapers to artificially maintain low prices for readers. The price of a daily copy of the *New York Times*, for example, rose from 15 cents in 1950 to 75 cents in 2000. Had it merely kept pace with inflation the price would have been \$1.05 in 2000. The average cover price for newspaper throughout the U.S. was 10 cents in 1965 and rose to 50 cents in 2000, also an increase below the rate of inflation

All three types of advertising (retail, national, and classifieds) carried by papers contributed to the increasing revenue stream. Retail advertising grew steadily throughout the second half of the century, reaching a zenith in 1988 and 1989. National advertising<sup>46</sup> was relatively stable from 1950 until the 1980s and then began growing, moving strongly upward after the recession of the early 1990s. Classified advertising expenditures rose steadily between 1950 and 1980 and then surged dramatically in the 1980s and 1990s to become nearly as important as retail advertising in terms of their contributions to newspaper finances.<sup>47</sup> These shifts made newspapers more dependent upon classified employment, automobile, and real estate advertising that tend to be more cyclical and respond more to changes in the economy. This dependence on classified advertising also magnifies the threat posed today by competition from Internet advertising.

Today there is no question that the twentieth century business model cannot be maintained because rising production, labor, and circulation costs, changes in newspaper consumption, and changes in advertisers' purchasing habits are altering the bases of that model. The most significant change to the model is that it was based on a mass audience that no longer exists. In 1950 total daily circulation was 53.8 million, spread among 1,772 papers; in 2000 it had risen to 55.8 million, spread among 1,480 papers. Although circulation rose 2 million in the 50 years, the population of the country increased by 131.2 million. By 2000, newspapers reached fewer than half of the households in the United States.

The business model of television news is also being altered. Initially network news was generally not considered part of the business of television but as public service in the 1950s and 1960s. "We had 98 percent of the television audience in the country...and you all had to watch us, and they made money. It was a machine. You printed it in the entertainment portion of the network. So the news departments didn't have to make money and they didn't. They were loss leaders," Sam Donaldson recalls.<sup>48</sup> Technological developments such as color broadcasting, videotape, and microwave and satellite image transmission changed the capabilities of network television news, altered how news was gathered and broadcast, and spurred the networks to expand their evening broadcasts from 15 to 30 minutes. These changes attracted large audiences<sup>49</sup> who were less interested in news in print and by the 1970s the network evening news broadcasts were highly attractive to advertisers and had become financially beneficial to the networks. The business model that had earlier worked for televised entertainment now worked for television news.

The success of network news served as a template for local stations and they expanded their news operations significantly. Leading stations began to provide two and a half hours of

locally produced news in the afternoon and evening and a half hour to an hour of news after prime time, attracting viewers away from the evening network news broadcasts. The financial benefits that had accrued to networks were duplicated at leading local stations and news broadcasts became the largest source of revenue providing the majority of their income.

The increasing competition between network and local news, between local stations, and between broadcast and cable channels that developed in the later part of the 1980s and early 1990s reduced the profitability of all television news operations—as did advertisers’ resistance to paying high prices for waning audiences. By the 1990s news budgets of both network and local news operations were tightened and they increasingly relied upon video news services for national and international coverage in order to cut costs. In the late 1990s many local stations began shutting down their local news operations if they trailed large successful local news providers.

Despite the difficulties, network television news is still one of the most stable revenue sources for television companies because its viewership tends to be habitual and news operations do not produce the high income fluctuations found in entertainment programming because of the high failure rates of individual programs. Morning news, however, has become the financial engine for network news divisions and produces about three-fourths of the news income of ABC, CBS, and NBC. The Today Show on NBC brings in about \$250 million in advertising alone.<sup>50</sup> The programs emphasize lighter news and presentation styles and put significant resources into covering features, personalities, and self-help news and information that attracts large, primarily female audiences.

Today, only 44 percent of the television stations in the U.S. produce local news and fewer than half of those news operations are profitable. The percentage of those breaking even and



making profits remained stable at 68 percent between 1997 and 2005, but the number making profits declined from 62 percent to 44.5 percent. For local television stations, however, news operations broadcast an average of 3.6 hours per day and bring in 42 percent of the revenue received by the station.<sup>51</sup>

Network television news operations are increasingly selling national and international news to local broadcasters and cable television news operations, and digital downloading is creating a model from which these news organizations can receive additional revenue streams in the form of payments from stations, from cable systems that carry the channel, or individuals wishing to purchase copies of news packages. The broadcast, cable, and online news operations are now sharing resources and cross-subsidizing operations as a means of keeping costs low as they pursue these initiatives and the new business model upon which it is based.

The business models of news magazines have suffered significantly in recent decades as readers have come to rely on other news sources. Efforts to stem circulation losses and make news magazines more attractive through redesigns, changes in story presentation, and enhanced uses of photography have not been successful because their content is “caught between the immediacy of television news and the detailed interpretation and analysis found in newspapers.”<sup>52</sup> This has left magazines in the position of having to increase prices for subscriptions and copies and to seek additional income by using their archives of photography and articles to create additional revenue streams. Of all news organizations, news magazines appear to have the business model that is at most unstable today.

Radio news operations have not provided important revenue streams for stations for decades and the average radio station broadcasts just 39 minutes of news on weekdays and 11 on weekends, with two-thirds of the stations losing money on news activities. Only one-fourth of

stations have a news director specifically for that station.<sup>53</sup> The bulk of radio news was traditionally called “rip and read” because it relied on news delivered from news agencies via teletype. Today the technologies have changed but more radio news still originates with news services and newspaper/Internet headlines rather than through original news gathering.

A number of radio stations operate in the all news format that began in the 1960s and 1970s as music channels shifted to the FM band, reducing demand for large audience formats on AM channels. All-news radio rose to a height of 836 stations in 1999 (6.7 percent of the total number of radio stations), but declined to 753 stations (4 percent) by 2005. Another format—news and talk radio—gained popularity in the 1980s and 1990s and represented 9.5 percent of all radio stations in 2000 but it too declined to 6.8 percent in 2005. The difficulties in maintaining the commercial radio news business model have benefited National Public Radio and its member stations, whose not-for-profit operations have increasingly attracted radio audiences for news and information.

Business model pressures have also been felt in news agencies because they have traditionally relied upon income from other subscribing news organizations. For print-oriented news agencies, income initially came only from newspapers and the decline in the number of newspapers significantly reduced their clientele. The agencies then repositioned themselves to provide increased service to radio and television broadcasters and benefited from that diversification.

In the last decade and a half, for example, the Associated Press has made significant investments designed to produce additional revenue and diversify income streams by creating new products and services, and improvements to non-newspaper services, including Associated Press Television News, AP Digital, and AP Advertising Services. Reductions in local news

origination at radio stations have increased use of audio services for a few top news agencies and new revenue streams have developed from online and mobile services for the largest providers, particularly Associated Press and Reuters. Network television news operations also are acting as news services and have upgraded services on CBS Newspath, NBC Newsource, CNN Newsgroup, Fox NewsEdge, and ABC NewsOne to gain more income from local stations using their material.<sup>54</sup>

The common thread across news organizations is that the traditional single activity based business with a stable business model is undergoing clear and momentous change. Newspaper companies no longer produce only general circulation newspapers but are increasingly seeking new revenues by publishing free dailies and advertising sheets designed to serve audiences who do not use the paid daily. They are moving online and into mobile services to provide a variety of types and sources of information ranging from news, to classifieds, to sites completely unrelated to newspaper content but that build upon its information gathering, creation, and distribution abilities. Video news providers are adding new cable, online, and mobile products, and news and feature services are finding ways to serve multiple types of content users. Although some initially believed that the additional operations would be free-standing, it is now clear that the some of the multiple activities are interdependent and support each other. The emerging business model is that various operations share expenses and that income and other benefits are aggregated across the operations as a whole. Perhaps the most striking characteristic of the change is that the new business model does not rely only upon news activities but a variety of product and services activities that draw upon the organizations' competences at processing and distributing materials and provide new types of revenue streams.

## ***The Growing Malaise in News Organizations***

The changing natures of society, media competition, and operations have created instability in news organizations and their markets. The rapidity of the change and market turbulence has produced internal uncertainty and turmoil throughout the industry. These have been compounded by financial pressures, reductions in bureaus and published editions, reorganizations, cost cutting, and staff reductions. The changes in resources and personnel have made news organizations more dependent upon individual journalists who work with less support and oversight than in the past because of cutbacks in middle managers in newsrooms. Efficiency and effectiveness have become primary objectives of media managers and produced increased emphasis on performance appraisals of journalists<sup>55</sup> and journalistic productivity.<sup>56</sup> These new approaches to management, staffing and work methods have altered traditional working environments in news organizations.<sup>57</sup>

All of these factors have significantly affected morale and job satisfaction<sup>58</sup> and are creating a working environment in which those who prepare and disseminate news are appreciably disaffected with their work and their employers. Studies of journalists have shown the effects of the contemporary environment. For the past two decades levels of dissatisfaction have clearly risen. Studies by the Associated Press Managing Editors reveal that one-fourth of journalists were dissatisfied with their jobs in 1985 but that one-third were dissatisfied by 1993.<sup>59</sup> In 1992, one in five journalists reported that they wanted to leave their job, and job satisfaction was reported by just 27 percent of respondents (down from 40 percent in 1982 and 49 percent in 1971).<sup>60</sup> By 2001 a survey by *Columbia Journalism Review* found that 84 percent of journalists reported that poor morale was widespread among news people.<sup>61</sup> Issues involving leadership, supervision, limits on creativity, lack of resources, and restrictions of news space and time all

played significant roles in their perceptions. Overall there is a high level of frustration that aspirations to practice meaningful and socially beneficial journalism are being thwarted.

Levels of stress perceived by news employees have also been increasing, with financial pressures, marketing requirements, and the effects of contemporary journalistic work on lifestyles playing significant roles in creating that stress.<sup>62</sup> The increasing stress and job requirements are placing considerable strain on journalists and leading to lost productivity and burnout that are affecting retention.<sup>63</sup> Such prolonged stress is highly problematic because it leads to behavioral and health problems and turnover that harms journalists as well as their news organizations.<sup>64</sup>

Job satisfaction and stress created by a variety of factors within the control of managers are part of a company's internal atmosphere and culture. The atmosphere and culture, in which employees must carry out their activities, is the psychological and organizational environment of a firm.<sup>65</sup> The conditions affect the attitudes, morale, amount of work, quality of work, and commitment to the firm evidenced within employees. The factors that create atmosphere and culture involve workers' perceptions of their work, co-workers, supervisors, and managers, and the way that relations among the factors are manifested in policies, information, and relations among persons in the workplace. Employees and managers who work together in a positive atmosphere are likely to experience lower employee turnover, workers willing to do more than required, higher productivity, and stronger expressions of the value of the company to others in the community. Significant factors that influence atmosphere include content of the work itself, meaningfulness of the work, management philosophy, internal communications, interaction in the organization, human relations among workers and supervisors, and professional development opportunities.

Respected journalists from newspapers and television are now regularly expressing serious reservations about their working environments and the news that they produce. They lament strong financial pressures, emphases on circulation and ratings, commercial ethics replacing professional ethics, reductions in budgets that have damaged the ability to cover significant public issues and developments, and the debilitating effects of these factors on their ability to do their jobs and their organizations' ability to serve audiences and society.<sup>66</sup>

These challenges are not unique to news organizations in the United States. Reputable broadcasters in other countries have also engaged in cost cutting that has reduced time and personnel for productions, increased output required, resulted in reliance on cheaper, less experienced workers, and reduced ability to invest in quality reporting and news analysis. It has been argued that this has especially deleterious effects on the ability of those who produce content to create value with quality products and on the social value created by the news organizations.<sup>67</sup>

All of these factors have palpably combined in a negative way within news organizations today and it is telling that no media company with a news operation is included on the *Fortune* magazine list of the 100 Best Companies to Work For. The annual list is based on job satisfaction, company culture, and policies regarding pay, benefits, diversity, and other factors obtained from employee surveys and other research in companies of all size across the U.S.<sup>68</sup>

This disquiet in news organizations is significant because employees are central stakeholders involved in the creation of value. Their situation cannot be ignored if long-term value is to be created within news organizations. The requirement that the organizational environment, activities, and product produce value for employees is particularly germane to journalism because news and information activities involve elements of literary and artistic

creativity and knowledge creation. For companies to be effective in such an environment places dependence upon employees who must perceive that the work situation helps them meet personal and professional goals<sup>69</sup> or their efforts will not contribute to value creation.

### ***A Paucity of Leadership***

The contemporary environment of news organizations requires strong leadership if they are to find effective ways to respond to the social and economic changes affecting their markets and to create ways to sustain themselves in the future. That leadership is, unfortunately, lacking in most organizations today. The higher echelons of news and media companies are populated primarily by administrators, relatively weak managers whose primary orientation is toward keeping the organizations functioning rather than creating strategies for the future, developing confidence of stakeholders, and leading their organizations toward new and brighter prospects.

Throughout news operations today there is an overwhelming sense of loss and powerlessness among editors, publishers, producers, news directors, and even many corporate executives. Among these there exists a genuine desire to pursue principled journalism in its ideal forms. However they perceive there to be an all-around lack of willingness, on the part of organizations and executives, to provide resources for that level of journalism, and lack of leadership that would build rather than dismantle organizations.

Top executives of news producing organizations are often highly insulated from the news operations that are part of their large media conglomerates and they often do not share similar journalistic values and cultures. Even within news operations publishers, editors, news directors, and others leading the journalistic efforts have often poorly represented the interests of their larger organizations. They are often cowed and acquiescent to fiscal demands for cost controls

from above and are unable to offer effective visions or mechanisms of how to increase value production with those organizations to offset those demands. Much of their inability to respond to organizational necessities stems from their journalistic training and experience having not prepared them to understand the business of news and information, how it creates value for their organizations and their audiences, and how to structure their enterprises to respond to and balance the competing and often contradictory demands of stakeholders.

Companies reduce budgets, discard personnel, and eliminate activities to demonstrate to investors that they have identified and eliminated waste and that they have the will to change rapidly.<sup>70</sup> Cost cutting and downsizing are painful, but they can be useful to enterprises, including news organizations. However, these practices are only effective if they are accompanied by strategy-driven reorganization and reconfiguration that produces new value, improves the quality of products and services, and attracts new customers. These latter factors create conditions for growth and development of the firm that thus make the enterprises appealing to investors once again. Unfortunately, many corporate executives in media and news organizations seem to have ignorantly or deliberately disregarded the vital developmental part of the process, thus abetting uninterested investors in draining resources from the news organizations without providing sufficient resources for the organizations to renew themselves.

Although it is tempting to say that the answer is to change leaders to find those who will throw cash and other resources into news activities, it is a simplistic and unrealistic delusion. Such an approach would soon drain news organizations of any remaining resources and strength they possess. What is needed is leadership that is committed to the course of providing the resources but not at the expense of stripping the organizations of their remaining resources. Instead they must put them to work to create new value that helps the organizations grow and



develop new financial resources that can be expended in a balanced approach to improve journalistic products, the financial strength of the organizations, and its value to all stakeholders.

To accomplish this requires leadership and executives that are not simply running the organization today but committed to its future. It requires leaders with vision and strategy, courage, self discipline, and the sense of responsibility to the organization itself. They need to be dedicated not merely to themselves and to shareholders but to the entire organization, and they need to be focused not just on pursuing journalism but also on finding ways for journalism to be so valuable that consumers will support it financially.

### 3. VALUE, VALUES, AND VALUE CREATION

#### *Economic and Philosophical Approaches to Value*

The term “value” is now widely used in media enterprises, and buzzwords such as “value proposition,” “added value,” and “value-driven products” are regularly heard at news organization staff meetings and industry association conferences. Missing from most discussions, however, are considerations of what “value” itself means. The casual use of the term has weakened its semantic meaning, leaving it to be subjectively and individually determined by individuals. Contemplation of value requires that attention be paid to moral and economic philosophy, because the foundations of value are rooted in their considerations.

The concept of value has been debated by philosophers for at least 2,500 years and much consideration has been given to the idea of intrinsic value. Intrinsic value is traditionally said to exist if something is intrinsically good and cannot be bad or indifferent. Intrinsic value is not established by relations to something or some other alternative,<sup>71</sup> but it must be perceived for it to exist. Use of things of intrinsic value is understood to produce good outcomes. Facts, states of affairs; and properties are abstract bearers of value;<sup>72</sup> thus truth, harmony, beauty, serenity, and similar concepts and properties have intrinsic value. A normative definition of value involves determinations that some things are good, whereas other things are bad.<sup>73</sup>

Philosophical debates have also centered on the value of knowledge. Knowledge is created upon a body of information and involves consciousness of knowing and consciousness of factuality, truth, and belief in truthfulness of the information. Knowledge itself has little or no intrinsic value because its value is external to it, relative to its truthfulness, and related to its use.

This conceptualization does not address the Socratic view that knowledge has intrinsic value compared to the value of pure opinion, but I set aside that argument here because journalism and news focus upon the use of evidentiary information and facts and deliberately eschew pure opinion in establishing truth. The value of knowledge results from its usefulness and its application to obtain benefits,<sup>74</sup> and its use does not produce only good outcomes, so it lacks characteristics typically associated with intrinsic value. Thus knowledge of the number of federal employees, the periodic table of elements, or David Ortiz's batting statistics also has little value.

Experience also contains value, but that value is intrinsic only to the extent that its authenticity represents truth. Experience occurs when something is not merely noted but the individual becomes involved through a relationship to the object or occurrence. It creates knowledge through that personal involvement that involves the senses, perception, emotions, and personal interpretation. Firsthand experience involves both unconscious and subjective conscious activity and is thus genuine and as close to truth as the limitations of human senses, perceptions, and emotions permit.

Although journalism attempts to convey the knowledge of events it is difficult for news to rise to the level of experience. Televised news coverage of events involves more senses and the ability of viewers to perceive occurrences and attempts to place viewers as close to the reality of the actual occurrences and the original conditions as the technology can permit. Although it is not pure experience, it brings sights and sounds in a way not possible in text-based reports. If news coverage is live the immediacy, confusion, and unfolding nature of events heighten emotions and personal interpretation. Thus a 60 second story of a crippled airliner attempting to land is not as compelling as live coverage of the event. Similarly a 1,500 word news story about a presidential press conference does not convey as much information about the press conference,

what was said, and how it occurred as viewing a live broadcast of the event or being there in person.

Experience is significant because it induces the participant to attach meaning to objects or occurrences because of the perceptual and emotional interactions that occur. These factors lead to the Kantian view that knowledge develops from experience but that it requires a sense of relations to cause and effects and involves issues of perception and interpretation.<sup>75</sup> Although the experience of individuals may be authentic, the experience of one individual will differ from another. As a result, journalistic norms and practices dictate the conveying of the experiences of more than one person involved in news stories as a means of trying to convey the truth of occurrences and objects.

Understanding has value beyond the knowledge and experience upon which it is based. It involves comprehension that something is the case, of its relationship to truth, of its associations to other knowledge, and its explanatory abilities. One can have knowledge about stem cell research without understanding it and one can know that there is a war underway in Iraq without understanding the reasons and processes behind its initiation. Understanding is based on the fabric of knowledge, not its individual threads. It adds meaning and purpose to knowledge and utilitarian guidance related to action.

The moral philosophy perspective on value is important for discussions of the value of journalism because it is a foundational concept in determining the value of news and information to society, in the professional philosophy of journalists, and in non-economic decisions by readers, viewers, and listeners. Value as seen from the philosophical standpoint is constant, with truth being valuable in and of itself and knowledge and understanding providing value because of their ability to provide meaning and to be acted upon and to provide meaning and purpose.

Economic philosophers have also debated the issue of value for several centuries. I wish to set aside the eighteenth-century economic debates about whether capital or labor create value that is exchanged in the marketplace because we are more concerned with the outcome of the process of value creation. We recognize that enterprises marshal, organize, and utilize a variety of resources to create products and services that are made available in the marketplace with different degrees of success. Successful companies manage and combine resources in such a way that the product or service has more value than the combined value of the resources used. This surplus value is captured and combined to produce profits.

Information has unique properties compared to other resources because it exists only through human perception, is easily transportable, is diffusible and sharable, and free flow maximizes its use.<sup>76</sup> In addition, the business dynamics of media products differ from other products because of important supply and demand side differences that affect their market, financial, and operational characteristics and produce business environments and exchange relationships unique to media.<sup>77</sup> On the supply side, news organizations face less competition than firms in most other industries; are driven by cultural, artistic, expressive, and social as well as commercial motives; are dependent upon content creators who have strong professional autonomy; produce products with non-physical properties; and regularly produce an oversupply of material. On the demand side, the oversupply creates diminished willingness to pay and, if expenditures are made, they tend to be sunk costs and through subscriptions. Because willingness to pay is low, primary income for news organizations tends to come not from its consumers but from advertisers.

