Employee-Owned Dailies: The Triumph Of Economic Self Interest over Journalistic Ideals

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Literature Review

Busterna (1988) found that the number of daily newspapers in the United States declined from 2,042 in 1920 to 1,657 in 1986. Moreover, the number of cities with competing dailies declined during the same period by a little more than half, from 4.2% to 1.9%. By 2002, the number of dailies in the United States had fallen even further, to 1,468.

While the number of dailies declined, those that survived were acquired by chains. The trend toward chain ownership started early in the 20th century, then accelerated. In 1910, 2,140 of the nation’s English-language dailies were independent and only 62 owned by chains. The balance shifted in 1960 “when the group-owned dailies first outnumbered the independents” (Anderson, 1987, p. 17). The remaining independents are small, accounting for less than 19% of dailies’ total circulation.

Several factors contributed to the growth of groups (Burroughs, 1983, p. 5, Anderson, 1987):

- Experts agree that tax laws were the biggest factor (Martens, 1996, p. 54). Although reduced from 70% to 55% of an estate’s value, inheritance taxes made it difficult for owners to leave newspapers to their children. Children were forced to sell family newspapers to raise the money needed to pay their taxes (Ghiglione, 1996, p. 39, Anderson, 1987, pp. 17 and 21).
- While forcing families to sell newspapers, U.S. tax laws encouraged chains to buy them. By spending their earnings to buy more properties, chains avoided paying some taxes and gained new properties they could depreciate for further savings (Burroughs, 1983, p. 6).
- Some aging owners had no children or other logical heirs (or feared their heirs were incompetent).
- Some children were uninterested in taking over family newspapers.
- Typically, each new generation increased in size, and the 20 or 30 heirs in a third or fourth generation often disagreed about how to run a newspaper, demanded greater financial returns, or wanted all their money to pursue other interests. Irreconcilable differences necessitated sales in even small families (The Cash in the Register, 1984, Two more family-owned newspaper companies sold, 1986).
- Some families lacked the large sums needed for new equipment or, more recently, to fully participate in the new electronic age (Martens, 1996, p. 56, Ghiglione, 1996, p. 42).
- Buyers abound and offered owners extraordinarily high prices, a major inducement to sell (Morton, 1986). Moreover, owners could select groups whose philosophy they admired (Hays, 2000). Groups could afford inflated prices and had the expertise needed to operate their acquisitions profitably. Also, newspapers were attractive properties because their profits were high, and many enjoyed a monopoly or oligopoly that gave them a tremendous ability to raise prices (Anderson, 1987, pp. 17-18).

Abstract

Employee-owned dailies appear to be an ideal concept for the newspaper industry. While fulfilling journalists’ dreams of ownership, the dailies might solve a multitude of problems. This paper examines the concept, which is important because 260 dailies remain independent, and some owners want their publications to remain locally owned. Still, as the United States moves into the 21st century, few owners seem likely to turn their dailies over to their employees, and this paper analyzes the reasons for the concept’s apparent failure. During the 20th century, 14 dailies were acquired by their employees, and only four survived. Many of the others were sold, often in just a few years.

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Journalists tended to be critical of the trend: of absentee owners and of an industry dominated by bankers and big investors (Roberts, 2001. Cranberg, Bezanson, and Soloski, 2001). Journalists charged that incoming chains cut staffs and focused on their acquisitions’ productivity and profitability rather than quality (VanDusen, 1983). Critics also feared chains' power. In addition, critics accused chains of charging significantly more for advertisements and subscriptions — and of publishing editorials that were bland (Hale, 1984).

Typically, Loren Ghiglione (1996, p. 39), a newspaper owner for 26 years, said independents did a better job of serving their communities. “Independent proprietors believe they care more about their towns than group managers would,” Ghiglione insisted. “A bigger news hole is more important than bigger profits. Service to the community comes before service to corporate headquarters.” Similarly, Squires (1992, p. 20) declared that: “All CEOs of publicly traded corporations eventually learned what Allen Neuharth said when he first offered Gannett stock on the public market: Investors are only interested in good news. And it must be delivered year after year.”

Yet many executives believe that “a company’s character and operation are shaped more by its size and caliber of top management than by how its stock is traded” (Friedman, 1986, p. 6). Cranberg, Bezanson, and Soloski (2001, pp. 1-15), for example, concluded that four public companies “have managed, so far at least, to blunt the financial-market forces that increasingly govern the behavior of the rest of the firms.” The four include McClatchy Newspapers, The Washington Post Company, the New York Times Company, and Dow Jones. Overall, however, Cranberg, Bezanson, and Soloski warned that investors in publicly traded newspapers “are concerned with revenues, margins, continuously improving profitability, and stock performance. They are indifferent to news or, more disturbingly, its quality.”

Summarizing the controversy, Ureneck (1999, p. 14) said: “Public ownership has proven to be a mixed bag. On one hand, it provides the capital necessary for a company’s expansion and diversification, and it offers owners liquidity. On the other hand, it cedes control to investors who are primarily interested in profit, not journalism.”