These factors create an atypical milieu in which value is created and captured. In this information economy, additional surplus value is created by technological processes and by

being well known, by having a strong brand that attracts consumers more than the brands of others.<sup>78</sup> The significance of creation of brands in media has been increased by the rising number of competitors and the development of media product portfolios.<sup>79</sup>

The willingness of consumers to pay more—but also sometimes less—than the aggregate costs of the producer depends on their perception of the value of the product or service—and its brand—in economic and other terms. Thus the ability to increase value in the consumers' minds leads to increased sales, higher prices, higher profits, growth, and increased company value. The value perceptions of consumers are critical because economic value is contingent rather than determinant and individuals make evaluations of contingency factors in the process of determining the value.<sup>80</sup>

Economic value is fundamental to success of news organizations—and all enterprises—and must be understood in order to create and benefit from it. It is founded on the concept of *worth*, that something is useful, that it has importance, and that it can be used in an exchange. Economic value, however, fluctuates and changes over time if conditions affecting the usefulness, importance, or exchange terms are altered. This is illustrated by salt, which once had high economic and strategic value as an essential ingredient required for human survival and as the primary means of food preservation. The salt trade supported development of great empires in China, Egypt, and Rome, as well as lesser kingdoms and empires on every inhabited continent. At times it was used as a form of currency and it was an important source of tax revenue worldwide. The development of modern food preservation techniques such as canning and freezing reduced demand and—along with new salt production methods—the economic value declined dramatically so that today it is an inexpensive and readily available product.<sup>81</sup> Similarly, the value of whale oil declined rapidly as kerosene (paraffin), which was cheaper,

easier to obtain, and offered more stability in supply, became a substitute for whale oil used in lamps and candles in the nineteenth century. In 1854, for example, a gallon of whale oil sold for \$3.84 (about \$83.67 at today's dollar value), but the price dropped to \$0.40 by 1896 (about \$8.72 at today's dollar value)—a loss of 90 percent of its economic value in 4 decades.<sup>82</sup>

Economic value fluctuates due to scarcity and necessity. Scarcity exists when individuals or society want more of a good than is available, forcing choices of whether and how to consume and affecting the value placed on the good. Scarcity limits the ability for all to consume similarly, so each has to make choices in determining what consumption will provide the greatest benefit at what cost. Where scarcity exists, economic value increases, whereas abundance removes price as a central element of decision making because price declines. Scarcity requires choices; choices are influenced by costs, including the value given in exchange for acquisition (price) and other potential uses of that value which are foregone. Value is thus linked to the strength of desire of individuals to have something that is available in limited quantity, the properties of the scarce item, its uniqueness, and other things that could be done with the value traded for the item. Because of scarcity, a 1938 Packard 1608 12 cylinder convertible that originally sold for \$5,390 recently sold for \$225,000 because only 21 of the automobiles were manufactured and less than half remain in existence today.

While individuals may choose not to acquire scarce items because they prefer to use their financial resources elsewhere, choices of consumption are more limited when necessity is involved. This is illustrated by the value of water, which is affected by high elasticity of demand. Although water is generally available and relatively inexpensive, its availability is crucial to the survival of individuals and communities. Two-thirds of human body weight is water, and water is necessary for heat dissipation and functioning of bodily organs. If water is not replenished

humans generally die within two weeks and can die within one day in a scorching desert. Water is thus a necessity, an essential requisite required to maintain life and it has higher use value compared to other items when its availability is low. Because water is a basic element for continuation of life it has value above other items in certain settings—such as a man crossing a desert—because no other items can substitute for the fluid. Thus the choice to sacrifice other things to obtain it would be made because water is imperative. Thus, a man wandering parched and lost in a desert would increasingly be willing to sacrifice other less essential things in order to obtain water as time without it progressed. The value of a bottle of water would far exceed its \$1.50 retail price because of its necessity for his survival.

Because of the variable nature of value determinations, one must be able to answer the questions “value for what?” and “value for whom?” to begin to determine the value of a product or service. The “value for what” question involves the utility, characteristics, and attributes of a good or service acquired in the market and considerations of price. The value of these items is typically represented as “market value,” the price or exchange value that a good or service obtains in a competitive market. It is determined by supply and demand for the product and by consumers’ expectations of the satisfaction they will receive from acquisition and/or use of the product or service. Decisions of whether to buy at the market price involve consumers’ perceptions of value for money provided by the good or service and non-economic value perceptions. These consumer perceptions are central in answering the question “value for whom.”

Part of the difficulty of understanding the value concept today is that the notion that value equals price is embedded in neoclassical economics, but that view is not universally accepted. Classical economics recognized that price and value were not equal and asserted that other



factors also influence value. Many of these factors are the results of the psychology and perceptions of market participants and are difficult to translate accurately into a price that can be independently constructed and added to prices based on the intrinsic cost factors in the creation of a good or service. Neoclassical economics thus simplifies the situation by indicating that the value of goods and services are whatever the market will bear. This allows economists to readily account for prices of items such as heavily branded luxury goods—including perfumes, leather products, and fashion apparel—whose prices far exceed costs of materials and production. The functions of journalism and attention to news and information involve many more complicated social factors and the price of consumption is often temporal rather than monetary, so the simplification of neoclassical economics is not particularly germane to these discussions of value.

Warren Buffett, whose financial advice has guided many for the past decades, differentiates between market price and value and has produced the adage “Price is what you pay. Value is what you get.”<sup>83</sup> Value need not be based solely on resources, time, and effort required to create a product that can be readily translated easily into costs and a price placed upon. Instead it can also be based on factors such as skills, intellectual property, and service that provide consumers peace of mind and pride because of design, craftsmanship, quality, and satisfaction obtained. Value, then, goes beyond functionality to include factors such as ease of use and emotional ties to the product or producer.

The question “value for whom?” recognizes that value differs among individuals and among individuals in different settings and that one can not approach value with the assumption that it has universality. As a result, estate planning services have more value to wealthier persons and that value increases as they grow older. In a news context, the value of information about the

condition of the housing market and sales prices increases when individuals are contemplating buying or selling a home and the value of news about cuts in school budgets increases when it involves the school that your child is attending.

The issue of value is complicated by the issue of private value, that is, non-pecuniary value such as idealism, prestige, influence, or power. Some things can be more valuable to one person than another, leading them to be willing to pay a higher price than the basic market value. One coin collector, for example, may be willing to pay more than another collector for the expected market price for an 1825 half-dollar coin because it completes his or her collection of nineteenth-century American coins. Non-pecuniary value includes emotional value such as the desire to be the first to know about events, the desire to be informed so one can carry on social conversation, and the desire to be identified as a user of a particular media brand.

Economic value can also be based on irrationality. The tulip mania in seventeenth century Holland is an example of irrational exuberance during which some persons paid tens of thousands of dollars for a single bulb before the market for bulbs crashed.<sup>84</sup> Value is also affected by the fact that some items are desirable, but not in themselves precious, and they can achieve financial value beyond their intrinsic worth for a time if the desire for the items is strong enough. Thus, ephemeral items may become collectables and command prices beyond their basic worth. This phenomenon was starkly evident in the 1990s when Ty Beanie Babies<sup>®</sup>—heavily branded soft, stuffed animals—became a fad and some were deliberately released in small quantities to increase prices paid for them individually and for entire collections of the animals. Because their worth was artificially inflated by the fad of collection, the value crashed after the fad disappeared.

Social or public value is placed on behaviors or activities that have collective benefits. Thus public service, philanthropy, and acting selflessly are cherished and honored, even if a direct price is not placed upon the acts. Thus society as a whole and its individual members may value and desire certain behaviors whether or not they reward them monetarily.

Once the broader value of a product, its ownership, and its uses are identified and understood, producers can focus on value creation designed to enhance its value. This requires understanding consumers' determinations of the value and meeting or exceeding their expectations. At the same time it requires realization that the value is not universal but will vary among persons and groups, and producers must find ways to meet those various concepts of value. To accomplish these goals, significant interaction with customers is a key success factor.<sup>85</sup>

### ***Types of Value***

A variety of types of value can be created by news organizations and these can be conceptualized within the framework of social and individual value and intrinsic and instrumental value. Social value is that which supports broader collective interests and purposes that are primarily external to short- and mid-term wants and needs of individual consumers. As noted above, these relate to the functioning of the community, to culture, and to collective knowledge and understanding. Individual value is determined by the wants and needs of individuals and separate decisions about whether and how to satisfy them. Individual value will thus differ among persons and fluctuates according to factors outlined earlier. Instrumental value involves utilitarian, functional value in achieving the intrinsic or individual value. Thus truth and individual safety are intrinsic values. Instrumental value is created by factors that support and expedite fulfillment of those goals and desires. The pursuit of intrinsic value requires deliberate mental engagement, whereas

the benefits from instrumental value do not because “intrinsic value is something active, in that it requires intention and attention...the same is not true of instrumental value, which can benefit us without our awareness of the fact.”<sup>86</sup> The types of value are not mutually exclusive because individuals have both individual and social wants and needs, and democratic societies not only seek to satisfy broad social needs but to help individuals achieve their individual wants and needs.

	Intrinsic Value	Instrumental Value
Social Value	<ul style="list-style-type: none"> <li>• truth</li> <li>• honesty</li> <li>• identity</li> <li>• community</li> <li>• self determination</li> </ul>	<ul style="list-style-type: none"> <li>• understanding</li> <li>• social interaction</li> <li>• engagement</li> <li>• democratic participation</li> <li>• correction of error</li> <li>• conflict resolution</li> </ul>
Individual Value	<ul style="list-style-type: none"> <li>• knowledge and understanding</li> <li>• belonging</li> <li>• safety</li> <li>• self significance</li> </ul>	<ul style="list-style-type: none"> <li>• awareness</li> <li>• learning</li> <li>• decision making</li> <li>• warning of dangers</li> <li>• improvement of life</li> <li>• expression</li> <li>• convenience</li> <li>• emotional satisfaction</li> </ul>

Figure 1. Selected Values and Outcomes on the Conceptual Value Grid

In addition to these fundamental value issues related to individuals and society, and the actualization and functioning of persons and society, there are the economic issues of exchange value and consumers’ views of the desirability of goods and services and their perceptions of value for money. Thus the issues of uniqueness, scarcity, necessity, and availability of substitutes affect the perceived economic value.

We need to make a distinction between exchange value and use value because the concepts are important in understanding consumers' willingness to pay for news and information. Exchange value involves what the buyer is willing to pay monetarily or temporally for information, but use value of information is related to its usefulness to users in achieving their individual goals. Determining the exchange and use value is difficult because the ultimate value of information can only truly be assessed, after the consumption because its significance is in its use rather than its mere existence. Nevertheless, it appears generalizable that the use value for most pieces of information and news stories is low to moderate and that the exchange value is relatively low. News organizations bundle multiple stories into newspapers, magazines, newscasts, and news service feeds; encyclopedias, factbooks, and databanks bundle information in order to benefit from greater collective use and economic values.

The extent to which consumption will provide functionality for the purposes the consumer foresees is a significant factor in economic decisions. How well products and services solve consumers' problems, ease the tasks and challenges of life, and satisfy other needs are an important part in the perception of their value. We also recognize that individuals' perceptions and emotions affect their value perceptions and influence their willingness to consume. Factors such as delight and surprise in the consumption, alterations to their self image, and pride related to acquisition, ownership, or use also create value for consumers.

### ***Value and Values***

Because value is a measure of significance, absent extraordinary circumstances—such as people needing to preserve their lives—determination of value is heavily influenced by the values that individuals hold dear. The significance they place on persons, things, relationships, and behavior affects their perceptions of value. Central to this influence is the individual

construction of preferences, a form of decision-making based on judgment and choice.

Preferences can be reason-based or irrational and are formed based on articulated values and basic foundational values that are often not articulated.<sup>87</sup>

Values are affected by socialization, so the values held by individuals derive from parents, friends, education, organizations in which one is involved, and the community in which one grows up. The extent to which these are shared among individuals creates broader social values in the community or society.

Douglas Smith has argued that contemporary society has separated the ideas of value and values and that there is a critical need to reconnect the two. In much modern usage, “value connotes a pointed estimation of current or anticipated worth never too distant from monetary equivalence. There is no value that is not a dollar value,” Smith asserts. “Unlike value, talk of values ignores money: it opines on timeless appraisals instead of transient ones. There is a deep, backward- and forward-looking quality to values. If value is what makes us wealthy, values, we assume and regularly assert, are what make us human.”<sup>88</sup>

Values are particularly important in news production and consumption. They play highly significant roles in the culture in which news and information are created and distributed. News organizations and journalism have strong values that have endured for more than a century. A Newspaper Management Center study found that “the traditional journalistic values are timeless, they are also, for the most part, universal...the enduring values of journalism are not affected by time or environment. The way they are interpreted and prioritized may change over time but the values themselves do not change.”<sup>89</sup> These values include fundamental values identified by the American Society of Newspaper Editors, such as fairness and balance, editorial judgment, integrity, diversity, and community leadership and involvement.<sup>90</sup>

News reports, feature stories, analyses, and information cannot help but reflect values because story construction and language are dependent upon values. The underlying values of news organizations are intended to help journalists exercise care in the linguistic and stylistic presentation of events, issues, and developments in society to reduce distortion, but it is impossible to do so completely because language itself involves words dependent upon values and polarities. This is illustrated in words such as peace, harmony, and beauty that have constructive value and words such conflict, depravity, and ugliness that have destructive value.<sup>91</sup> Choices in descriptions of persons, objects, and occurrences, and in the framing of news about them, thus reflect the values of journalists, news organizations, and society.

Although gaps between these values and practice of news organizations are sometimes evident in media, the values play a significant role in determining the strategic vision and operations of the majority of news organizations and in providing best practice guidance for content development and presentation. This is important because values must be embodied in behaviors or they are merely empty statements and it is a primary task of leadership to ensure that an enterprise lives up to its espoused values.<sup>92</sup>

The issues of values have significant business side implications for news organizations as well. Although the concept of brand is used over and over in the industry, there is often limited understanding of its value. The value of a brand is not merely that of being known, but being known for representing constructive values. A beneficial brand represents the embodiment of those values and thus provides guarantees to the consumer that the product will reflect those values. Organizational credibility and consumer trust are thus fundamental perceptions needed for the brands of news enterprises to have positive meaning with audiences. The value associated

with an outstanding news brand can only be achieved if the values within the organization support company-wide efforts to realize them in the products and services provided.

Values about news held by individuals are also important in determining the extent to which they consume and how they consume news and information. Individuals who place significance on values such as learning, obligations to others, and community are more likely to place higher value on news and information consumption because of the functional value it has in supporting those underlying values that they hold dear. Conversely, those who place less significance on learning, who feel fewer obligations to others, and who do not find community important are more likely to find less value in news and information because it does not provide much support related to their values.

The activities of news organizations create instrumental value that provides means of achieving intrinsic value, but news organizations rarely emphasize these factors or the values that give them value beyond price (economic value) in marketing their products to consumers. The emphasis in these contacts with consumers is primarily on individual instrumental value, and news organizations seem uncomfortable specifically invoking, articulating, and tying their products to greater social values. In doing so, they miss opportunities to assert that the value of news and information is beyond the current low or absent price and to tap into fundamental values that have led to business successes in such diverse products and services as socially responsible investing, environmentally friendly products, healthful foods, and global manufacturing that does not exploit workers or employ child labor. A wide variety of enterprises have found that supporting fundamental values produces willingness in consumers to spend more for their products than they would otherwise, because consumption adds value by underscoring their own values and convictions. News organizations need to ensure that their value



propositions to consumers link news use to the public's fundamental beliefs and value and show how it serves those values. News organizations need to show how their content and the form of its presentation support those values and why consumers should pay for it. Unless they do so, news organizations can expect to receive only low exchange value created by commoditized information that provides little intrinsic and instrumental value and is unrelated to consumers' values.

### ***The Need for Better Value Creation***

One of the ugly realities of commerce is that anything that can be standardized or become a commodity loses value, and enterprises providing that item cannot continue to make significant money from it in the long run. Because commodities can be provided by other enterprises, they lose their uniqueness, become overproduced, and decline in significance to consumers. It has been observed that “virtually every industry is commoditizing. As much as we'd like to believe that our product is superior and unique, the reality is that the differences between one product and a competitor's is a nuance a customer may not even discern.”<sup>93</sup>

News organizations are not immune to this commoditization problem. Value creation is influenced by the traditions and processes behind the creation and dissemination of news and information and the underlying cultural norms and philosophies of those journalistic activities. These professional values are created and maintained by social practices linked to the professionalism of the craft. Many of the challenges of news organization today exist because the professionalism of journalism and journalism education have determined the values and value of the news, commoditized the product, and turned most journalists into relatively interchangeable information factory workers. Average journalists share the same skills sets and the same

approaches to stories, seek out the same sources, ask similar questions, and produce relatively similar stories. Few journalists encounter skills-related problems changing from one news organization to another and the average journalist is easily replaced by another. This interchangeability is one reason why salaries for average journalists are relatively low and why columnists, cartoonists, and journalists with special skills (such as enhanced ability to cover finance, science, and health) are able to command higher wages.

Across the news industry, processes and procedures for news gathering are guided by standardized news values, producing standardized stories in standardized formats that are presented in standardized styles. The result is extraordinary sameness and minimal differentiation. Research shows a general lack of difference among news organizations in terms of topics covered, sources of news, and means of presentation. When differences are apparent, they are primarily observed in content of media serving local and national audiences or between general and specialized news media.

The result of this situation is that news organizations are suffering from a loss of originality and exclusivity. Many news organizations originate only 10 to 15 percent of their content because there is a widespread reliance on the same news agencies, video agencies, and feature services. As a result, the bulk of the news in newspapers, television, the Internet, and mobile devices comes from the same sources and is presented in relatively the same manner.

In recent years some news organizations have begun to portray themselves as knowledge organizations, a fashionable term in contemporary society. This effort is highly questionable because news organizations are based not on expert knowledge, but on skills in information gathering, tapping the knowledge of outside expert sources, and disseminating that information and knowledge. If one carefully considers the value chains of most news organizations, one finds

that their primary value production comes from information sorting, packaging, and distribution activities. Given that the professional norms for these activities are well entrenched in news organizations, it is no wonder that differences in their content offerings are relatively small and that the unique value created by each organization is limited. If this situation is to change, news organizations will need to focus on becoming value creation organizations, making efforts to ensure that their products and services provide value to their consumers which surpasses the value provided by their competitors. They will need to establish unique, recognizable information sorting and packaging characteristics that will make their news products and services contain content that is presented in a manner distinct from their competitors in the market.

Market-driven journalism as currently practiced fails, according to John McManus, because public policies, media ownership, and news choices interfere with achieving the beneficial goals of the marketplace.<sup>94</sup> The allure of the market is strong, he admits. “For both printed and broadcast news, the commodity system seems ideal. In print, a third party—the advertiser—subsidizes part of the cost of producing the news. In broadcasting, advertisers pay the entire cost. In both cases, society benefits because the news is made available to the public at less than its true cost.”<sup>95</sup> McManus errs in his analysis, however, because these reasons are precisely why the approach has failed in the past. The consumer to which attention is paid is the advertiser and not the reader, listener, or viewer. Consumers are provided with content designed to attract the largest possible audiences, not to serve the needs of individual consumers or society. While the content is available at lower cost, it is not necessarily content that is valuable to individuals or society. His analysis also does not recognize that the business model upon which he bases his criticism is being significantly altered as the media environment changes

increasingly to a consumer-funded model in which the value produced for individuals is paramount and the subsidization can be expected to diminish.

Seeking to create value does not mean that one must abandon a commitment to responsible journalism that serves audience and social needs. Although the market-driven management approach centers on the customer and customer satisfaction, it places an emphasis on quality, service, the context of satisfaction, and on creating a sustainable company that is far more complex than what is understood by many managers of news organizations and journalism critics.<sup>96</sup> It requires a broader sensitivity to the effects on all stakeholders and the environment, recognizing that choices must ultimately balance the value provided to all in order to remain successful.

Pandering to audiences may create a short-term, bottom-line benefit for the company, but it does not create sustainable value for customers, the company, or society. It is a simplistic and highly dangerous approach that risks the future of news organizations. In recent decades, social critics have widely accused news media of pandering with sensationalized content, dumbing down news and information, and shifting to more commercialized content.<sup>97</sup> The willingness of news organizations to continue this strategy is astounding, given that audiences clearly have not responded by continuing to consume news products, by becoming consumers of news if they were not previously consumers, or by returning to new consumption if they had reduced or given up consumption.

If news organizations are to improve that situation in the coming years, they will need to do so by focusing on the factors that make up value, how they can create value, and how to sustain the provision of value for all their stakeholders in the years to come.

## *Value for Different Stakeholders*

Value must be created by news organizations for multiple stakeholders. It will be necessary to achieve a greater balance in the types of value created than exists today and to ensure that sustainable long-term value rather than fleeting short-term value is produced. To do so will require considerable thought within news organizations and an understanding of how and why value must be created for stakeholders including investors, advertisers, journalists, audiences, and society.

The various stakeholders of news organizations require different types of value. Unless news organizations are able to simultaneously provide sufficient value for all stakeholders, they will fall into situations more difficult than those in which they now exist.

### Investors

Given that financial pressures from investors for high profits created some of the difficulties experienced in news organizations that were outlined earlier in this study, it might be easy to believe that news organizations create considerable value for investors and that little attention needs to be paid to their needs and wants. This is not the case.

Despite negative feelings toward owners, managers, and sometimes the news organizations themselves, those who embrace good journalism and are concerned about its role in society need to recognize that news organizations must create value for their owners or they will not be able survive. Companies need to have effective business models that provide reasonable returns on investments and create diversified revenue streams that help avoid dependencies. They need to have financial strength that provides them independence and the ability to hold institutions and government accountable and to provide resources needed to carry out quality journalism.

Investors receive value from stable and higher than average dividends and increasing share prices. Companies try to provide this value by increasing sales, achieving market share gains, increasing the worth of their assets, and projecting desirable images to investors.

Despite their size, many news organizations today face a crisis of value creation for owners and investors because their ability to grow is limited, because consumption trends are poor, because levels of profits are expected to diminish in the future, and because high levels of uncertainty surround the enterprises. These challenges are producing the high levels of financial pressures exerted by investors. Because perceptions of the sustainability and growth prospects for many firms are poor, investors' only strategy is to draw out large profits that will enable them to benefit from their investments in the short run. Effective strategic thinking and choices are necessary to create new value for owners by developing stability and creating new products and business models that reduce the impetus for investors' short-term strategies and provide mid- and long-term mechanisms of value creation for them. That mid- and long-term value can be created by making connections with readers, viewers, and listeners that allow news organizations to reach and serve their needs regardless of the form of the content in the future, and by increasing the importance of the enterprise as a provider of news and information and access to audiences.

For much of the history of journalism, news organizations have delivered news and information with a one-type-suits-all-audiences approach. Readers and viewers received THE newspaper, THE newscast, and THE news magazine. In a time of limited choices, this approach was workable in reaching consumers who had high and low involvement with the news content, those who purchased or used the news products frequently or infrequently, and those who had paid for consumption with subscriptions and other sunk costs or who made inexpensive occasional purchases.

The future requires that news organizations rethink their current roles as creators and purveyors of information. Newspapers, for example, today try to provide something for everybody though a wide variety of features and sections. This creates some material wanted by some people but much material not wanted by others. Similarly, a large amount of material is from feature services and syndicates that provide it to other newspapers, magazines, television, and Internet organizations, so the same or nearly identical material is widely available in other places. Businesses and organizations must solve the problems and serve the functions for which they were established but today many news organizations are acting more like entertainment and diversion firms than news firms and providing much material for which their expertise is lower than other media firms.

Although media are often considered highly profitable and strong, publicly traded media firms often show weakness in comparison to industries such as major drug manufacturers, telecommunication services, restaurants, resorts, department stores, property and casualty insurance firms, major aerospace and defense contractors, and hospitals. By comparison, newspapers tend to be better than average on net profit and dividend yield, but average on return on equity and price/earnings ratios. Television broadcast firms tend to be better than average on net profit and price/earnings ratio but lower than average on return on equity and dividend yield. Radio firms tend to be low on returns and average on dividend yield. These realities create environments in which a number of important measures used by investors lead them to pressure firms for better short-term value creation. Investors are also pressuring media companies for returns higher than those expected in other industries because they do not see evidence that their managements have long-term strategic vision and do not believe they are acting to create sustainable futures for the organizations.

In order to create lasting value for the company and other stakeholders, however, news organizations need to look seriously at the business fundamentals of who they are, what they are, and how they serve consumers, not merely at their short-term bottom lines. The contemporary emphasis on the profit margins has forced constant cost cutting but it is impossible to create sustainability through continual cost cutting. To survive, news organizations must find ways to improve their products and income and to increase value for investors in the long run as well.

### Advertisers

Like investors, advertisers are typically deplored by journalists and social observers. However, advertisers are the most important source of revenue for most news organizations. Creating additional value for them is important if they are to continue contributing journalistic business models. The contemporary marketing and advertising environment is changing dramatically with many more media and non-media options providing means for advertisers to reach potential customers.

For advertisers, value is obtained through cost efficient access to large audiences or to niche audiences of their primary consumers. Additional value can accrue from effective customer service activities and special services that provide convenience and improvements to existing advertising processes. Observers of the relationship between advertisers and news organizations clearly understand that a good portion of the value created for advertisers when news products attracted large audiences has disappeared and will continue to be destroyed in the coming years. News enterprises will have to find ways to create value without relying upon delivering large audiences. This means they will have to help advertisers find new and effective



ways of reaching stable and desirable audiences that create additional value and make themselves more important in the overall choices of advertisers.

It is highly doubtful that news organizations will ever duplicate the extremely high levels of value they created for advertisers in 1970s and 1980s, but it is possible that they will be able to provide sufficiently unique value that keeps certain types of advertisers and certain categories of advertising interested in the access to audiences provided by news organizations. One of the consequent effects of the changing value to advertisers is that news enterprises will have to increasingly look to other stakeholders to provide revenue and growth, and this will create an impetus toward increasing value delivered to them.

### Journalists

Professional incentives and rewards are drivers of value creation in expert and knowledge organizations. Professionals must be provided the ability to excel in their chosen field and to develop and grow. Value for journalists is provided by reasonable wages and non-pecuniary benefits. Value is supplied if they are able to pursue their career at desirable levels of quality, if they can fulfill the social, cultural, and political norms of the field, and if they receive peer and public recognition.

However, as noted earlier, the working environment for content creators in news organizations is perceived of poorly and newsroom workers are expressing high levels of dissatisfaction. Part of the challenge is that personnel are knowledgeable in the craft of gathering and conveying information, but often are not able to employ that craftsmanship in the form of significant inquiry and artistic and creative expression because of the lack of organizational resources and because of choices made about the types of material to convey. If value is to be created for journalists in the information society, organizations will need to shift from assembly-

line journalism to craftsmanship that employs the competencies of professional information workers to create content that meets specific needs and requirements of individual active readers, viewers, and listeners and meets the journalists' beliefs and desires to serve society.

## Audiences

Creating value for audiences who use news products and to whom costs will be increasingly shifted as advertisers play a smaller role in the business models than in the past is the greatest challenge facing news organizations. The flight of audiences from news in all forms continues at a dramatic pace and signals a huge disconnect between the ways news organizations are determining and providing the content and the value that it creates for audiences.

Compared to creating value for the other major stakeholders, creating value for audiences is much more challenging. Value is created by news products that inform, entertain, and stimulate, but also by providing audiences with knowledge and understanding that helps in decision making and solving the challenges of their lives and professions.

Central to the change in the relationship between news organizations and audiences is the need to re-conceptualize audiences as individuals and smaller groups of individuals. The idea of “the audience” was always an abstraction, of course, made up of individuals but measured and understood as a collection of people presumed to exhibit similar wants and needs and other shared characteristics. In reality, audiences have only been constantly changing groups of individuals. The audience concept was built upon the idea that they would passively receive information of someone else's choosing and when linked with political philosophy the audiences of media became the “masses” or “public” that others sought to influence through content.

Today, most media personnel still approach audiences as a collective, but they must be understood as individuals and members of communities with differing wants and needs if new value is to be created and delivered. They must be understood as individuals who are increasingly empowered by technical and economic changes that are moving news from a supply market to a demand market. Information and newsgathering practices and content selection choices need to be embedded in lives of individuals and the communities in which they participate because creating value for consumers in the new environment is not about platforms or content packaging but about establishing and maintaining connections with readers, listeners, and viewers.

In the coming century, those news organizations that are more effective at creating that value will occupy the living rooms and mobile environments of individuals; others will become more peripheral. News organizations that are already marginalized risk being pushed further to the periphery if they continue following the practices of the nineteenth and twentieth centuries and do not find ways to create new value.

### Society

News organizations must also create value for society or they risk losing the fourth estate role in democratic societies that they have held for three centuries. If news organizations act and behave just like other self-interested enterprises, if they do not carry out the roles necessary to help democratic processes function and do not help society improve and better serve the needs of its citizens, the necessity for their existence diminishes and those roles will migrate to other types of organizations and enterprises.

Social value is created when news organizations inform and explain events of the day, monitor the integrity of public representatives, chastise and laud the behavior and performance of institutions, organizations, and enterprises, and stimulate public discussion and engagement.

News organizations' commitment to and regular service of social needs has been increasingly called into doubt by a wide range of social observers. It is thus becoming increasingly necessary for news organizations to return to some of the ways that they created social value in the past and to find new ways to use their personnel, technologies, and other resources to create new value for society.

Today, news organizations are in the unusual position of needing a wholesale evaluation of how they can create value for not just one but all five major stakeholders. Because there are some shared interests, creating value for some stakeholders will concurrently create value for others. However, there are also divergent interests that will require news organizations to undertake unique value creation activities for each of the stakeholders. In this setting, clear strategies and decisions about when, where, and what value to create for whom will require careful thought and planning and a commitment to pursue longer term needs of news organizations than many pursue today.

## 4. STRATEGY AND VALUE CREATION

### ***Value as Part of Generic Business Strategies: A Theoretical Background***

Strategic literature includes resource-based, industrial organization- and transaction-based, and innovation-based theories of value creation that help explain issues of value creation and suggest strategies for firms to pursue to improve their value creation performance. Resource-based theory is founded on the idea that organizations assemble resources and create value when those resources are not imitable or perfectly substitutable.<sup>98</sup> The resources assembled by a firm create value if they permit the firm to satisfy consumers at a lower cost than competitors<sup>99</sup> or allow the creation of products or services that buyers perceive to be different from those of other firms.<sup>100</sup> Firms, however, do not all compete on an equal basis because size of firm affects the resources and strategic choices available to them. Larger firms have greater access to resources and more strategic choices involving cost leadership and differentiation, whereas smaller firms generally must take more focused strategies.<sup>101</sup> Managerial competence and effectiveness is particularly important in creating value, and poor management can lead to poor value creation and even value destruction. Companies capture value from capital sources, suppliers, labor, and customers and then seek to maintain it within the firm and to use some as profit. Better labor within organizations is particularly important because it creates greater customer use value that can be captured.<sup>102</sup>

The industrial organization approach views value creation as a function of growth, market power, and efficiency—such as creating value by controlling transaction costs for resources and services.<sup>103</sup> Property rights theory approaches focus on capturing value and protecting it in the exchange processes that take place surrounding a firm's activities.<sup>104</sup>

Innovation value theory asserts that innovation is the source of value creation and argues that economic development and new value is created through change that destroys value produced in existing firms and creates substitute value through new technologies and processes in entrant firms or firms embracing the change.<sup>105</sup>

Based on these and related theories, strategic literature suggests three generic competitive strategies: the cost leadership strategy, the differentiation strategy, and the focus strategy.<sup>106</sup> These differentiation strategies are used for most products and services ranging from washing automobiles to telephone services to microwaves to financial services. The cost leadership strategy is based on the idea that cost advantages develop from the pursuit of economies of scale, proprietary technology, and preferential access to raw materials, etc. that can be used to create more value than competitors.<sup>107</sup> The differentiation strategy is based on differentiating the features or markets of a product.<sup>108</sup> The focus strategy is one in which a firm concentrates on specialized or limited target markets in which it can gain advantages.<sup>109</sup> These and most business strategy literature and practice, however, are focused on creating heterogeneous products that are protected through patents, first mover advantages, or superior features that cannot easily be mimicked by other firms. Only limited attention is paid to homogeneous products, but clearly cost leadership and competitive speed are significant strategies. Speed of market entry, speed of response to market changes, and speed of delivery are important strategic elements for such products.<sup>110</sup>

The basic underlying factors that drive value creation strategy for companies that create heterogeneous products are not often found in news organizations, where common professional educational requirements and common cultural elements exist across competitors, where firms tend to adopt similar technologies simultaneously, and for which professional organizations

assert and seek to maintain common standards. Because norms dictate work practices and processes, and the forms and functions of the good or service provided, it is difficult for news organizations to produce completely unique or non-substitutable products and services by comparison to other industries. Additionally, news organizations tend to have relatively similar cost structures, encounter limited competition for basic resources including personnel by comparison to other industries and non-news media, and experience highly limited or absent price competition. Thus, the generic cost leadership strategy for homogeneous products will not produce great value returns in news and information products and only the generic speed strategies involving speed of delivery and response to market changes are particularly relevant to news organizations. News organizations, of course, are all committed to speed of delivery and have generally responded equally to change so no great value creation advantages have accrued to or been enjoyed by any single news provider in that regard.

The generic business strategies thus do not provide substantial guidance for news organizations to significantly improve their value creation and the importance of news and information to audiences and consumers. Instead, improving value creation will require news firms to answer the question posed earlier: “Value for whom?” In this case it is the reader, listener, or viewer of news and features from news organizations and the other stakeholders. Determining how to increase the value currently being provided requires news organizations to create and adopt strategies based on a value creation, particularly consumer value, approach to content.

### ***The Value Creation Approach***

The value creation approach goes beyond basic approaches to strategy and argues that much business theory creates artificial divisions between a firm and its stakeholders and tends to be company centric in its approach. The value creation perspective asserts that creation takes place in all interactions between the company and stakeholders, including customers, and that creating value in many ways is critical to the success of firms. An important part of value creation is increasing future cash flows and repositioning the company to increase market share and differentiate itself from competitors.<sup>111</sup> However, the value creation approach also recognizes that much value, both current and enduring, is co-created by customers, suppliers, and distributors.<sup>112</sup>

This view of value creation is not a buyer-centric, sales-oriented approach that places the consumer in full control. It is not the simplistic provide-anything-people-will-buy approach that has rightly worried critics of market-based journalism. Instead, it recognizes that joint value comes not merely from a product sold to masses of consumers, but in the experience provided, relationships created, personal outcomes for each individual customer, and benefits created for all stakeholders including society as a whole, shareholders, and the range of participants in the company's value chain.<sup>113</sup>

The value creation approach asserts that companies must have and embrace enduring values and that they must reflect those values in all their activities or they cannot create sustainable value for customers, employees, owners, the communities in which they are located, or society as a whole. The approach takes a strategic, long-term view of enterprises and the stakeholders in their activities and seeks to generate and expand value so that the enterprises can remain relevant and viable. Although it recognizes short- and mid-term value creation needs for



some stakeholders, it is founded on the fundamental belief that managers need to balance the value needs of all shareholders and to seek to create the greatest possible value for all over time, not merely to maximize value for some in the short term.

The consumer value approach is a specific aspect of the overall approach that is concerned with what the customer gets from the supplier and what the supplier gets from the customer. It is central to the challenges of news organizations today because the greatest challenges being faced are related to changes in audience behavior and responses made to those changes. The consumer value approach has both supply side and demand side implications. The supply side is concerned with value *provided* by the supplier and the demand side is concerned with the value that the customer gets from the supplier. While both are important, the contemporary situation of news organizations requires that news executives take a significant look at the consumer perspective.

The customer value approach developed out of customer satisfaction research and efforts to understand customers in strategic and marketing terms. It focuses on the connotation of the value in the mind of the consumer and on not only providing goods and services but creating relationships with customers that lead to customer retention and loyalty.<sup>114</sup> Initially value to customers was conceptualized as benefits of consumption relative to price, but that view has been expanded to include the relative worth or importance of the product in terms of desirability and usefulness as well as the relationships and context of the contacts between buyer and seller.<sup>115</sup> This is especially relevant to news providers because price is low or absent and its significance is determined by values and utility.

The concept of value created for the customer brings together ideas related to consumer demand, satisfaction, and loyalty that are key elements to successful operation of enterprises.

Customer value analysis focuses on customer needs and wants and in finding ways to better serve their desires and expectations than competitors, with the goal of increasing use of the company's products and services, gaining advantages such as brand improvement and loyalty, and improving the company's financial performance. This concept of value creation relies on the relationship between the satisfaction of many differing needs and the resources used in doing so. The fewer the resources used or the greater the satisfaction of needs, the greater the economic value.

The consumer value approach requires a deep understanding of the customer and a focus on determining and providing those things that create value for them. It recognizes that the perceptions of the consumer determine value and the value-added features that are desirable. This does not mean, as some might cast the argument, that one gives the news and information consumer only the content they want at the expense of what they need. The consumer value approach focuses on the fundamental needs of customers and how using the product affects them.

Woodruff and Gardial argue that "customer value is the customers' perception of what they want to have happen (i.e., the consequences) in a specific use situation, with the help of a product or service offering, in order to accomplish a desired purpose or goal."<sup>116</sup> From this perspective, value added is what the consumer receives beyond the basic product purchased.<sup>117</sup> As a result, it is necessary to focus on serving the broader hierarchy of customer value, with the attributes of the product or service as the base, then on what the products does and any tradeoffs of characteristics, quality, price, or ease of use, and finally on the goals of the consumer in using the product or service. Most companies focus only on attributes, but focusing on the higher

levels creates stronger value and consumer loyalty and moves the enterprise from a present to future orientation.<sup>118</sup>

The introduction of cable television, for example, forced cable systems to focus on value creation as soon as they were introduced in locations where free-to-air television channels could be received. System companies promoted the value of better reception, advertising free programming, and more choice through their movie, sports, children's, and news channels. Additional choices and value were provided later by adding local broadcast channels, distant broadcast channels, and additional cable channels. Further value was created as the companies worked to improve their service quality to increase value and keep customers satisfied.

If improving value created and delivered to audiences is the goal, value management needs to become an important component of news organization strategy. Value management differs from other approaches to management because of its emphasis on work organization, teamwork and communication, professional knowledge creation, and external and internal change. It focuses on the need to improve products and services to customers by understanding and serving their needs, and by seeking innovations that increase the value of the firm's products and services.

Value management understands that it is not enough for an organization to focus merely on the quality of its product and its price, but that the enterprise needs to focus on providing a better value proposition than competitors. This moves value delivery away from the product alone to the entire experience of obtaining and using the product the product or service. It leads companies to better determine value and find ways to increase the value for their customers.

It is possible to over-deliver value in short-term economic terms, that is, to invest so heavily in content and service that it produces no additional financial return to the company.

Firms would thus normally seek to limit the delivery of excessive economic value in order to achieve higher profits if profit maximization were the only goal. In a broader perspective, however, there is no such thing as unwarranted value because it supports competitive advantage, brand image, customer loyalty, and company value. One also needs to recognize that in the case of journalism, the importance of non-pecuniary goals makes it impossible to supply too much intrinsic and instrumental social value.

The amount of value that is created and delivered is affected by forces external to enterprises, such as changing consumer needs, social developments, and innovation and disruptive technologies. It is also affected by changes internal to enterprises involving organizational values, strategies, and choices. The factors discussed in the first chapter of this book have variously affected the different types of value produced by news organizations.

### ***Value Creation in News Organizations Varies Over Time***

Earlier we identified multiple stakeholders for whom news organizations must produce value, the most significant of which are the society at large, its audiences, its investors, its journalists, and its advertisers. Each of the stakeholders has interests that converge and diverge; thus sustainability requires a balancing of those interests in order to maintain the functions and roles of the news organizations for the stakeholders.

The role of the company is to serve the interests of the various stakeholders and create value for them by attending to both short-term and long-term interests. To be successful and sustainable over time, the company must create and maximize value across the stakeholders. The decisions of the emphases given to the various interests reside in the top managers and boards of directors of media firms. In recent decades, however, the value created for the range of

stakeholders has varied, with great emphasis placed on the interests of investors and advertisers, and this has led to the criticisms explored earlier in this discussion.

Changes in value can be visualized using a multi-axes plot. Shown in Figure 2, value for each of the stakeholders ranges from low at the center of the plot and moves to high on the outer edge of their respective axes.

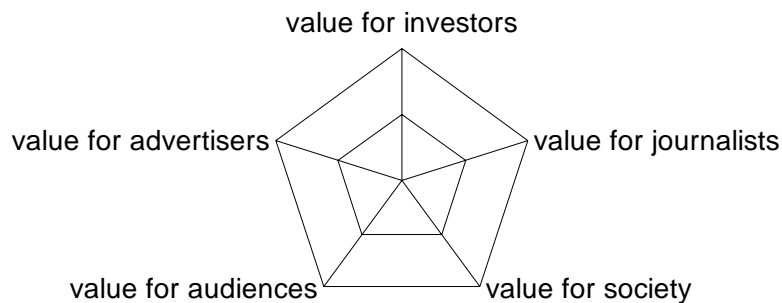


Figure 2: Value Conceptualization for News Organizations

If there ever was such thing as a “golden age” of news organizations, it would be characterized by creating high value for society and for its employees (Figure 3). It would have created good value for audiences—but its range of information of interest to smaller groups within the audience would have been limited. This gilded age would have created value for both the news companies and advertisers, but, because there would be lessened emphasis on doing so, the value in economic terms and in terms of access to audiences would not have been high.

Perceptions of if and when the golden days of journalism occurred depend upon the medium, but across all media journalists perceive those days to be periods in which resources to sustain thorough reporting and contemplative assessment were available, when newsrooms enjoyed greater autonomy from business activities of their organizations, when professional and

intrinsic rewards for individual journalists were high, and when companies cared about and promoted quality journalism. For television news, that period is generally perceived to be the 1950s and 1960s (extended by some journalists who focus on televised news magazine programs into the 1970s). Newspaper journalists regard their golden era as the 1960s and 1970s. News magazine journalists tend to put the date between the late 1960s and the 1980s. Although there are clearly elements of nostalgia in such perceptions, it is clear that significant changes in resources, the position of news operations in their organizations, company structures and decision making processes, and media markets occurred after those eras, so the perceptions of change are undoubtedly somewhat more real than fanciful.

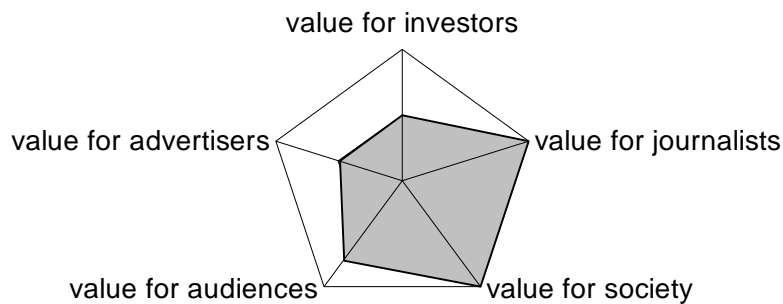


Figure 3: Value Creation in the Golden Age of News Organizations

The context of news organizations changed as their earning abilities rose with the explosion of advertising expenditures in last three decades of the twentieth century. Concentration, monopoly and oligopoly profits, and the growth of publicly traded companies providing news produced a shift in the value production emphases within the organizations. This “corporate age” has shifted the emphases from society, employees, and audiences to value creation for the company through high profits and asset growth and to advertisers through

opportunities to reach larger and specifically desirable audiences (Figure 4). The diminution of value for audiences, employees, and society has been a factor in declining use of news, journalistic dissatisfaction, and social criticism of the performance of news organizations.

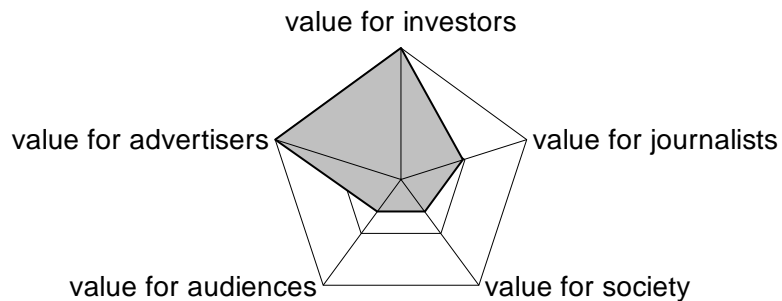


Figure 4: Value Creation in the Corporate Age of News Organizations

The changing environment of news consumption brought on by social, technical, economic, and lifestyle changes has made this value creation emphasis unsustainable. News organizations must either create additional value for those stakeholders for whom value diminished in the corporate era or face destruction and loss of the value they have been creating for investors and advertisers. This change is necessary in order to provide value that will attract and retain motivated and skilled information professionals, provide the social service functions of news, and induce consumption at the higher prices that will be necessary as advertising support for news products diminishes. This latter necessity requires provision of high value material that is generally absent from news organizations. In doing so, companies will have to reduce their emphasis on short-term value creation only for their shareholders and seek longer term goals of sustainability driven by high value production for customers. In the future, then, a greater balance will be required in creating value for stakeholders (Figure 5), but the value will

have to become greater and more apparent to audiences as their monetary expenditures for news rise.

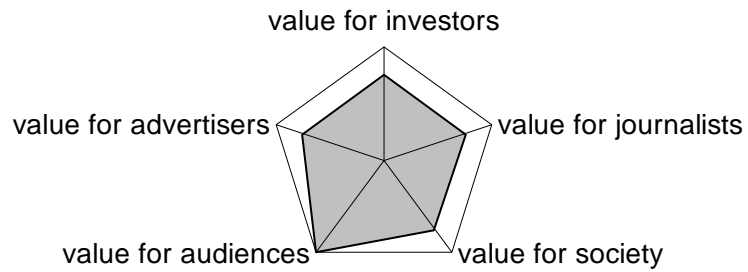


Figure 5: Value Creation Required in the Future of News Organization



## 5. THE VALUE OF NEWS, INFORMATION, AND JOURNALISM

In order to increase the value delivered by news organizations and to improve their ability to create more value in the future, we must first comprehend the value they currently generate. The value of journalism has traditionally been cast as its social value, based on populist democratic ideals of the value of an informed and educated public able to effectively participate in social and political debates and make knowledgeable choices about their lives and that of society as a whole.<sup>119</sup> This value is embodied in the motto inscribed over the grand archway of the first school of journalism at a U.S. university that refers to the press as the “Schoolmaster of the People.”<sup>120</sup> These ideals are embraced in Western journalistic philosophy, in the professional codes of journalists, and in the publicly stated missions of news organizations. They are laid out in public debates over the roles of media<sup>121</sup> and used as shields against cries for political and legal actions to correct undesirable or deficient behavior by some media organizations.

These professional values of journalism are part of an entire context of news gathering, production, and dissemination that have been influenced by historical political, cultural, and social settings in which Anglo-American journalism developed—and was then spread to other Western nations, by requirements of news technology and processes, and by norms and conventions that influence news selection, coverage choices, and writing and presentation styles.<sup>122</sup>

There is a tendency to accept the notion that journalism is good and therefore valuable and this conceptualization leaves many perplexed about why large numbers of consumers do not see its value. Harmon has argued that it is “important to distinguish the belief that something is good from the belief it is valuable.”<sup>123</sup> His distinction is important in understanding the value of

news and information. Although we may view journalism as good, it does not necessarily have value in and of itself or in terms of its exchange value in the marketplace.

The value of journalism to individual users and other stakeholders must be conceptualized differently if one is to understand the value of journalism from the perspective of audiences making choices of whether and how to consume news and information. When non-socially based views have been employed to discuss value, the focus has tended to be on market value, that is, what people are willing to pay for the news and information products and what should be parts of those products. Unfortunately, it is clear that most people want to pay nothing or very little for most news and information, that a few people are willing to pay for specialized information of particular interest, and that when people are willing to pay for content it is for content that does not typically serve the broader ideals of journalism and society. If we are to understand the value of journalism to consumers, then, we must look beyond mere exchange value. This is important because it has been observed that individuals value information differently and that information needs and uses vary widely.<sup>124</sup> In order to successfully serve those needs one must understand, respect, and adapt to those differences.

Knowledge creation and dissemination are recognized as essential building blocks of value in contemporary society. Nonaka and Takeuchi posit that *tacit* knowledge is subjective, based on experience, context specific, and involves specific modes of thought, technical skills, and intuition. They also assert that *explicit* knowledge is articulable, objective, rational, and can be referenced easily. Both tacit and explicit knowledge can be transferred but doing so requires shared beliefs, emotions, modes of thought, experiences, and willingness to learn from others.<sup>125</sup> Probst, Raub, and Romhardt assert that distributing knowledge is an important part of creating value and that knowledge managers need to make clear choices about “who should know what in

what amount” in order to be effective.<sup>126</sup> These approaches provide important direction for value creation in journalism, but they require news organizations to recognize that consumers are different and have different information needs. The knowledge approach tells us that we cannot expect a single type or form of news conveyance to be equally successful among consumers and that different types of news products and services will be necessary to effectively convey knowledge and develop consumers’ knowledge.

Fundamentally, there are three major types of knowledge: 1) knowledge about things, events, and ideas, i.e., being aware of their existence; 2) knowledge about how to do things, i.e., skills and competences that allow one to use the first type; and 3) knowledge about why things happen and their implications. The primary focus of contemporary journalism is conveying knowledge of the first type, a category that we typically designate as news and information. The three types of knowledge produce different amounts of value for consumers but the type most prevalent in journalism produces the lowest value. The emphasis of news organizations on creating simple knowledge is particularly problematic to value creation because it creates little of the information itself and most of their activities involve processing information created or originally conveyed by others. To understand why purveying such information in its traditional forms produces limited value, we need to examine the underlying concepts of value and consider the types of value produced by the activities of news organizations.

Three manifestations of value are created for consumers by journalism that are different from value created with other products. First, journalistic content has *functional benefits* that helps audiences understand their place in the world and the events around them, and provides information and advice that helps them in their own lives and activities. Second, consumption of news and information has *emotional benefits* by providing escape, companionship, senses of

belonging and community, pleasure, security and reassurance, and leadership. Third, media use has *self-expressive benefits* in which audiences can identify with the perspectives, ideals, voice, and opinions of a particular news source. The value also is provided when audiences are given the abilities to converse with the news organizations, its personnel, and its audience, to add information and comment, and to exercise choices about the content they wish to receive.

Functional benefits involve the effect of the content on the users. The value is based on the extent to which content helps them monitor the world around them, cope with issues and activities in their lives, and provides some diversion and pleasure. Many of the basic professional and news organization norms such as accuracy, reliability, fairness, completeness, etc., are designed to ensure that provision of this value is maintained. In addition, many of the features and sections provided by news media—such as those related to automobiles, cooking, self-help, and comics—are included to increase the functional benefits.

Emotional benefits involve the understanding, peace of mind, comfort, self esteem, feelings of involvement, participation, belonging, and community that consumers receive as a result of their use of the news product. Emotional benefits develop from the experience of use, from sense of place created, from the psychic rewards of learning and being in the know, and from the accompanying self development that takes place. This value is promoted and enhanced by coverage of the local community, neighborhoods, clubs and organizations, and other arenas in which the audiences engage in personal activity and help create their self identities.

Self-expressive benefits have never been a significant concern of news organizations, except as a means of helping audiences find a news provider that is more representative of the interests and values where competition exists. It is employed by news organizations to create differences in tone and personality that will assist audiences choosing between the *Washington*

*Post* and the *Washington Times*, CNN or Fox News, or *Time Magazine* and *U.S. News & World Report*. As a result, audiences of news organizations have historically been addressed primarily as passive receivers of self-expressive determinations made by news providers or through limited opportunities to express through letters to the editor. Today, however, a greater amount of self-expressive benefit can also be created through various forms of interactivity made possible by the Internet and mobile communications that support increased contact with news organizations, their staffs, and other members of their audiences.

These three major manifestations of value are based in the individual/social and intrinsic/instrumental conceptualizations of value discussed earlier. It is important to understand that the content provided by journalism is not valued for itself by consumers, but that its value emanates from its utility as a mechanism to achieve states and things outside the news and information itself. Consequently, “the value and price of a knowledge product, in contrast to industrial products like steel or paper, is not determined so much by the cost it has consumed during its creation process, but mainly by the prospective value potential users and consumers attribute to it.”<sup>127</sup>

The result of this situation is that news and information must produce value from both the moral philosophy perspective and the economic perspective if it is supported in a commercial environment (Figure 6). Unfortunately, just because news has intrinsic or instrumental value does not mean that it has exchange value because the exchange value is separate and determined in the marketplace based on the benefits received and the ability of consumers to receive them in other ways.

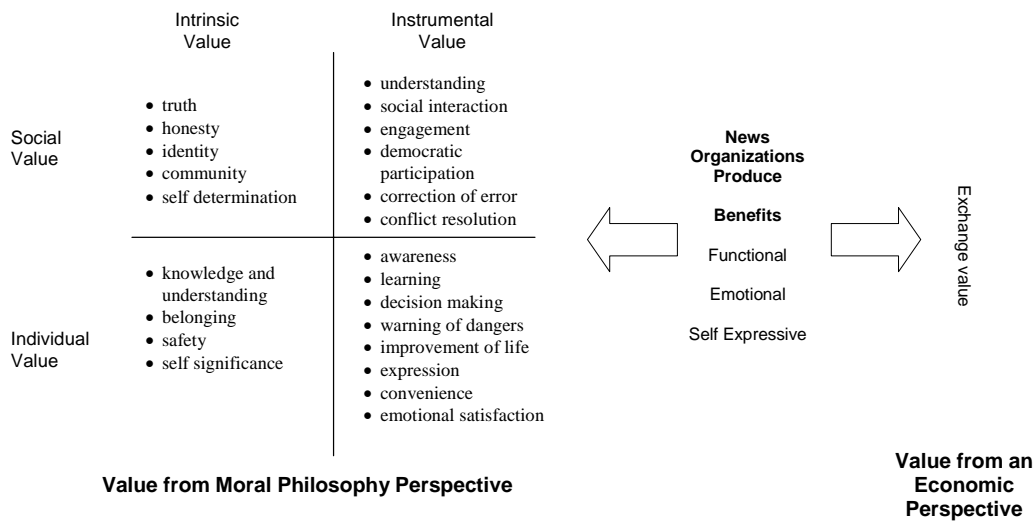


Figure 6. News Organizations Create Value from Two Perspectives

As noted earlier, such a determination of value is influenced by values held. The professionalism and populist values in journalism have led to the determination by journalists that certain types and presentation styles of news and information are valuable. The values behind these characteristics, however, are not widely shared with contemporary audiences and much of the public has come to reject the content based on the values. Much news and information coverage of public affairs, for example, has an institutional emphasis that runs counter to ways audiences engage in life. Great importance is placed on coverage of formal political practices and participation—institutions and processes—but less on private participation outside traditional political arenas and less on the consequence of the formal processes. The result is that public affairs news focuses on faceless institutions, processes, and insider knowledge rather than on their implications and effects on citizens.

This occurs because there are different values and elitism in journalism that primarily facilitates discourse and interaction among elites and formal organizations. The different values, perspectives, and levels of interest in public life are partly created because the average journalist tends to be better educated, has a slightly better income, and slightly more urban social values than the average reader, listener, or viewer. It is further promoted because the aspirations of and rewards for journalists are not linked to audiences but to other journalists and persons and institutions of power. The various factors combine to create a disconnect between journalists and their audiences. Journalistic and news organization values often impose distance between news and everyday life and thus between news organizations and the audiences they serve.

Challenges also exist because news organizations often provide news whose import is not immediately understood by the bulk of their audiences. The import of a news report that two dozen people died in the collapse of a building being illegally constructed in Dhaka, Bangladesh, or that investors are concerned about levels of debt carried by the California state government, do not seem salient to many. Similarly, large amounts of news and information involve leisure and entertainment, such as sports, television programs, and motion pictures. It chronicles the passing parade of human foibles but doesn't add much to audience knowledge or understanding. Allegations of adultery in Jessica Simpson's marriage or concerns about the handling of Jimmie Johnson's automobile in next week's NASCAR race are not requisite for life. Lifestyle news about cooking, automobiles, technology, and health are also provided in copious quantity to serve varying interests among audiences and advertisers. The result is that news organizations provide something for everybody but little for anyone. This problem produces great disinterest in the news product and is evidenced in the fact that newspaper readers do not read three-fourths of

the material in their newspaper.<sup>128</sup> Much content, then, produces limited value and produces audiences who are often willing to skip consumption, thus producing an unstable customer base.

A base of stable clients is critical for companies because they are loyal to the firm and its products. This customer base has value of its own. Part of that value is economic, but this customer base can also be used to help improve products and psychological links to the firm, and become a critical success factor. Although these later factors are difficult to measure quantitatively, the economic value of the customer base is evidenced in the value of subscription lists of newspapers and magazines that are often sold to competitors if a title ceases publication.

### ***Influences on Value Created by Journalistic Activity***

One must recognize that the amount of functional, emotional, and expressive benefit created is related to a variety of factors such as uniqueness, desirability, immediacy, volume of content, and relevance to audiences. These affect individual consumers' estimations of the extent to which it is worth the money or time required for its consumption.

In determining how and where value is created by an enterprise's activities, the value chain is sometimes charted to help focus attention on the variety of activities and to locate those activities that are the core of value creation.<sup>129</sup> News organizations create value through the knowledge of journalists and editors, their access to sources of information, their ability to sort through the tens of thousands of news and information stories available, and the production of continuously created products that are driven by continuity of a packaging format and concept into which news and information are placed with each new edition.<sup>130</sup>

Media executives and observers traditionally identify content creation as the core activity of media firms. Only if they produce the majority of their content can they be seen as being primarily involved in content creation with enterprises based on internal personnel with high



abilities and skills in that creative activity. As noted earlier, however, most media firms actually outsource a great deal of this core activity. There is widespread and growing use of freelance journalists, heavy reliance on acquired content from news, video, and feature services, purchases of programming from independent producers, and outsourcing of Internet site creation and maintenance in many media organizations. The core competence of news organizations that rely primarily on others to create their content is the selection, organizing, packaging, and processing of content and in its redistribution.

These selection and redistribution activities are significant as core competences, because selection and certification of goods is an important part of value creation because it creates a quality control mechanism and reduces consumer search requirements. As a result, “selection and certification provides indispensable value to readers who want to be informed about current affairs....The reader expects accurate descriptions of events and credible commentaries and analyses. Since readers can hardly distinguish accurate from inaccurate coverage by reading a story it is very important for a newspaper to establish a brand name that basically guarantees reliable journalism. Quality is the basis for building long-term customer relationships....The value of quality and certification is increasing further as we are moving into an era of digital media services and e-publishing.”<sup>131</sup> The reliance on outsourced content requires greater attention to its quality and to ensuring that it reflects the values of the media firms so it creates more value for users.

The extent of redistributed content also creates a value challenge, because outsourced content tends to create lower value in that it is rarely redistributed on an exclusive basis. As a result, news organizations need to focus on ways to add value to syndicated news and information through other activities within the value chain and they need to seek ways to alter the

chain to create more value. Value is generated by serving the functions for which people use media, but most news organizations focus only on the functional activities, ignoring the other two major means of creating value. Because it is necessary to create new value, it appears that the emotional and self-expressive functions provide significant opportunities for doing so. However, efforts to add value should build upon the foundation of journalistic values, not seek to be substitutes for them. This may require developing and articulating additional values as foundations to produce value beyond functional benefit.

Seven content approaches and strategies are commonly used in news organizations that are relevant to value creation issues:

1. increasing volume of news and information
2. increasing the speed of news information gathering and distribution
3. increasing the distance from which news and information is provided
4. providing exclusive news and information
5. providing specialized news and information
6. providing news and information across media platforms
7. repurposing and reutilizing existing news and information.

The strategies, however, have differing effects on value creation for major stakeholders of news organizations.

Media personnel generally recognize that value is affected by the volume of material made available, the speed in which is distributed, the distance between location of occurrence and news audiences, the exclusivity of the information, the degree of specialization of news and information, and the availability of news across distribution platforms through repurposing.

However, the value of those factors is not constant, not universally perceived, and differs significantly among stakeholders of news organizations.

Increasing volume, speed, and distance of news and information, for example, provides some instrumental value for audiences but creates little economic value, as will be shown in more depth shortly. When all stakeholders are considered, less value is produced by increasing in volume, speed, and distance with the exception of some intrinsic value for society. Cross-media activities and repurposing content creates some economic value for the firm, some instrumental value for audiences and advertisers, and some intrinsic value, but increases in cross media and repurposing both create and diminish value for major stakeholders so that their overall effect is a wash. The only strategies that are positive in terms of use, economic, and intrinsic value are exclusivity and specialization, with specialization being especially important because it tends to increase value for all stakeholders.

Those value creation patterns for different stakeholders present significant challenges because strategies created to create value for one group sometimes destroy value for others. The reasons will be considered in greater depth.

### *Value, Volume, and Commoditization of Information*

In contemporary society, volume of information is often conceived of as increasing value, and significant efforts have been made to increase information and its flow through public policies supporting development of the so-called Information Society. There is value in having more information available, but there is a significant difference in its value to society and its value to news and information audiences. This factor creates a central challenge to the future of news organizations.

Although the value to society grows as the volume of information rises, the same result does not occur for individual consumers of information (see Figure 7). For individuals, the value of volume initially grows, but then slows and ultimately declines. This occurs because as the volume of information increases diminishing marginal utility sets in for individuals, lowering its value. As additional information and news is provided, it serves the interests of fewer and fewer members of the audience, although it may be highly valuable to those few. Ultimately, increases in information produce negative value because of the inability of individuals to cope with the flood of news and information. This produces information overload in individuals “in which excessive communication inputs cannot be processed, leading to a breakdown.”<sup>132</sup> Because of the problems of coping with the profusion of news and information and the wide variety of media sources, they focus their media use and engage in information avoidance.<sup>133</sup> The latter practice of deliberate ignorance has a comforting psychological basis. As Abraham Maslow observed, “We can seek knowledge in order to reduce anxiety and we can also *avoid* knowledge in order to reduce anxiety.”<sup>134</sup> The problem of information overload is not a problem unique to journalism and has been recognized in businesses in which information technology and management information systems create similar challenges. One observer has noted that the premise behind management information systems is that “more information enables better decisions...yet adding data can actually worsen the decision-making process.” This occurs because adding large amounts of information subtracts information value.<sup>135</sup>

This value problem creates difficulties in value creation for advertisers because audience avoidance and unwillingness to pay for more material produces declining value in terms of audience access. It also creates declining marginal returns for investors and tends to reduce value

for journalists because of increased workloads and the diminishing significance of the additional material.

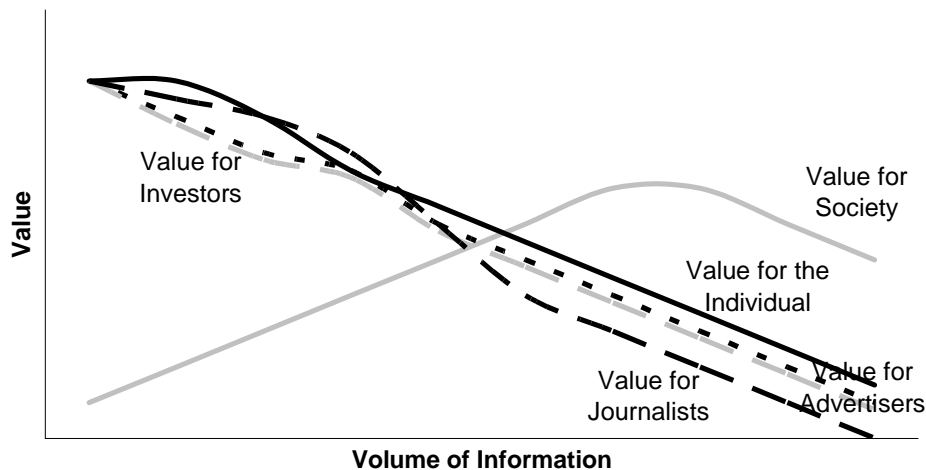


Figure 7. Relationship between Value and Volume of Information Illustrated as the Marginal Value of Increased Volume

The challenges of information growth are starkly illustrated in statistics on the availability of content. During the twentieth century, for example, the average number of pages offered in daily newspapers tripled<sup>136</sup> but growth in pages was far greater in large metropolitan newspapers. In 1900, for example, the *New York Times* offered readers an average of 14 pages daily and that number rose to 56 by 1950. By 2000, however, the average was about 88 and more than 100 pages were regularly provided.

In the second half of the twentieth century, television news in the U.S. rose from 15 minutes of network time to 30 minutes daily for the evening newscasts, and some networks provided as much as 3 hours for network newscasts throughout the day. The availability of television news was increased by the provision of several hours of news daily on local network affiliate stations, and was then supplemented by 24-hour cable national news channels and

channels providing live coverage and discussions of congressional activities.<sup>137</sup> The amount of televised news and information has been even further increased by more than 30 regional and local cable news channels that provide news, weather, documentaries, and public affairs shows, and by state public affairs channels that provide more than 20 million homes with live broadcasts of government meetings.<sup>138</sup> In addition, basic news and information is available on television and computer screens in many public places, including public squares, elevators, subway cars, and restaurants.

Changes within contemporary journalism itself have brought more information about some stories and more stories about some things. Long-form and short-form journalism have contributed to two seemingly contradictory but actually complementary trends. Long-form journalism provides longer stories with greater explanation and contextualization, whereas short-form journalism provides quick short stories that provide a brief overview. These trends are evident in the fact that average story length in newspapers doubled during the twentieth century, that the number of page-one stories declined 80 percent, and that more stories overall are carried in the average newspaper. In television news since the 1960s, the amount of time in which journalists speak on camera has increased in stories, journalists' appearances in stories have tripled, and sound bite lengths have declined about 75 percent.<sup>139</sup> Although there has been a steady growth in article size and analysis, it has been noted that journalistic style is increasingly changing information provided to reference form that is "meant to be referred to, not read."<sup>140</sup> Simultaneously there has been an emphasis on briefer stories, news round-ups, and quick news bits that increase the overall number of news stories presented and allow readers to quickly consume news. Some observers have linked this type of new reductionism with fluffy or banal

“junk-food” journalism. *USA Today* (disparaging called “McPaper” by some) is often cited as an originator of the trend.

The results of increased education, technology advances, and social development are producing information overload. A University of California project on information development and storage shows that new information is growing at a rate of 30 percent a year. “800 MB of recorded information is produced per person each year. It would take about 30 feet of books to store the equivalent of 800 MB of information on paper,” it says.<sup>141</sup> The inability of individuals to handle just a portion of the information is evident. This is true of even mediated portions of that information—the study shows that part of the information created includes more than 320 million hours of radio broadcasting and 123 million hours of television broadcasting.

Abundance of news and information is related to its commoditization. Because there is no longer scarcity of news and information or sources of that content, the instrumental value provided by the content of individual news organizations has been lowered, and news and information have become commodities. The ubiquity of general news and information makes it possible for the basic instrumental value of surveillance of the environment to be available to many individuals at low or no cost, so its economic value declines as well.

This creates contemporary challenges previously unknown to news organizations because it shifts control over news and information choices to consumers rather than leaving them in the hands of journalistic professionals. As with other goods and services, consumers now make information choices based on perceptions of functionality, reliability, and convenience. Consumer research has shown that if functionality is offered by competing goods, reliability becomes the motivating factor in consumer choice. If consumers perceive no difference in

reliability, then convenience of use becomes the motivating factor. If consumers see no apparent difference in convenience of use, price becomes the driving factor in choice.

Journalists are affected by volume as well because they are constantly pressured to increase output by producing a larger number of shorter stories. These types of stories tend to be less professionally satisfying and produce fewer intrinsic rewards. Thus, as the volume of news and information increases, the value created for journalists declines.

The volume of information, combined with journalistic values and professionalism that created strong industry-wide norms of what information is selected for inclusion in news products and how it is presented, have made news and information commodities that are inexpensive, substitutable, and obtainable equally well from many sources. This promotes instability in audiences because they can choose to get their information in a number of places and this, consequently, reduces value for advertisers and investors by increasing substitute products and advertiser discontent. Overall, increases in news and information volume subtracts value from the majority of stakeholders, including those who provide the revenue in the business models of news organizations directly supplying audiences with their content, by reducing functional benefits and providing little or no emotional or self-expressive benefits for consumers. Its exchange value is exceedingly low.

### *Value and Speed of Information Distribution*

Changes in communication technology have amplified the speed of news and information provision in the past three decades. Information flow today is nearly instantaneous with news agencies flashes and live broadcast coverage spanning the globe within moments of occurrences. The speed of communications has overcome spatial constraints that required days, weeks, and



even months for news to reach remote locations in the past. In a slow distribution environment, information and news that was conveyed tended to be primarily news of import, but the rapid distribution environment allows a far wider variety of information and news to be distributed.

The speed of distribution has become so rapid that intelligence agencies and world leaders are more often alerted to and gain initial information on important national and global events by news reports than by their own organizations. Rapid dissemination of information provides the ability to respond to occurrences more rapidly and to gain information needed for swift decision making by those for whom quick reaction is most important—including government agencies, aid organizations, financial firms, and businesses whose activities may be affected. For general audiences, reaction usually is not imperative, but significant national and global events generate high interest and psychological responses. Processing the high speed, constant flow of information creates difficulties for some people because they perceive, react to, and organize information at different speeds.<sup>142</sup>

The tempo of distribution is clearly more vital for some types of news and information than for others. In the past, editors and news producers exercised judgment in determining whether news or information warranted increased speed of distribution by interrupting normal broadcast programming or producing extra editions of newspapers. Today, however, continual news distribution via news channels, the Internet, and mobile devices has replaced much of that function. Because continual news provision forums are readily available to audiences, fresh news and information is constantly being provided to audiences. Because major incidents and developments are infrequent, much of the information that is regularly provided is mundane and relatively inconsequential. The emphasis on up-to-date material results in audiences receiving a disjointed flow of bits and pieces of information. Other news operations, such as daily

newspapers and news broadcasts, have also been affected by the speed of information flow because of their reliance on news sources emphasizing rapid and large-scale information supply. As a result, much of their content similarly lacks continuity and context.

Although there are benefits to speed, the velocity of information flow reduces the reliability and clarity of information because many initial reports in which facts are still unclear are disseminated and the processes of confirmation and clarification have not been completed. The problem was horrifyingly illustrated when news organizations carried misinformed reports in January 2006 that 13 miners trapped after an explosion in Sago Mine in West Virginia had been rescued, when in reality all but one had perished. The tradeoff between speed and accuracy has long been recognized in many fields of endeavor and it is seen as especially important regarding communication activities ranging from stenography to typing—in which the QWERTY keyboard was deliberately designed to reduce speed to increase typists' accuracy—as well as in research activities, reading and comprehension, and news. Speed clearly has value in information flow, but it also carries the price of incompleteness, confusion, and error that reduces the substance, dependability, and consequence of large amounts of news. It is understandable that many people find the swift unfinished flow of news to be lacking in usefulness and meaning to their daily lives.

One must recognize that distribution speed is more valuable to some news users than to others. Thus speed of distribution of news of an explosion and serious fire in an oil refinery in Lake Charles, La., has greater immediate value to local residents and those purchasing oil futures than to a nurse in Cleveland or an engineer in Seattle. Similarly, speed in conveying some types of news is less important than others. Distributing news of the discovery of fossilized remains of

a previously unknown two-legged dinosaur in New Mexico has less immediacy value than news of the discovery of mad cow disease in Texas cattle.

The value of information distribution speed to individuals declines as speed increase because it benefits fewer and fewer people (Figure 8). For society, the value increases because of its aggregate value to different individuals and in its ability to facilitate rapid responses to events. The social value declines at some point, however, when error, imprecision, or lack of clarity exists.

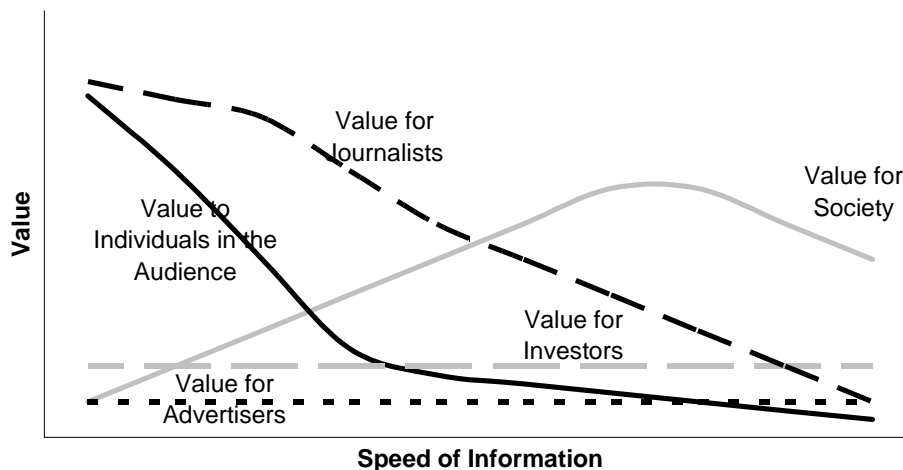


Figure 8. Relationship between Value and Speed of Information Illustrated as the Marginal Value of Increased Speed

Because of the high degree of similarity in speed of information flow across news organizations today—whether radio, television, and Internet or newspaper online sites—speed does not provide significant advantages for any one player that directly improves its revenue streams in a way that benefits or harms investors, and it does not affect value generated for advertisers by access to audiences. It has some effect on value for journalists. Although there is

initial value in being first with information and on top of developments, demands for speed require that journalists produce shorter stories, often with incomplete information, and this reduces the value created in terms of personal and professional rewards related to their activities as speed increases.

Increasing speed adds some limited functional benefit, creates emotional benefit only for a small amount of content in which immediacy is critical to consumers, and does not improve their self-expressive benefit. The exchange value added by speed is limited to only a small portion of the audience for which it has immediate functional use.

### *Value and Distance to News Events*

Modern systems of communication make it equally easy to move information across a country or around the world and their capacity to carry information is large, so more and more information is being distributed. The capabilities of these systems have significantly reduced the effect of distance relative to audiences, social groups, consumers, and markets.<sup>143</sup> The ability of news organizations to convey text and video from across the country and around the world permits easy flow of distant news stories, whether momentous or inconsequential. These items are relatively inexpensive when they are part of a stream of items from news services and they make it easy for newspapers and broadcasters to use to fill the space and time they have available.

Distance to events or developments affects their relevance and significance to news audiences. Distance in this context relates to being removed in space or time, but that remoteness also creates a psychological separation that makes identification difficult and leads to inattention. This occurs because the perception of relevance is a function of proximity, and that perception has an inverse relationship with distance. Relevance involves the functional benefit of

news and information and how it can be usefully applied in the life of the reader, viewer, or listener. As relevance is related to context, the degree of relevance is variable. The amount of effort required to process information and establish context influences individuals' perception of relevance.<sup>144</sup> Creators of search engines focus on these issues and give a weight distance from the user that ranks the relevance of listings for retail businesses and classifieds based on distance. People, not technology, must determine the significance of news—its connection to consumers and its consequences. To make these decisions requires a level of comprehension that technology does not possess.

One of the challenges of conveying news from a distance is the idea of the “other.” This element of group consciousness leads to an us-and-them mentality, which places a higher value on “our” experiences higher than on “theirs.” It is therefore easy for many people to dismiss news and information from afar as unimportant.

News and information that helps people understand the effects of policies, global trends and development, and threats is clearly relevant regardless of location, but much of the reporting on distant events and developments does not make clear connections between those events and peoples' lives. Much of the distinction depends upon whether the information relates a single occurrence or episode, whether such episodes are used as an exemplar to explain broader developments, or whether their relevance or significance to news audiences is explored at all. Thus, a who-what-when-where-and-how story of the death of 3 infantrymen dying when their humvee is destroyed by an explosive in western Iraq is subsumed in the passing flood of information and in itself does not have significance to people not connected to those servicemen. However, a story about their deaths that is used to illustrate overall problems in the prosecution of the war or in the equipment provided soldiers has more significance.

Because of the link between relevance and proximity, the greater the distance between the news consumer and the location of news, the less familiarity the consumer generally has with its origins, and more context and explanation is needed to perceive the relevance. As James Rosenau has observed,

“distant proximities are not simple interrelationships, readily discernible and easily understood. Distant proximities encompass the tensions between core and periphery, between national and transnational systems, between communitarianism and cosmopolitanism, between cultures and subcultures, between states and markets, between urban and rural, between coherence and incoherence, between integration and disintegration, between decentralization and centralization, between universalism and particularism, between pace and space, between global and local....with the result there is enormous diversity in the way people experience the distant proximities of which their lives are composed.”<sup>145</sup>

The relevance of news from a distance is thus lost on many in audiences unless it is consciously constructed to clarify the underlying issues to reveal its salience to the audience.

In many cases, news from a distance is selected and published or broadcast not because of its distant proximity but because it is amusing, entertaining, salacious or shocking. The result of this trivialization and inconsequentiality of news reduces the perception of its importance and thus the value of news from a distance. A televised police chase on the freeways of Los Angeles to viewers is not relevant to audiences in Miami except as entertainment. A newspaper story about the trial of an alleged cannibal in Germany is not significant except to produce horror. A news agency report about Dutch islanders scavenging athletic shoes, toys, and other items from containers washed overboard from a ship during a storm conveyed in an Internet news section has little import except human interest and amusement. News consumers do not particularly benefit from consumption of such news nor are they significantly harmed by ignoring it.

If episodic and trivial news is the norm for distant news, it becomes unimportant and readers, viewers, and listeners are not willing to invest much time or money in its consumption. Because limited efforts are made to relate much distant news to the lives of audiences or their communities, it has limited individual value. The further away from the individual, the less value it has (Figure 9). Its value for society as a whole is greater because information from a distance has different relevance and salience to different people in society and because it makes it possible for some individuals and organizations to gather together information from disparate locations to look for trends and patterns of occurrences and developments that may have significance.<sup>146</sup>

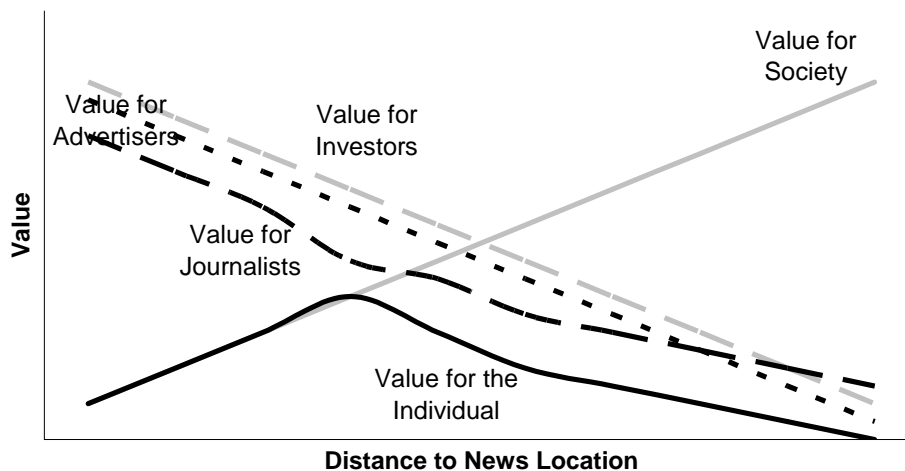


Figure 9. Relationship between Value and Distance to News Events Illustrated as the Marginal Value of Increased Distance

News from a distance is more costly to acquire if it is original content produced by the news organization. This increase in cost is undesirable to investors because it reduces returns thus producing lower value for investors. Distance also reduces value to advertisers because fewer readers, listeners, and viewers are interested as distance increases. When they are

uninterested they change channels, skip pages, or otherwise cease consumption, thus reducing the access to the audience that advertisers desire. Distance affects value to journalists variously. At the level of professional norms and interests it is high, but its value diminishes personally unless the journalist is involved in its creation. Because the number of journalists involved in producing news and information from a distance is relatively low, the overall value of distant news for journalists declines.

News from a distance creates limited functional benefit and minimal emotional or self expressive benefit for consumers. The value that is added, however, has minimal exchange value.

### *Value of Exclusivity of Information*

Exclusivity adds value because the information or content is not generally available from sources and individuals cannot receive the material if they substitute a different provider. Thus, the monopoly on the material increases value beyond the low value of widely available information. The result is that exclusive content differentiates one company from others, raises the value of its content, and increases the willingness of the audience to pay because they can receive it no other place.

The importance of exclusivity has been long recognized in news organizations and its presence is used extensively to market news products. Newspapers, magazines, and public affairs programs regularly promote consumption by promoting exclusive interviews and other content. Similarly, television newscasts repeatedly tout exclusive video or stories.

Exclusivity of information is problematic, however, because it is short-lived and primarily provides a first disseminator advantage. This occurs because only the specific



expression of information is protected by copyright and the information can soon be conveyed by others. The problem of maintaining exclusivity of information in text does not extend to photos, video, and audio where the specific visual and audio recording is unique and protected. News organizations thus are willing to pay a great deal of money for exclusive photos such as the video of the Chalks Ocean Airways plane crashing off Miami Beach in December 2005 or Britney Spears illegally carrying her child on her lap while driving her automobile in February 2006 because those help attract and hold audiences and can be acquired with full or partial exclusivity.

Yahoo! has recognized the problem of exclusivity and that the news it provides widely available elsewhere because it is based on redistribution of material for news services, newspapers, television networks, and other sources. In order to start increasing value and to position itself as a creator of original content, it has begun building up its news operation and hiring journalists to create exclusiveness. It has begun providing a different type of coverage of conflict and war zones than other news organizations with its Kevin Sites “In the Hot Zone” and is investing in its own sports and entertainment coverage. This comes at a time when other news organizations are increasingly reducing original material and relying on news service and syndicated material.

The value created by exclusivity for individuals grows with degree of exclusivity. This is especially true for exclusive information that can help provide advantages in ease of life, obtaining scarce items, or achieving financial gain. The relationship for society, however, is not linear (see Figure 10). Value to society increases because exclusive information differentiates news operations and makes them more sustainable. In the long term, however, it diminishes the social benefits of ready and widespread availability of information, thus reducing value to society as a whole.

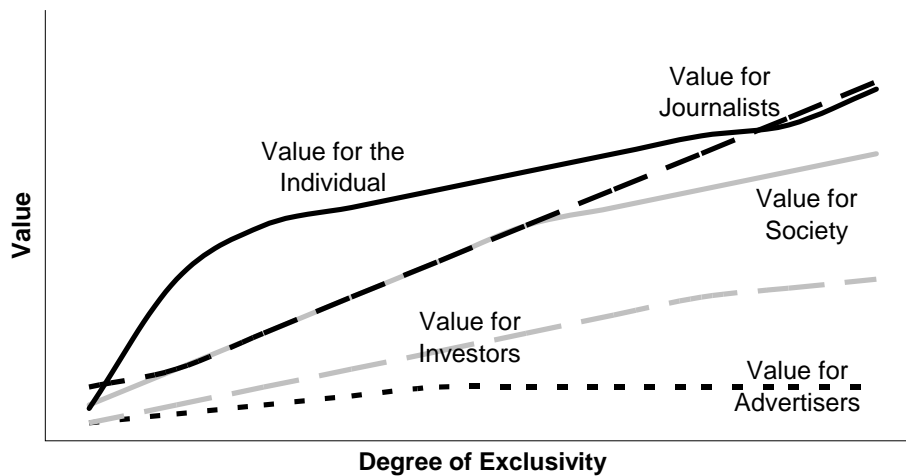


Figure 10. Relationship between Value and Exclusivity of Information Illustrated as the Marginal Value of Increased Exclusivity

Because exclusivity leads to higher economic value, exclusivity increases revenue and is beneficial to investors. In practical terms, however, this benefit is limited because the amount of exclusive news and information provided tends to be limited in overall terms. Exclusivity's value to advertisers rises to the extent that it increases audience access, but because the amount of exclusivity is low, the value of exclusivity to advertisers is relatively negligible. Exclusivity produces high value for journalists because it produces intrinsic and professional rewards and notice.

Overall then, exclusivity produces value primarily for journalists and some individuals in the audience. It adds some functional benefit but minimal emotional or self-expressive benefit. Exclusivity, however, does create—to a point—beneficial exchange value for news organizations and their investors.

### *Value of Specialized Journalism and Information*

Specialized information generally has higher exchange value than generalized information. This typically occurs because it has high use value or has high interest for some consumers. The value is increased because there are typically fewer competitors providing specialized journalism and information. Examples of specialty materials include financial, sports, fashion, shipping and transportation, and scholarly news and information.

Such materials have high value because of their high functional benefit for users. They can be used to obtain personal pleasure and pursue personal goals, and they can be used to achieve positive outcomes or to help avoid negative ones. Thus an attempted bombing of oiling processing plant in Saudi Arabia is general news, but specialty publications such as *Financial Times* add further information that give it immediate functional benefit, such as its effects on global oil supply and prices and interviews about its meaning with petroleum industry analysts.

The higher value of specialized information is translated into higher prices for circulation and advertising. Although the national circulation of the *Wall Street Journal* is about 20 percent smaller than that of *USA Today*, its cover price is 25 percent higher and a full page of advertising costs double that of *USA Today*. An annual subscription to *Sports Illustrated* is about double that for *Time* magazine and its advertising prices are roughly equal, even though *Sports Illustrated* has about 20 percent fewer readers for its national circulation. When highly specialized and professional news and information are involved, the value of the information, and the price, rises sharply. For example, individuals wishing to read the journal *Plasma Physics and Controlled Fusion* for its specialized information will pay \$1,579 for an annual subscription in their home or

office but they can read it at a subscribing library for no cost because the cost is borne by the institution.

On the Internet, general news media have been largely unable to charge for use, but providers of specialized news and materials such as financial news providers *Wall Street Journal* and *Financial Times* and trade news providers *Women's Wear Daily* and *Automotive News* have had greater online success because their value is perceived as higher by groups of consumers.

A rising form of specialized news is that of personalized news, news that somehow is directed to the specific interests of audiences. In the past, readers paid for a newspaper or viewed a newscast and received a range of content reflecting different interests—world, national, and local news, sports, finance, and entertainment content. Today, however the ability to disaggregate those elements is increasing so audiences can seek only the content they want, such as news but no sports, finance but no local news, national news but not entertainment, or baseball but not hockey coverage. This is possible because of the opportunities provided by the specialization and niche elements of the Internet, cable channels, and magazines. Even newspapers have explored the idea of the personalized newspaper based on individual readers' interests, but they have not yet found production and distribution solutions that will allow them to do so in a cost-effective manner.

Specialization of content—and specialization through personalization—adds value for individuals and society overall (Figure 11), but its value to society begins to diminish when individuals' choices fragment too widely and some shared elements of mediated experience, knowledge, and culture vanish.

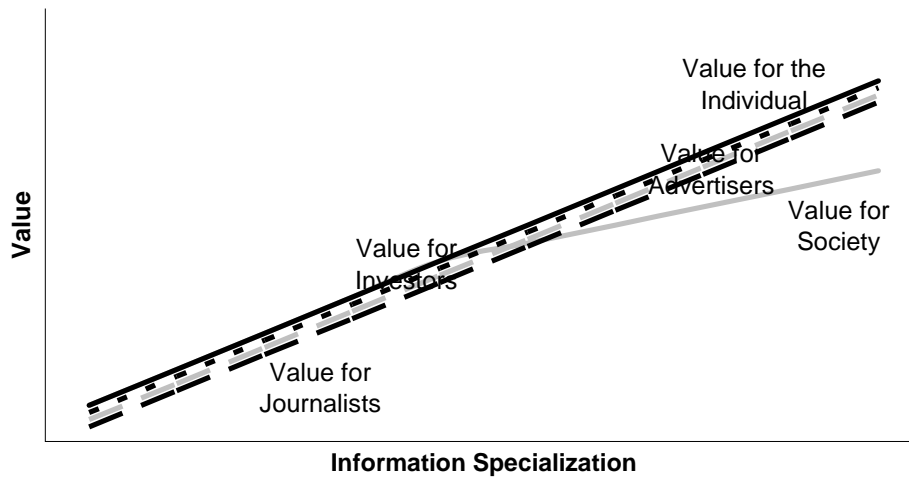


Figure 11. Relationship between Value and Specialization of Information Illustrated as the Marginal Value of Increased Specialization

Because the higher value created for audience increases revenue, specialization is beneficial and produces increased value for investors. Specialization also produces clear audience demographics that, although not always large, provide benefits to advertising in reaching target audiences, thus raising value. This, in turn, also increases value for investors. Specialization also increases value for journalists because it draws on special expertise and tends to produce longer stories written for a highly interested audience, thus providing strong professional rewards. Specialization, then, produces high functional benefit and some emotional and self-expressive benefit. For news organizations and their investors it is beneficial because it also tends to produce higher exchange value.

### *Value of Cross Media and Repurposing Activities*

In recent years, news organizations have put great emphasis on finding additional uses for content and engaging in a wide variety of cross-media activities in hopes of creating economies

of scale and scope. The strategy is built on the idea of better serving audiences through activities made possible by convergence. Newspaper publishers, for example, are seeking to provide news and information through a wide variety of media because “astute publishers know that their survival depends on meeting the audience members on their terms—any time and any place.”<sup>147</sup> The central idea of cross-media activities is to make the news organization more central to the lives of audiences, to be their provider of news and information throughout the day, and to strengthen the brand of the news organization.

Because cross-media activities increase availability of news and information at times of audiences’ own choosing, the value produced for audiences increases somewhat because additional service is provided, but it reaches a plateau (Figure 12). The activities produce rising value for society overall, however, by making news and information widely available without the constraints that previously made news available only at established time periods.

Advertisers benefit somewhat by gaining new access to audiences, but the value plateaus because the forms and formats of cross-media communication do not provide equal benefits to all advertisers or types of messages. Value for investors increases to the extent that cross-media activities produce revenue from advertisers and audiences that exceeds the costs of operations and to the extent that they improve the brand and asset evaluation of the firm. Currently the value produced by these activities for investors is relatively low. For some journalists, value is increased by bringing them more recognition across distribution platforms, but it is diminished for others because of the additional work requirements and difficulties in producing at the same quality level for different media types.

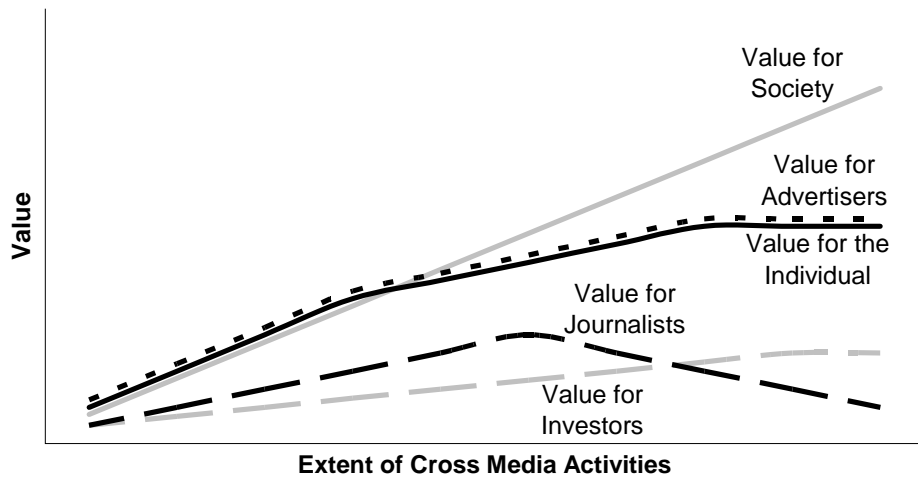


Figure 12. Relationship between Value and Cross Media Activities Illustrated as the Marginal Value of Increased Cross Media Activities

Cross-media activities produce some functional benefit for the news organization and consumers, but as provided today create little emotional or self-expressive benefit. For most news organizations, cross-media activities themselves have yet to produce much exchange value.

A related activity intended to create value is repurposing content. Repurposing content involves using it for secondary purposes and is related to cross-media activities if it is used for that purpose. Examples of repurposing include newspapers that put material prepared for their print editions into their Internet editions, television stations that prepare news for their newscasts but also provide headline and user-selected news notification services to mobile phones, and radio news organizations that provide Podcasts of their broadcasts. Repurposing gains the benefits of stronger ties to audiences noted above but is also said to achieve synergies that allow firms to gain additional benefit because of the high fixed costs and low variable costs of content.

Repurposing, however, increases commoditization of news, produces price competition, and induces some competitors to give the repurposed content away without monetary cost

because they can obtain income from other sources or because doing so supports brand goals. The process results reduces economic value that has the greatest effect on occasional readers, viewers, and listeners—the largest portion of news consumers—rather than the smaller number of core users. The end result is that news is seen as widely available, not a prized good, and worthy of only a negligible price (if at all).

Repurposing benefits advertisers if it increases beneficial audience access. It benefits shareholders if it increases revenue and returns from audiences and advertisers (Figure 13). Repurposing provides limited benefits to audiences in terms of more access to information in other forms, but with extensive repurposing, the same information is available over and over in different formats and its value declines. Repurposing provides limited benefit to journalists in that it distributes their stories more widely and increases recognition. It provides some benefits to society by spreading information more widely, but repetition keeps that value from rising endlessly. Finally, repurposing benefits investors by increasing revenue and spreading costs across uses, thus creating additional value as the extent of repurposing increases.

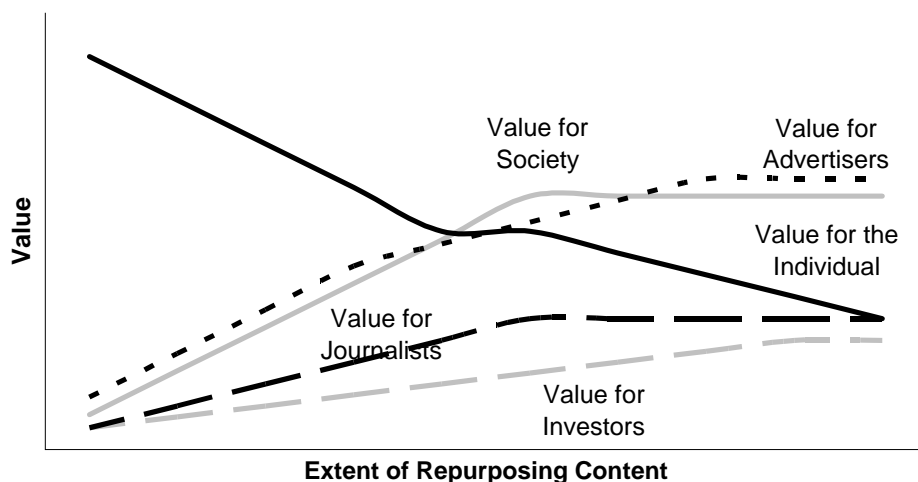


Figure 13. Relationship between Value and Repurposed Information Illustrated as the Marginal Value of Increased Repurposing



Repurposing provides additional functional benefit for news organizations and consumers, but little emotional or self -expressive benefits for consumers. It does provide some avenues for increased exchange value by syndicating material for purposes by other media and by offering consumers new products based on already available material.

### *Limitations of Current Value Creation Approaches and Strategies*

The seven major content approaches and strategies related to value produce very mixed results when overall value creation is considered for the various stakeholders (Table 1). Volume of information and information from a distance tend to reduce value for shareholders, cross-media activities and repurposing content somewhat increase value for some shareholders, and exclusivity and specialization of information tends to raise value for most shareholders. Speed of information, which once provided significant value difference among news organizations, is not a significant factor today.

	Individuals	Advertisers	Investors	Journalists	Society
Volume of Information	↓	↓	↓	↓	↑
Speed of Information	↘	—	—	↘	↗
Distance to Events	↘	↓	↓	↓	↑
Exclusivity of Information	↑	—	↗	↑	↑
Specialization of Information	↑	↑	↑	↑	↑
Cross-Media Activities	↗	↗	↗	↘	↑
Repurposing Content	↓	↗	↗	↗	↗

↑ increased value   ↓ decreased value   ↗ somewhat increased value  
 ↘ somewhat decreased value   ↖ somewhat increased value   — no significant affect

Table 1. Summary of Value Effects of News Organizations' Content Approaches and Strategies

The only stakeholder to consistently enjoy benefits across the methods is society and this underscores the general commitment of news organizations to serving higher ideals and functions. The poorer delivery of value to the other stakeholders is highly problematic, however, because news organizations are dependent upon them for consumption, revenue, and capital and the creation of the content that spurs that use and provision of financial resources. Unless additional value can be created for them the current problems with consumption and the increasingly unworkable business model of news organizations will deepen.

### ***Information, Knowledge, Experience, and Understanding***

To better understand the value of content that is conveyed by news organizations and its value, it is important to distinguish between the concepts of information, knowledge, experience, and understanding. All are related to the activities of news organizations; however, they tend to place most emphasis on gathering and disseminating material related only on the first concept.

Information is the rawest and lowest form of material or meaning communicated. It involves collections of facts that are processed and conveyed that provide descriptions of events, situations, or developments, but those facts are not coherently formed into a broader view. Knowledge develops from an array of facts that provide broader explanation of events, situations, or developments by providing a mental picture of what has been perceived, discovered, and learned. Knowledge involves ideas, beliefs, frames of reference, and theories that structure, explain, and interpret information or facts. Experience involves information and knowledge gained through participation or direct observation of specific events and situations

and their apprehension by the senses. Understanding involves rational thought and processing of information, knowledge, and experience to form comprehension and judgment about the events, situations, or developments. These concepts can be visualized as a pyramid.

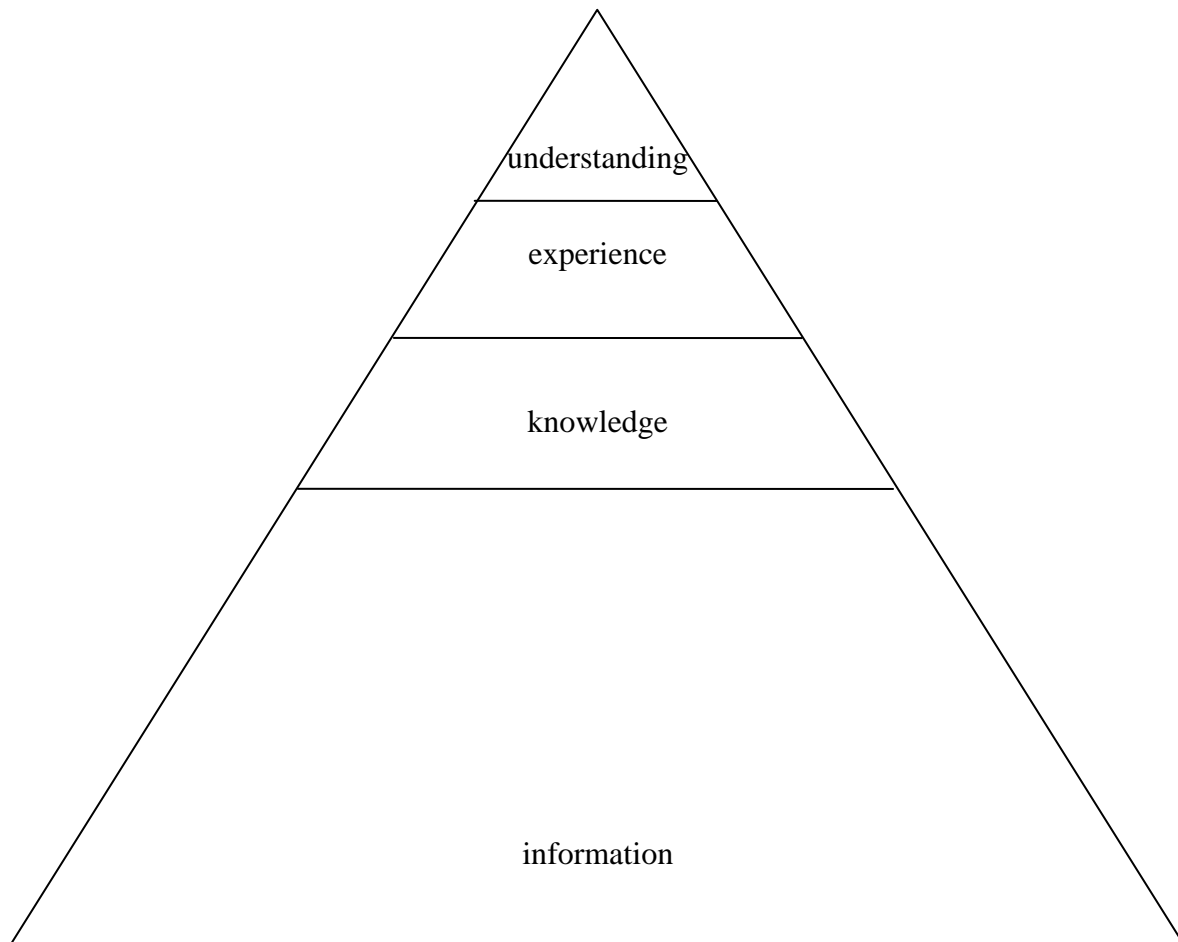


Figure 14. Information-Knowledge-Experience-Understanding Pyramid

News organizations spend the majority of their efforts providing content in the form of unconnected and uninterpreted information and facts. They chronicle the blur of passing events and provide unconnected bits of information that are commoditized and can be obtained almost equally from many sources. This type of content has high value only to a limited number of

persons whose political, economic, and social activities are directly influenced by the immediate content. News organizations also make some effort to move up the pyramid by developing knowledge through stories that combine raw disjointed information together, provide background information, and analyze events and trends. Because of the effort and cost for doing so, this portion of news content is small by comparison to their basic informational activity.

Experience has not traditionally been a part of news, but has increased in recent decades. Experience creates more effective processing and storing of events and information because it involves multiple senses and greater self-involvement, and embeds more deeply in memory. Experience is a great teacher and it is well recognized that humans learn and develop from experiences. Much entertainment content in media and other leisure activities are experience goods. Historically, communication technology and coverage methods made it inefficient or impossible to make audiences witnesses or have direct contact with witnesses or those involved in news. The development of live news feeds of disasters, wars, congressional hearings, police chases, etc. now allows audiences to experience events more directly than in the past and to do so in real time. They become “witnesses”; they are “at” the locations where things are happening. This makes coverage of events more “real” and heightens the involvement of individuals. The development of the Internet and digital television technologies allows them more control over the experience by permitting them to select camera angles or to focus on specific activities. The Internet, messaging services, and e-mail permit individuals to seek more information, to react to live coverage, to see things others may have missed, and to converse with others about what is happening. This involvement changes news provision from a passive to a dynamic activity and information received through the experience has more mental impact and is often perceived as being more significant than information and understanding received in less

experiential ways. Although this is superior, the time required to “experience” makes it impossible for individuals to rely upon this method for most information and understanding because other activities—work, sleep, life maintenance, social interaction, etc.—also place demands on the limited time available to individuals.

The development of understanding has not traditionally been a major focus of news organizations, although newspapers attempt to do so through editorial and op-ed materials, and broadcast news organizations through public affairs and discussion programs. Most of this function has been left to specialty media such as social and political magazines, niche cable channels, book publishers, etc.

The challenge for news organizations is how to survive in an environment in which their primary activities are at the bottom of the pyramid information-knowledge-experience-understanding pyramid and are inherently less valuable to both individuals and society. Functional and emotional benefit for consumers increases if content moves them up the pyramid, and self-expressive benefit for the consumer is improved by providing understanding that can be expressed in interactions with others. The creation of this value also increases the significance of content to consumers and enhances exchange value.

### ***The Need to Add Value to News and Information***

The widespread and inexpensive or free availability of basic news and information requires news organizations to expand their emphasis to creating additional value outside the intrinsic and instrumental value of the basic flow of content itself.

News organizations and journalists place a high premium on the social value of news and information, embracing populist arguments that it makes individuals better informed, better

educated, and more able to take part fully in democratic society. Although there is salience in this argument, when it comes to news and information consumption, there are difficulties of translating these welfare gains into performance in the media marketplace. This is in great measure due to the fact that the majority of content of news organizations is basic, raw information and not information that promotes knowledge and understanding. Because of this, the public as a whole tends to be less accepting of the social value argument, which appears to be about as successful at producing healthy media consumption as arguments that that public should eat nutritious, well-balanced diets and exercise so they can live longer, healthier lives.

News organizations and journalists who believe information for information's sake is valuable do so because of the *values* they place on the information itself. The public, however, does not seem to fully share these values; otherwise higher education would be the norm and most people would be actively seeking daily doses of news and information. Douglas Smith has argued that part of the reason journalism is perceived to have little value is that it is separated from values to which the public can relate. As a result, he says, news seems to focus on alarming trends—bad news, depravation, and social deterioration—and human interest stories that play on emotions in audiences. Even stories about value do not relate to values because of the narrowness of concept of value in many news organizations.

“Value is the dominion of business and economic news, and political news devoted to business and economics. Inflation, taxation, deregulation, reregulation, recession, growth, budgets, and deficits—all are the recurring themes of value sounded through the news. Whether packed in sound bites or played out at feature length, the messages speak to value without reference to values. Meanwhile, following the commercial break or upon

flipping to a different article, station, or Web site, we encounter news about values without reference to value.”<sup>148</sup>

A good part of the gulf between journalists and the public, especially those outside regular news audiences, seems to emanate from the fact that journalists value news and information in and of itself, whereas the readers, listener, and viewer value the *use* of news and information. Thus, helping news consumers comprehend its meaning, seeing its relevance to them as individuals, and understanding how to use it are critical factors for value creation. They put more emphasis on the needs that audiences have for news and information that helps them cope with the world in which they live and find better ways to serve those needs.

It is clear that news organizations must find ways to increase the value of their activities—especially the value perceived by audiences and investors—or they will face difficult economic futures and the increased inability to serve their underlying social purposes. As shown in this section, the primary strategies being used to increase value today are problematic because they do not create mechanisms to increase the kinds of value necessary for sustainability in the consumer-driven environment.

## 6. VALUE AND THE FUTURE OF NEWS ORGANIZATIONS

The difficulties of creating value for stakeholders, especially those who provide the financial resources necessary for continued operations, are the central challenge facing news organizations today and the root causes of the turmoil and discontent being felt both inside and outside the enterprises. For news organizations to create conditions of sustainability, they must create value for a range of stakeholders. It is not a matter of mere desirability. They must either produce more value or they will experience further decline and demise.

The fundamental problem faced by news organizations today is not technology—it is merely a delivery system—and it is not lack of interest in media, because audiences use more media and media outlets than ever before. The underlying challenge isn't even the competition that the media abundance produces. The essential issue is making the news and information content important and useful to audiences so that they perceive material from news organizations as more vital and valuable than the brief overview and bits and pieces provided by non-news organizations. If that is accomplished, consumers will be willing to give news organizations more of their time, attention, and money and those changes will make it possible to alter their business models into ones that are sustainable in the twenty-first century.

Enterprises die or are merged away when their products or services do not keep up with changing needs, when consumers become indifferent to their products or services, when their product ideas are surpassed by better ones, when their management makes poor choices, when they lose workable business models, and when capital issues interfere with continued operations.<sup>149</sup> If we consider the situation in news organizations today it is clear that news products and services are not meeting the needs of large numbers of consumers, that consumer



indifference to news is a serious problem, that new ideas about how to provide news and information are taking hold, that there are problems in the strategic and managerial choices of media firms, that current business models are increasingly problematic, and that issues involving capital are growing. Unless news organizations are able to effectively respond to these challenges, their futures are in jeopardy and their abilities to carry out the important roles they play in democratic society will wither with them.

### ***Increase Value or Face Demise***

The focus of attention throughout news organizations needs to be on the stakeholders and how to increase the value they currently receive. This cannot be merely the focus of top managers, but must be addressed in every department and by every employee of the enterprises.

### ***Increasing Value for Consumers***

Because contemporary media developments are increasingly driven by consumer choices and behavior, news organizations must deal with them in different ways than in the past and must continually consider how they can increase value for them. To address this issue, news organizations must be able to clearly identify their value proposition, that is, the reasons for consumers to spend their money and time with the news and information content products.

Because consumers can increasingly get news from many places, it must be clear why they should get it from one organization rather than another and what the news provider does better than the others. Audiences need to understand the differences, to see that they are meaningful, and to feel that they serve their needs and wants best.

One of the perverse realities of most news organizations today is that the news and information products are provided on a take-it-or-leave-it basis and in settings in which existing

consumers are consulted less often and treated less well than potential customers. In the new environment, news organizations must become much more customer friendly and have a greater degree of intimacy with their viewers, listeners, and readers than the arms-length approach taken by many in years past.

Most news organizations have the same value proposition, but to survive and prosper in the contemporary media environment they will need to develop unique value propositions that separate them from other providers of news and information. Standardization and imitation reduce value of a product; thus news organizations need to ensure that their offerings are not duplicated by other providers. Merely taking readers, listeners, and viewers from competitors does not improve one's product. Long-term strategy must focus on how to create better and different value. Only by being distinct can one achieve higher value and profit. It is not possible to do away with all similarities because of the dictates of professional journalistic norms practices and processes, so news organizations will have to seek advantages in content offered and other factors. This challenge is not unique to media. There are a number of other business environments in which standardized technologies and processes exist. In such environments, success results from advantages in product design, ease of availability and use, quality, additional features, and experience. All these factors can translate well into the journalistic environment.

In improving and developing products and their distribution, news managers must constantly remember that customers don't pay for value *created* but the value *received*. As a result, news organizations must continually concern themselves with what is actually delivered to readers, viewers, and listeners. The intangible aspects of user experience—perceptions,

feelings, motivations, and emotions—are as crucial to that value perception as the tangible content itself.

Customers need and want different types of news and information in different ways at different times of their daily lives. The media used, the kinds of news, and its presentation form will differ while they are dressing, sitting at the breakfast table, commuting, working, maintaining the household, and engaging in leisure activities. The challenge for news organization is how to create value by providing that material, in those different ways, at the different times, and in manners that serve customers' broad individual needs and wants as well as the collective needs of society.

The fundamental ethic of journalism has long been serving the reader, viewer, or listener, but that ethic has diminished in many media companies because the interests of other stakeholders have become predominant. However, the future of news organizations requires a renewal of that ethic—not just in terms of its public service aspects but in terms of its business aspects of solving the customers' problems of getting news and information throughout their days to help them function and flourish as individuals in contemporary society.

The value of content needs to be increased through exclusivity, specialization in topics and coverage areas, and better quality content produced by better content creators. Content must generate understanding. Forms of news and information delivery increasingly need to permit interaction and participation that engage audience in selection, reaction, and conversation.

### *Increasing Value for Journalists*

Because of their central role in creating value, the working conditions and status of journalists and other content personnel in news organizations must become a central concern. The value

they place on their work and its outcome can only be raised if resources are provided to ensure quality and the ability to do significant reporting, to reduce the unacceptably high stress levels currently reported, and to correct spiraling morale problems.

It will also be necessary to find ways to increase professional rewards and value for types of reporting that did not gain acclaim from colleagues in the past, especially for coverage of local news and the variety of non-institutionalized communities in which the public participates in society.

### *Increasing Value for Investors*

Increasing value to investors is critical, but that value must not be merely the high profitability that has dominated investor value creation in recent years. It can also be produced in the form of company and asset growth that increases the value of their holdings. Undertaking initiatives that lead to growth will reduce and balance pressures for profit maximization, removing some of the criticism and discontent of other stakeholders as well. To do so, news organizations will need to invest in new enterprises and operations designed to produce significant new revenue streams, not merely keep current revenues stable. It will require levels of creativity, innovation, and entrepreneurship seen infrequently in news organizations in recent years.

Another alternative is to find investors who view news organizations as socially responsible investments or to find individuals and firms who share the values of news organizations and can purchase them from commercial entities. These types of investors may be willing to take lower profits than other more financially reward driven investors because they receive non-pecuniary rewards from other value that is created.

For those who cannot accept the idea that any investors may want things other than short-term profit, an option is to remove investors who are only interested in short-term financial gain from news organizations by creating or supporting not-for-profit newspapers, magazines, broadcasters, and Internet news organizations such as cooperative news agencies, foundation-owned newspapers, and public service broadcasting. Similarly, private ownership structures that are not dependent upon stock markets and may involve non-pecuniary goals of individuals and families can be promoted.

### *Increasing Value for Advertisers*

There is a growing need to increase value for advertisers regarding the kinds of access provided to news audiences in print, television, radio, the Internet, and across media. Because news organizations can no longer deliver cost-effective mass audiences, they must deliver result-effective niche audiences in ways that support advertiser needs. This includes delivering different message types at different times throughout the day to news audiences.

In addition, news organizations can create value by providing better customer service and new types of services built upon their existing advertising resources and structures.

These measures, however, will not solve the problem of advertisers' reactions to audience fragmentation and their diminishing interest in media as a means of reaching their potential customers. As a result, news organizations can expect continued dilution of advertising expenditures and a growing need to rely upon news consumers for a greater part of their revenue.

### *Increasing Value for Society*

The contributions of news organizations to society will also be improved by better content and quality that raises value for core news consumers and journalists and by new mechanisms for engaging audiences that lead to greater news consumption

Many news organizations have devoted much effort to content designed to create other type of value, sometimes at the expense of that which produces social value. Attending to social needs and pursuing content that has instrumental value in achieving intrinsic social value is necessary if news organizations are to maintain the high ground in debates over their functions and roles and are to play the roles they have asserted for themselves in political and social discourse.

The diminution of news and information that provides social value is not the source of the rejection of news and information by audiences. However, we must recognize that increasing the social value of content alone will not induce audiences to return to previous higher use patterns of news products, because other factors play significant roles in the consumption choices.

### ***Raising the Value of Content***

Because news organizations are content gathering, creation, packaging, and distribution organizations, increasing value to all stakeholders is dependent upon increasing the value of news and information so that audiences will use it and pay for it and so that others are also willing to provide funding because it supports their commercial or social goals.

This means that they must be not only premiere information providers but must create additional value by becoming a trusted advisor who sorts through and reduces the information

about the events of the day to manageable form and is perceived as a respected interpreter of that flow of information. People want leadership and clarity and knowledge that their interests are being looked after. Although some require large amounts of detail, many do not, but all want their overview of the world to come from a credible and trusted advisor. News organizations need to play that role and produce and distribute multiple types of news and information products that meet the varying needs of the public.

Enterprises in low or negative market growth situations have limited strategic options, but if they have resources and competitive advantages these can be used to innovate, to develop new products, and to reposition the companies. If the companies do little, they will watch those resources and advantages slowly diminish until the firm is unable to sustain itself any further. This is the essential situation faced by news organizations today. News organizations must innovate to increase value delivered by the existing news products and create additional value with new types of news products or they will face more decline in the coming years.

Value creation essentially revolves around three strategies: 1) delivering performance equal to competitors but at a lower price, 2) creating additional value by offering different features than competitors, or 3) delivering greater value to the consumer than other competitors. The first strategy is essentially denied to news organizations because the price of news to many consumers is zero or relatively low because of the dependence upon advertising revenue. The second strategy requires thinking and doing things differently and making oneself distinct from competitors, elements that are difficult in an industry where the characteristics of the product and the processes of its creation are often stipulated by professional norms. The final strategy involves managerial and financial investments that many firms are not willing to make to produce continual improvements and quality leadership.

In considering how to increase the value of journalistic products we must recognize the essence of the craft and the nature of its products. Journalism, fundamentally, is story telling—as is much of human interaction—because stories are useful for illuminating how things work, for illustrating the invisible, for explaining what and how things are, and for telling people what they ought to do. In many ways the development of print media brought with it the industrialization of storytelling, substituting the journalist for the priests, wise men, family, and community members who were the previous tellers of stories. The development of news video transformed and commercialized story telling further into story showing.

Journalism conveys observations of witnesses and the personal experiences and knowledge of sources to audiences. It embraces journalism based on observation in which journalists relate what they have seen and determined. Throughout the history of journalism these processes and these types of story telling have separated the events from the audience. Video and newer technologies reduce that separation by allowing viewers to observe for themselves—at least in the directions cameras are pointed—and to observe raw journalism in which journalists gather and organize information live and thus remove some of the mystique about the knowledge and skills they have.

One problem with story telling is that journalists and news organizations focus on *telling* audiences things rather than engaging them in conversations or facilitating interaction. This is problematic because individuals are not mere receivers of content. Instead they express themselves, they compare ideas and information, they share information, and they react to it. This challenge is compounded because media story telling takes a linear form that is required by the work methods and technologies involved. This promotes the narrative linear form, which worked somewhat when audiences were passive receivers of news with limited sources and



opportunities from which to gain other information. Linearity is problematic because news and information must be pared down and simplified to fit the format, whereas life itself is not linear. New media overcome this issue because their technologies provide opportunities for both linear and non-linear story telling and information conveyance, thus imitating life better than traditional media.

In addition, news and information today is no longer constrained by processes dictated by time-determined distribution that require audiences to use the material when media deliver the content. The communication sphere that was historically limited by technology, economics and production forms, and one-way flow of communication is being replaced by a new communication sphere based on two-way communications and a wider array of participation by participants that provides not only commercially or organizationally created content but a wide range of consumer generated and non-commercial content. We cannot understand of the roles of media and news organizations in the new environment in the same old ways. In the new environment, media organizations need to reevaluate and redirect their thinking about their tasks, their content emphases, the ways they handle and present news and information, and the ways they conceptualize their products.

### *Emphasize Journalism and News Processing*

Because there is an explosive proliferation of sources of entertainment, information, and games and other diversionary content, news organizations have to focus on what they do best. In case anyone has forgotten, news organizations are supposed to do *journalism* and *news processing* better than any other content providers. There has been a blurring of the line between news and entertainment during the past 25 years as news organizations have attempted to solve their

consumption problems, but that practice has clearly not worked. News organizations need to refocus their attentions on how and why consumers need news and information and how to best provide it to them.

New communications technologies increase the need for this focus on journalism and news processing because news organizations must provide unequalled excellence to differentiate themselves from the weak competitors whose forte is not news and from the rising amount of consumer-created content. In order to compete with this non-journalistically produced information, value must be added through the reliability, credibility, breadth, and presentation of material. Unless news organizations do so, they will lose significance and be replaced by content services provided by non-news organizations, and by specialized news and information services focused on narrow interests, websites, and blogs.

This would be problematic because the majority of sober and thorough journalism is produced by news organizations that have greater resources and staffs to conduct the journalistic inquiry and the strength to challenge politically and economically powerful entities. The biggest advantages of established news organizations are their *personnel*, *structures*, and *processes* for undertaking organized, broad-scale information gathering, selection, and distribution. Although others can distribute some information, they lack the personnel, structures, and processes for doing it as effectively as existing news organizations. These structures and processes, however, can become disadvantages to news organizations if they inhibit innovation and the creation of additional value.

Focusing on journalism and news processing creates both intrinsic and instrumental value, manifested as functional and economic benefits. If news organizations are to strengthen themselves, create value for their stakeholders, and survive in the coming decades, they will need

to keep their business focused on journalism and the provision of news and information that serves their customer needs.

### *Specialize or Localize*

Because of the increasing range of information sources, greater abilities to access material from anyplace at anytime, and requirements to create tight bonds that lead to loyal consumers, news organizations will have to move away from the unfocused, something-for-everyone, one-size-fits-no one news products characteristic of the second half of the twentieth century. In practice this will mean that they will need to use their resources to specialize in national and international coverage, financial news, or other specialty areas. Specialization of these types will be most successful at the national tier but there is some opportunity at the regional level as well. Regional news organizations in oil producing area might become the leading specialists on the oil industry or energy issues, those in areas with large defense contractors can take a role providing the best coverage of the military industrial complex; whereas those in areas with large numbers of colleges and universities can become the leading source of coverage of educational issues and challenges.

For most news organizations, specialization will necessarily take the form of localization. The greatest provision of information is global and national news and there is great competition among all types of sources—print, broadcast, the Internet, and mobile—to provide that information. To be competitive and create economic value, media will need to increase their differentiation, and thus exclusivity. The most effective way to do so is to create value through local coverage that is linked to the lives, aspirations, and understanding of individuals in the locations in which they live. It is this kind of coverage that other news providers cannot do well.

The need to specialize or localize is becoming more significant as the number of news and information providers at all levels increases. News organizations need to ensure that they provide some unique material and services that are not available elsewhere to attract readers, listeners, and viewers.

Thomas “Tip” O’Neill, one of the nation’s most effective politicians and the former speaker of the House of Representatives from Massachusetts, said that “All politics is local.”<sup>150</sup> Similarly, *all news value is local*. News organizations that address audiences without recognizing that people in different cities, states and regions have unique cultural characteristics, interests, lifestyles, values, and information needs cannot create significant value. This creates conditions in which media that emphasize the local news and information that is connected to the lives of their audiences, that covers their activities and organizations, and that interprets state, national, and international developments from their perspectives will be able to provide content that has more functional, emotional, and self expressive benefits, thus leading to greater exchange value.

Specialization and localization create instrumental value that is not available elsewhere and increases exchange value because of such news and information is scarcer.

### *Change the Emphasis of Coverage*

As shown earlier, journalistic emphases on volume and speed of news and information reduce its value to the greatest number of readers, viewers, and listeners, whose primary interests are not what is happening but what those events and developments mean, how they affect their lives, and what can be done about them. In world awash with information, merely providing a record of the passing flow of events and raw information is not enough to create significant value.

In many ways journalism and agriculture have many common characteristics. Farmers work a territory and gather the harvest, which is then processed into foods available for the general public. Today, farmers provide the basic raw foodstuffs, but their activities produce relatively low value added. Instead, the preservation and processing of the raw foodstuffs into packaged foods available in supermarkets adds far more economic value than the basic food production. The same is true for journalism. Basic raw journalism provides a flow of news and information that has relatively low value, but processing by journalists, editors, and commentators adds significant value.

The value of news and information increases with the amount of processing, contextualization, and interpretation that takes place. It increases when its import to the local community and audiences is clearly explained. When raw, commoditized news and information is transformed by compilation, by linking it to other information, and by adding context, the user gains knowledge and understanding that has more intrinsic, instrumental, and exchange value.

Thus, the future emphasis of news organizations needs to be on processing information, not merely finding and conveying it. Content that explains developments and that reveals links to the lives of readers, viewers, and listeners is not alien to any of the core values and norms of journalism. However, it requires redeployment of resources in news organizations to put greater emphasis on showing connections and relevance and to focus on developments and trends rather than mere events.

Changing the content emphasis increases intrinsic and instrumental value by moving from mere information to knowledge and understanding. This has both intrinsic and instrumental value benefits, and creates conditions in which that greater benefit can increase exchange value.

### *Provide Salvation from the Flood*

The rising flow of news and information that is inundating the public makes it difficult for them to cope and they are struggling for survival in a flood of content. News organizations can add significant value if they increase activities to organize and reduce the flow of raw news and information and provide services that reduce the time and effort that readers, viewers, and listeners must devote to surviving and managing the torrent of news and information.

Perhaps the most important mental change that needs to take place in journalism is a shift from the conviction that journalists and news organizations are in the news and information business to the idea that they are in the knowledge and understanding business. News organizations have dedicated themselves to conveying information and facts, but people need meaning and understanding. They are so inundated with news and information that it makes it difficult for them to determine that meaning and understanding themselves.

Because information volume reduces value and leads to avoidance, news organizations can add value by becoming more than mere conduits for the flow of news and information. News organizations need to place more emphasis on their editing and packaging activities. They need to add value by devoting more attention to sorting through and organizing news and information, by calling attention to the most important information and best materials available in the flow, and by combining disparate raw bits and pieces of information into a coherent and manageable form that provides knowledge that services users' needs.

In the contemporary environment, less is more. News organizations need to begin to re-conceptualize the news products and services into backstream and frontstream news and information characterized respectively by raw news and information and by processed feeds. Although the backstream may be available directly to those consumers who are interested, the

majority of readers, viewers, and listeners should receive specifically constructed frontstream products that fit their needs. This means not only the broad topical or lifestyle streams based on the typical divisions of world news, national news, sports, entertainment, etc., but also urban- and rural-oriented feeds and feeds based on socioeconomic factors and lifestyles. News and information can be targeted to serve the needs of singles, young families, established families, and seniors. This approach, of course, forces news organizations to think in terms of producing more than one type of newspaper, newscast, or online or mobile service and to leave behind the outdated and failing idea that one type of news product must serve all potential users.

This consumer approach to news is required by the greater choice and shifting locus of control over news and information to users, but it also has benefits for news organizations. Helping consumers cope with the flood of information by focusing the content helps produce instrumental value, which also produces intrinsic value because people reduce information avoidance. The functional and emotional benefits produced increase exchange value by making news products more relevant and important to users.

### *Become the Trusted Advisor*

News organizations that were once closely aligned with the interests of the public are today perceived by large numbers of the public as soulless, faceless enterprises pursuing their own interests. Before the professionalization and commercialization of mass media developed, American news organizations—particularly newspapers—tried to improve people's lives, to educate them, to empower them, and to mobilize them. They specifically linked themselves to the needs and aspirations of their audiences, sought to promote and protect the interests of their readers, and had far closer relationships with their audiences than today.

Part of the difficulty arose because in the mass-market approach to news, professional norms required that news organizations be all things to all people. The result has been that news and information is presented without links to specific readers, that all things and ideas are treated equally, and that news organizations reflect distance, uninvolvement, and disinterested observation of the world. This approach, however, reduces news organizations' positions of leadership, and promotes the idea that all values and ideas are equal or should be addressed neutrally.

This approach, however, runs counter to individuals' basic needs for leadership and security and forces them to seek it elsewhere. Jack Fuller has noted this fundamental problem, writing that "people come to a newspaper craving a unifying human presence: The narrator in a piece of fiction, the guide who knows the way, or the colleague whose views on values. They want a synthesizer who can pull a world together from the fragments....They want knowledge rather than just facts, perhaps even a little wisdom....They want to get a sense of character. They want their newspaper to stand for something. That begins with honesty and the related news values ... and people want leadership."<sup>151</sup>

News organizations need to provide that leadership, becoming the trusted advisor to which people turn to gain orientation, reflection, and direction. The social, political, and cultural functions of news organizations cannot be served effectively unless news organizations are willing to be more involved in the lives of their users and the world about them. Good leaders and advisors do not embrace false neutrality and objectivity, but give fair and accurate consideration to competing ideas and explanations, exercise judgment and wisdom, and protect and reassure those they lead. News organizations need to reassert their roles as leaders and advisors because it has instrumental value for readers, listeners, and viewers and produces



functional and emotional benefits that bind them to news organizations in ways that can produce badly needed exchange value.

### *Use News Organizations' Certification Abilities*

The development of the information society and its myriad of sources of information worldwide create the need for individuals to have someone serving them by sorting through the material that is available to telling them what is important, what is useful, and what is truthful and fanciful. News organizations can use their credibility and the strength of their underlying journalistic values to make such evaluations by helping audiences determine where their attention should be focused and what can or should be ignored.

Because people's time is limited news organizations need to help them determine what to attend to quickly or slowly, and in large or small amounts. Instead of trying to tell news customers everything there is to know, news organizations will increasingly need to tell their customers where they can get what they need and want to know, whether the source is the news organization itself or other sources that the news organization certifies as credible. The need for reliable information grows as sources multiply. News organizations create additional value when they gain the trust of loyal consumers and help their audiences by evaluating other information sources.

Certification has both intrinsic and instrumental value, manifest in functional and emotional benefits, and creates additional exchange value for some consumers.

### *Emphasize Ease of Use and Convenience*

Value is added to products by making them easier and more convenient to use. News organizations can still do a great deal to create improvements for their users through presentation, structures, and formats. Other industries have long understood that providing a quality product at a good price alone is insufficient to attract and keep customers. News organizations can add value by placing attention on factors related to the packaging, availability, and use of their content.

Text-based media tend to employ a journalistic writing style that was created by scarcity of space and requirements for speed in preparing and distributing news by telegraph and print. Many of the historic conditions that led to the creation of that style have been altered in the past century and a half, but the style has remained relatively static. Many readers are uncomfortable with the formal and rigid journalistic writing style because it does not employ the conversational and story-telling styles that they commonly encounter and use. Similarly, the journalistic voice employed in the style is alien to the voices they encounter throughout their lives.

Large-scale research by the Readership Institute at Northwestern University has found that better content, narrative presentation, ease of use, and customer service are crucial in creating value for newspaper readers. The institute, sponsored by the American Society of Newspaper Editors and the Newspaper Association of America, has also found that readers want not only for papers to inform them, but for them to be community leaders and look out for reader interests.<sup>152</sup> Improving readability and usability and providing leadership does not require a dumbing down of the content or altering the values that underlie news.

Value is also created by lowering the time and effort necessary to get information, by making it available at opportune moments, and by making its use handy. In the past, newspaper

readers gained convenience through home delivery and well-located newsstands and news racks. Radio news provided such convenience by making news and information available on the hour or throughout the day in all-news formats. Cable news channels added to this convenience by allowing viewers not to have to wait until the evening network newscasts. Today, the access to news and informational content provided by the Internet and mobile services gives additional convenience.

Convenience is also created when news organizations recognize that users have different news needs and different abilities to devote time to news throughout the day. They employ “dayparting” to determine and offer varying kinds of news and information in different forms at different times of the day. This technique recognizes that distribution opportunities are not equal at all parts of the day and that the types and length of content needed differ. Cross-media operations create conditions for news organizations to use various distribution technologies to serve these differences and to help audiences shift time use to meet individual preferences for types and amount of content.

Ease of use and convenience also involve the formats and presentation of material. Well-constructed newspapers, news magazines, newscasts, news sites, and notification services can make users better off by using one news product compared to others. How stories are presented, the locations of stories in print and on screen displays, the use of adjacency and juxtaposition to call attention to related items, indexes and teasers, and the flow of stories in newscasts all present opportunities to improve convenience.

Ease of use and convenience create instrumental value, which makes products more desirable and has exchange value. The emotional and functional benefits associated with ease

and convenience may lead to greater and more loyal consumption that produces not only greater exchange value but also supports the intrinsic value of news consumption.

### *Become the Preferred Provider across Platforms*

As noted earlier, the concept of single news products designed for all users at the same time is an artifact of the past century. In the contemporary environment, greater emphasis must be placed on the organizations' unique abilities to serve the varying needs of customers at different times. All media are not the same, have different communication advantages and disadvantages, and can be used in different ways at different times. News organizations need to present different types of content, in different ways, to meet those needs.

In such an environment the values and underlying approaches to news and information of the organization become paramount because they produce several products and must seek to become the preferred provider of audiences across different platforms and under different conditions. The brand of a news organization in such a setting is not merely a name, but its entire approach to news and information so that consumers' have a clear understanding of the values behind the presentation regardless of platform. Although the actual presentations will vary across platforms, the underlying values cannot or no clear brand identity will exist.

In order to produce value and sustainability, news organizations need to be more than anonymous suppliers of raw content and must become the central and preferred news and information source for their communities, not merely publishers of single paper or the provider of a newscast. They need to see themselves as providers of news and information in a variety of forms that serve users who are loyal to the news organization because of their trust and relationships with the media firm.

In doing so, however, content cannot be merely replicated and repurposed. News organizations will need to provide some general service across platforms but they must also provide some exclusivity on each of the platforms in order to drive users to different platforms at different times in order to optimize income. This can be done by creating special content and by embargoing content created for one platform during the primary period in which it serves and is sold to audiences. Working across platforms will require attention to the uniqueness of what is provided in the different locations so that each provides something special but does not become a full substitute for the value produced in the other news and information products. Although exclusivity can best be protected through excludability, it is difficult to accomplish this with news and information; care needs to be taken to ensure that the best content is not given away across platforms without an appropriate value exchange.

In the new environment different products may be offered that have different emphases and presentation styles that provide different value to different audiences. A newspaper, for example, may publish a general circulation paid daily newspaper, a free circulation daily paper, and maybe even publications aimed primarily at young people or senior citizens. The paid daily may provide more content and analysis than the free daily, but both should provide a good overview of daily activities with the same sense of purpose. Because the audiences of the various publications are segmented, the content can be more focused so that more of the material interests and is consumed by the targeted readers.

Different approaches to news and information across platforms are needed because consumers require content that adds value through background and analysis, as well as content that adds value through quick bits of news via the Internet, mobile services, free dailies, and wrap-up columns in general newspapers. Audiences gain value from the immediacy of some

content, as well as from time taken to sort out developments before conveying other content.

Although the approaches may differ across platforms, the basic values, quality, and practices of the news organization offering the content should be consistent and apparent to users.

In the past the approach of news organizations has been to assume that all content should be equally valuable to all users all the time. In the contemporary environment, they need to have a far better understanding of how they create different value for people at different times and to construct varying methods and mechanisms for providing it. This approach means that new products will need to be created and that existing products will have to be re-conceptualized. Large, something-for-everybody general circulation papers and newscasts will need to become better focused and do better in providing material for their core users. This is important in the current environment because “readers want smaller newspapers and publishers should not be frightened to reduce their content offer, providing they know precisely what content appeals to their target audiences and what they can drop.”<sup>153</sup> Doing that, of course, will make these papers less appealing to irregular readers or to those less committed to news and information as the core target audience. To serve these other readers, new kinds of print and non-print products will be required. Similarly, broadcasters and Internet news providers will need to develop new means of serving multiple news and information audiences and opportunities provided by digital and broadband technologies make such service possible.

Creating a brand that crosses platforms means that news organizations will have to be able to articulate values and approaches, make them visible in their multiple products, and strive to make audiences prefer to get their news and information from those organizations rather than from others. Readers, viewers, and listeners will need to be able to determine why it is better and

more valuable to obtain content from those sources than from other media, bloggers, and other sources.

Basic environmental scans and event-driven spot and breaking news may be emphasized on one platform, processed news and analysis on others, and background on others. The primary value of mobile news alerts, free daily newspapers, radio news, and Internet news headlines is that they provide instant information and a rapid overview of what is going on in the world. Much television and cable news does little more, but requires viewers to invest somewhat more time.

One of the underlying difficulties for news organizations is that news gains attention for only about 3 percent of the waking time of regular readers of newspapers and viewers of newscasts; that number is far lower for those who aren't regular news consumers. News organizations essentially give up serving their customers during 97 percent of their conscious time unless they create different types of news products and delivery methods to provide news in forms that are appropriate during different dayparts of their customers' lives.

Becoming the preferred provider creates instrumental value for audiences by making choice among providers easier and it also produces instrumental value for investors and advertisers through the increased and stabilized access to audiences that are produced. It produces functional benefits for audiences and advertisers that can increase exchange value and allows the news organization to aggregate revenue across platforms..

### *Provide Participation in Journalism Processes*

Human beings by nature are not passive receivers of information. They ask questions about it, they evaluate it, they discuss it with friends and colleges, and they share it with others. Receiving

and responding to information and news is a more social activity than facilitated by traditional news media. The traditional one-way flow of communication in news and information media is one of the reasons that the context of news use has been somewhat artificial and separated from individuals' more fundamental methods of communication. It was forced into the news and information form in the past two centuries because of available media technology, but consumers and news organizations no longer have to accept this situation and can benefit from the contemporary changes.

Technological developments now allow individuals to react to information and participate in news and information processes in ways that are more closely aligned to human tradition. News enterprises that facilitate this communication and interaction will develop new types of links to members of their audiences, increase audience engagement, empower audiences, and strengthen their bonds with the news organizations.

Internet-based technologies are permitting significant opportunities for interaction with news content and with writers, editors, and producers. This has beneficial effects by increasing engagement with the content and creating intellectual and emotional interaction. Online news operations have added opportunities for users to rate stories, to respond with comments, to engage in conversations about events and ideas, and to share information stories with colleagues and friends by e-mail. These activities create collaborative thinking and discussion that directly involves news consumers. It allows them to express their opinions and reactions, to ask questions, and to add information beyond their physical social circle. These functions, which closely parallel those of celebrity pundits on talk shows, in blogs, and in newspaper columns, significantly widen participation and the available opinion base so that social value is added as well as self-expressive benefit to the individual.



Interaction with those who create, organize, and disseminate news creates a conversation dialogue that overcomes the monologue that has been experienced since the founding of journalism. Unfortunately, anonymity and lack of easy contact with many journalists and news executives remains the norm in most news organization. This makes it difficult for audiences and journalists to come into contact, gain better understanding of each other, overcome suspicions, develop respect, and improve news organization credibility. Easier contacts made possible through Internet and mobile communication can be used to bring new information to journalists, to add perspectives to their work, to critique performance, and to let off steam. Although journalists sometimes may not wish to hear comment and criticism from their audiences, much of it may be warranted. The interaction serves important purposes of improving content, reducing the perception of distance between journalists and audiences, addressing complaints of arrogance on the part of news media, and engaging with customers.

The new technologies also allow audiences and news organizations to interact with content, to personalize information they receive, to search for specific news and information more effectively, and to acquire content on demand. This permits individuals to receive customized content packages that remove information they used to ignore, thus making the content received more valuable to them.

The changes also allow audiences to participate in the gathering and dissemination of news and information. This participatory journalism is not the same as the content produced by journalism professionals, but it provides the ability to members of the public to take part in the process by gathering photos and home video of news events, by sharing what they have observed during events of importance or interest, or by creating their own information or commentary

services. The new technologies allow individuals to become involved more easily and media can aggregate and amplify these voices in their audiences.

Although many journalists find this audience involvement disturbing, it is not highly different than contemporary practice. Journalism has always used other observers as sources about events, occurrences, and trends. It seeks news tips, reports quotes from witnesses to accidents, gathers knowledge from social observers and experts, and reports public opinions. Participatory journalism—whether it be providing news and information or providing commentary through blogs and other techniques—follows that tradition. Over the past centuries journalists have developed techniques of attribution, reliance on multiple sources, and fact checking as part of professional practice. Today, there is a need to develop new practices to deal with issues created by participatory journalism.

Information value is increased when it has more relevance to the consumer and it is increased when control over information selection is passed to the consumer through interactivity and navigability. The technical ability to have audiences to select and customize information selection criteria so that irrelevant material is excluded and materials in which they have higher interest is increased also makes them participants in the selection and organization processes of journalism.

Increasing involvement of audiences with the information gathering and choice decisions permits organizations to use content as a stimulus to promote more information seeking and audience participation in understanding its relevance. This has both intrinsic and instrumental value for consumers, and the strengthened functional, emotional and self-expressive benefits can produce higher exchange value.

### *Create Compelling Experiences*

Improving the credibility of news organization and ensuring the satisfaction of existing users will not create sufficient value necessary for their survival in the future, however. It is not enough to make content informative, relevant, interesting, and believable. To gain loyal audiences willing to provide the financial support needed for the future, news organizations must provide engaging, pleasing, and memorable experiences to their users.

Experience involves what the use of a product or service does for or to the user. How the user interacts with it and whether the experience is perceived as positive or negative are central factors. Obviously, enterprises that can create unique positive experiences—especially intensive and engaging experiences—are likely to satisfy consumers and keep them as repeat customers. For news organizations this means that they must find ways to provide better user experiences that drive engagement, that inspire, that stimulate thought and action, and that connect individual readers, viewers, and listeners with others in their communities and across the world.

To do so requires that there be a clear target group of users and that the news organizations themselves have clear personalities and roles. This requires creating relationships that provide unique content, extras, and services not available from other enterprises and by emphasizing customer support and service to create loyalty and a two-way relationship that focuses on users' needs and wants more than the organizations' needs and wants.

Experience is also important because engagement and involvement are central elements in developing knowledge and understanding. As news organizations increasingly shift their focus from being news conduits to providing services for news users, the importance of experience will increase and provide means for differentiating the services from those of other providers.

Experience provides instrumental value for consumers and the functional, emotional, and self-expressive benefits it creates produce greater exchange value that is needed for the sustainability of news organizations.

The future of news organizations is dependent upon increasing value for the range of stakeholders. The primary methods for accomplishing that task involve improving content and relationships with readers, viewers, and listeners. The imperative to do so is high and the time in which to make the transformation is limited.

## 7. CONCLUSIONS

Most of the contemporary challenges faced by news organizations result from changes in the media environment and media markets that have reduced the value of news and information and disrupted the existing business models of news producers. Many of these changes are the outcome of technological developments that are fundamentally altering communication processes and making twentieth-century approaches and processes in journalism and news provision less relevant and necessary. Disruptions caused by the arrival of television and the Internet, social and lifestyle changes, and disengagement from traditional institutions have not been adequately responded to by news organizations. Most have continued doing things in traditional ways, viewing the damage done by each change as minor and not perceiving the collective value destruction effects of the changes.

Many managers of news organizations have shifted efforts and money from content to sales and marketing in the belief that this will solve their problems. Others have seen business diversification and the creation of portfolios of newspapers, online, mobile, television, and other operations as the solution. These practices can provide short- and mid-term benefits but they will not sustain news organizations in the long run because they do not fundamentally address the underlying problems of new enterprises and create significant new value. There is no simple fix for the current state of affairs. News organizations need to go much further than current strategies to provide uniquely valuable solutions that address the underlying issues that are negatively influencing consumption of news and information.

The single most important challenge of news organizations is how to create economic value in the future. Newspapers, television, radio, and Internet services have all provided news below cost to audiences by transferring some or all of the costs to the price of advertising. As a

result, price is not now a significant reason for substituting news among the various media sources. Because there has been a traditional separation or uncoupling of value provision from the revenue stream of news organizations, there are opportunities for competitors who can provide greater value to become more successful.<sup>154</sup>

There is a future for news organizations but no one can hope to return to the days of mass market journalism in which advertisers enriched the industry. In the future, news organizations will have to live with comparatively less revenue from advertisers and provide content that is more closely focused and packaged to meet the needs of differing news consumers. In doing so, news organizations will be able to lower some costs by reducing or eliminating content that was primarily designed to serve consumers uninterested in news but necessary to attract mass audiences for advertisers. Research indicates that readers only read one-fourth of the content provided and even the World Association of Newspapers now recommends that papers reduce content. “By so doing the perceived relevance and value of the newspaper is increased because the reader is less likely [to] feel that much of the content is [of] no interest.”<sup>155</sup> Similar types of analyses will need to be undertaken in other news media as well to determine how to ensure that content is relevant and appropriate. In the developing environment of news organizations, costs of operation will increasingly be shifted to consumers and products will have to create significantly more value than they do today to make readers, listeners, and viewers willing to bear higher prices.

The challenges of journalism and news organizations in the twenty-first century are not merely of creating value for consumers but also of creating value for citizens and society. To produce value for consumers and society, news organizations need to recognize that values create value. They will need to reemphasize the values underlying news consumption: the

provision of information that helps in people's daily lives, informs them as citizens, and helps them participate in and engage with society.

Putnam observed in 2000 that "America's major civic institutions, both public and private, are somewhat antiquated a century after most of them were created, and they need to be reformed in ways that invite more active participation."<sup>156</sup> He argued that the tradition of passive interaction with media and communications increases the isolation of individuals and that new forms of interaction are needed that reinforce community engagement.<sup>157</sup>

News organizations that align themselves closely with their audiences, that emphasize processing news and conveying understanding rather than undigested news, that become a trusted source and certifier of news and information from other sources, that become providers of news in multiple forms, that create beneficial experiences, and that allow their audiences to participate in journalism and communication processes will be able to create the value needed to sustain themselves and financially benefit in the new environment, while at the same time providing value that serves social goals.

A particular challenge for news organizations will be how to create growth in an environment in which advertising support will be diminishing. The only way to accomplish this goal will be to provide news and information with higher exchange value across a variety of news distribution platforms and to aggregate income across them. Even small increases in growth can significantly improve share value, so firms will need to balance strategies of profit production and asset value growth.<sup>158</sup>

In a market system, people get the kind of news and media they are willing to pay for. Unfortunately, most news organizations have been unsuccessful at efforts to get audiences to pay sufficient amounts for the kind of news and information that news organizations want to provide.

A good part of the problem is related to functional and exchange value because little news and information can be immediately acted upon and the value of consumption is not evident.

This challenge can only be overcome by adding value through functional, emotional, and self-expressive benefits. Value-oriented audiences, consumers, and advertisers are less price conscious than others, so increasing value will allow news organizations to raise their prices—whether measured in monetary, temporal, or psychological involvement terms.

Despite many people's conviction of the importance of news and information, professional journalism itself is not a necessary and sufficient condition for democracy. Although news organizations can create public forums for discussion and review of public life, it is not an exclusive function to media. In the past, lack of effective options made news organizations the focus of this activity but changes in communication technologies and abilities have made other forums possible. Given the poor value produced for society today by many news organizations and the rising possibilities presented by these new technological capabilities, we may need to seriously consider whether the conditions that led the press to become the fourth estate still exist or whether the diminished role that many news organizations play today will make them irrelevant in the future.

The classic roles of news organizations in the past were based on coordinating activities and representing interests among citizens and governmental/legal, social/cultural, and economic institutions of society, informing citizens of developments in society, overseeing the actions of government and other powerful institutions and entities, and ensuring that citizens' views and interests were effectively represented in society.

The press interjected itself between the people and the government because it was not possible for individual voices to be widely heard or to carry significant influence given the



historic communication sphere. The public opinion concept—linking citizens to governors—developed in an era when the speed of communication and the technical ability of individuals to communicate were highly limited. Although the need for such linkage remains, new technologies are empowering individuals to do this themselves by other means such as talk radio, web sites, blogs, and discussion groups. Unless news organizations can increase the value they create in these social processes, their significance in the processes of democratic participation and governance will continue to decline.

The future of news organizations is not solely in the hands of their owners, managers, or employees, but in the hands of the consumer. With the shifting control over communication, aggregated audiences are being broken down into empowered individuals. In most cities people no longer have a choice among paid newspapers, but between paid and free newspapers. They don't have to choose among a limited number of local radio or television stations but among hundreds of stations delivered from a distance. Their choice among Internet sites ranges to the millions. If they don't like what is offered, when it is offered, or its price in time or money, they can easily change their news or information provider or simply refuse to consume.

As news organizations' revenue streams are increasingly based on these consumer choices, central challenges for society are how to address gaps between value created for consumers and value created for society in a commercially funded media system and how to structure the media system and induce behavior that supports social needs.

It may be desirable to move news organizations out of larger, entertainment-oriented companies through spin-offs or leveraged buyouts, or to create incentives through capital gains tax laws for sales to individual rather than corporate owners. Foundation or not-for-profit

ownership may also provide mechanisms for survival and further development of some news organizations.

Even if kept within existing companies, owners can be pressured to treat news organizations differently from entertainment operations. Demands for social responsibility have induced many boards of directors to change their behavior regarding the environment, employee diversity, and child labor. Similar pressure can be used to produce changes in the ways media companies manage their news operations. The public and sympathetic investors can pressure firms to ensure that their boards include members who are tied to communities, supportive of social values, and committed to the company. Today, many board members represent banks and financial institutions and major advertisers and few represent the interests of the company itself or society at large. By ensuring that board representation and corporate governance consider social responsibilities and the long-term interests of news organizations, some improvement in current practices can be achieved.

Rejuvenating news organizations and their ability to produce value will require that their leaders play new and decisive roles. Both journalism and business histories show us that great leaders produced influential and lasting companies because they believed in an idea, struggled to achieve it, and did so with attitudes and moral standing that made others willing to join their efforts. Unfortunately, such leadership is lacking at most levels of news organizations today. Corporate executives have little vision for their companies and how news operations can be used to achieve them. News executives have been turned into relatively passive administrators and managers who no longer lead by stature and vision. Everyone talks of decline and only feeble efforts to respond to the changing environment are underway. No one talks of achieving greatness, few are innovative, few produce quality content, and fewer still seek to increase value.

Journalism and news organizations are at a decisive point in their existence. Those that choose to change and increase value for their stakeholders will have a future; those who continue on their current paths will wither. We all deserve a better end than that.

## ENDNOTES

<sup>1</sup> [http://www.stateofthemediamedia.org/2005/chartland.asp?id=211&ct=line&dir=&sort=&col1\\_box=1](http://www.stateofthemediamedia.org/2005/chartland.asp?id=211&ct=line&dir=&sort=&col1_box=1)

<sup>2</sup> [http://www.stateofthemediamedia.org/2005/chartland.asp?id=274&ct=line&dir=&sort=&col1\\_box=1&col2\\_box=1&col3\\_box=1](http://www.stateofthemediamedia.org/2005/chartland.asp?id=274&ct=line&dir=&sort=&col1_box=1&col2_box=1&col3_box=1)

<sup>3</sup> The Nielsen Media Research household ratings for cable news channels in the last quarter of 2005 were CNN, .53; Fox News, 1.1; and MSNBC, .29. They combine for a rating of 1.92, which translates to about 2.1 million households out of a total of 110 million households.

<sup>4</sup> *2003 Local Television News Study of News Directors and the American Public*. Washington, D.C.: Radio and Television News Directors Foundation, 2003.

<sup>5</sup> Nielsen/Net Ratings, December 2005

<sup>6</sup> January 2006 data. There are differences between the Personify internal data of the company and Nielsen NetRatings data because of methods used. These numbers are based on the Personify data and thus provide a higher indicator of use. In the context of this study, that is the most conservative choice.

<sup>7</sup> Nielsen/Net Ratings, Dec. 2005

<sup>8</sup> See Hank Whittemore, *CNN: How a Band of Mavericks Changed the Face of Television News*. New York: Little Brown & Co., 1990; Sid Pike, *We Changed the World: Memoirs of a CNN Global Satellite Pioneer*. New York: Paragon House, 2005.

<sup>9</sup> See the Free Daily Newspapers website: <http://users.fmg.uva.nl/pbakker/freedailies/index.html>

<sup>10</sup> See Piet Bakker, "Free Daily Newspaper—Business Models and Strategies," *JMM—International Journal on Media Management*, 4(3):180-187 (2002); Robert G. Picard, Strategic Responses to Free Distribution Daily Newspapers, *JMM—International Journal on Media Management*, 2(3):167-172 (2001)

<sup>11</sup> See Joseph A. Schumpeter, *Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*. Cambridge, MA: Harvard University Press, 1934.

<sup>12</sup> See Clayton M. Christensen. *The Innovators Dilemma: When New Technologies Cause Great Firms to Fail*. Cambridge, Mass.: Harvard Business School Press, 1997; Utterback, J.M. *Mastering the Dynamics of Innovation*. Cambridge, Mass.: Harvard Business School Press, 1994.

<sup>13</sup> James T. Hamilton, "The Market and the Media," in Geneva Overholser and Kathleen Hall Jamieson, *Institutions of Democracy: The Press*. New York: Oxford University Press, 2005, p. 351.

<sup>14</sup> Robert Entman in Overholser and Jamieson, *Ibid*, p. 48.

<sup>15</sup> See chapter 3, David T. Z. Mindich, *Tuned Out: Why Americans Under 40 Don't Follow the News*. New York: Oxford University Press, 2005, p. 41

<sup>16</sup> Robert G. Picard, *Media Economics: Concepts and Issues*. Newbury Park, Calif.: Sage Publications, 1989, p. 9.

<sup>17</sup> Donald O. Case, *Looking for Information: A Survey of Research on Information Seeking, Needs and Behavior*. Academic Press, 2002.

<sup>18</sup> Harold Hotelling, "Stability in Competition," *Economic Journal*, 39:41-57 (192).

<sup>19</sup> See Ivo Mosley, ed. *Dumbing Down: Culture, Politics, and the Mass Media*. Thorverton UK: Imprint Academic, 2000, which conceptualized the trend in media as part of a broader trend affecting major political, social, and cultural institutions.

<sup>20</sup> The soft news project at the Joan Shorenstein Center at the John F. Kennedy School of Government, Harvard University has documented this trend. See Thomas E. Patterson (2000). *Doing Well and Doing Good: How Soft News and Critical Journalism Are Shrinking the New Audience and Weakening Democracy—And What the News Outlets Can Do About It*. Cambridge: The Shorenstein Center for the Press, Politics and Public Policy, John F. Kennedy School of Government, Harvard University, 2000.

<sup>21</sup> William John Fox. "Junk News: Can Public Broadcasters Buck the Tabloid Tendencies of Market-Driven Journalism. A Canadian Experience." Discussion Paper D-26 (August). Cambridge: The Shorenstein Center for the Press, Politics and Public Policy, John F. Kennedy School of Government, Harvard University, 1997, p. 11.

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- <sup>52</sup> Philip S. Cook, Douglas Gomery, and Lawrence W. Lichty, *The Future of News: Television, Newspapers, Wire Services, Newsmagazines*. Baltimore: Johns Hopkins University Press, 1992, p. xvii.
- <sup>53</sup> Bob Papper, 2005, op cit. *ibid.*; Supplemental charts, op cit.
- <sup>54</sup> Steve M. Barkin, "Satellite Extravaganza," *American Journalism Review*, September 2001.
- <sup>55</sup> See Doug Underwood, "Assembly-Line Journalism," *Columbia Journalism Review*, July/August 1998. Another example of this trend is seen in the inclusion of the seminar, "Managing Performance: Aligning Employee Performance with Strategic Goals," in the training offered by the American Press Institute in 2005.
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<sup>119</sup> Populist values stem from the populist movement at the turn of the twentieth century and include concepts of enhanced democratic participation, justice, individualism, opposition to abusive exercise of power by political or economic entities, etc. Excellent explications and discussions of the ideas at the foundation of journalistic practice are found in Overholser, Geneva, and Kathleen Hall Jamieson, eds. *Institutions of American Democracy: The Press*. New York: Oxford University Press, 2005.

<sup>120</sup> The motto is found on the grand archway of the University of Missouri School of Journalism, which was founded in 1908.

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<sup>123</sup> Harmon, *op cit.* p. 130.

<sup>124</sup> Wayne Wiegand, "Mom and Me: A Difference in Information Values," *American Libraries*, August 1998, pp. 56-58.

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<sup>129</sup> Value chains and core activities are well described in Porter, M. E. *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press, 1985; Karlöf, Bengt. *Business Strategy: A Guide to Concepts and Models*. London: Macmillan, 1989, and Prahalad, C.K. and Hamel, G. "The Core Competence of the Corporation," *Harvard Business Review* 68(3):79-91, 1990.

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- <sup>143</sup> Frances Cairncross, *The Death of Distance: How the Communications Revolution is Changing Our Lives*. Boston: Harvard Business School Press, 2002.
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