Employee-owned dailies seem able to avoid many of the problems associated with chains. Ideally, they remain locally owned and are controlled by journalists, not businessmen. There is no concentration of power, and employee-owners may be freer to emphasize quality over profits. Moreover, the concept rewards loyal employees by enabling them to share in a company’s profits.

But journalists’ criticisms of chains — and praise of employee-owned dailies — seem exaggerated. While some empirical studies have found that newspapers owned by chains place a greater emphasis on profits, other studies have found few or no differences between chain-owned dailies and independents — or even that chain-owned dailies are superior in some respects (Demers, 1999).

Demers and Wackman (1988, p. 65) concluded that the managers of independently owned newspapers were more likely to emphasize community service, whereas the editors of chain-owned newspapers were more likely to emphasize profits. Similarly, Coulson (1994, pp. 407-408) found that the journalists employed by independents were more likely to rate their newspapers’ commitment to quality local coverage “excellent” and to strongly agree that their newspapers provided an appropriate amount of local coverage. However, Coulson also found that group journalists were no more likely to contend that profit-seeking adversely affected their newspapers’ coverage and diversity of information.

Chains that sell their stock to the public may experience even more pressure to maximize their profits. Lacy, Shaver, and Cyr (1996, pp. 338-339) explained, “Public companies have added constituencies — shareholders and financiers — beyond the traditional newspaper constituencies of community, advertisers, readers, and employees. Meyer and Ward (1994) found, in fact, that the financial analysts interested in newspaper companies were most concerned with: (1) management quality, (2) financial health, and (3) earnings consistency. For them, the least important aspects of a newspaper’s performance were community service orientation and editorial quality.

Inconsistently, other researchers found few differences between the nation’s independent and chain-owned dailies. Lacy and Fico (1990) found major differences between various groups, however, and concluded, “Whether a newspaper will have high or low quality seems to depend on a significant degree on the policy of the owners and the financial resources available to an individual newspaper.”

Beam (1993, pp. 913-914), too, found that “group-owned papers really aren’t much different from independent papers in terms of their organizational professionalism.”

Journalists’ debate over the merits of various types of ownership is similar to a debate in other industries. In 1974, Congress authorized Employee Stock Ownership Plans (ESOPs) to broaden the distribution of wealth. More than 11,000 companies have established ESOPs, and those companies employ more than 10 million workers, a number that is growing by about 1 million annually (Gilbert). Typically, employees buy shares through payroll contributions, and some companies make additional contributions on their employees’ behalf. But while common in other industries, ESOPs remain rare in the newspaper industry.
ESOPs can be used by business owners who want to retire and turn companies over to their employees. ESOPs also can be used by owners who need more capital to make acquisitions, who want to divest a division or subsidiary, or who want to guard against unfriendly takeovers. Owners hope that employees who become part owners will become more productive and experience greater feelings of caring, commitment, and teamwork. There also are tax benefits for both employers and employees.

There are some drawbacks, however. An ESOP may have to repurchase employees’ stock when they quit, retire, or die. Also, company owners who serve as ESOP trustees may encounter an occasional conflict of interest. If, for example, someone tries to take over a company, managers may oppose the takeover despite the fact their ESOP would profit from it.

Empirical studies have found that employees who own stock in their company do, as intended, become more committed and satisfied (Rosen, 1990, p. 41). Kruse and Blasi (1995) found that most ESOP companies experience an increase in productivity and performance—and are more likely to continue operating as independent companies. Burzawa (1999, p. 46) found that while companies with ESOPs become more profitable, their employees, too, benefit, building up larger pension assets.

However, Park and Song (1995, p. 52) found that ESOPs greatly improve companies’ performance only when the companies have large outside shareholders who can monitor company managers. Park and Song explained that small shareholders are less likely to try to control or monitor managers who may expropriate an ESOP’s voting rights to entrench themselves.

The first two sections of this paper address the issue of employee-owned dailies and the fact that, while employee-ownership seems to have numerous advantages for newspapers, only four of 14 employee-owned dailies succeeded during the 20th century. Section III briefly describes alternatives advocated or implemented by journalists. Finally, this paper also discusses lessons journalists can learn from the ESOPs adopted by other industries.

**Methodology**

This study used a comparative case study method based on data from historical and secondary sources. The authors defined an employee-owned daily as one which: (1) gave all its employees, not just a few, an opportunity to become part-owners; and that (2) was controlled primarily by its employees, who held 51% or more of its stock.

To learn more about employee-owned dailies published during the 20th century, the authors read the biographies and autobiographies of journalists who worked for those dailies, but also books about other journalists and other dailies. In conjunction with a series of related studies, the authors read approximately 100 biographies, 150 autobiographies, and 250 magazine articles written by and about early reporters and editors. The authors also looked at 20 books written about specific newspapers and at approximately 180 additional books about related topics. Some of the latter books described early journalists and newspapers in general. Others described the journalists or newspapers in a specific city, state, or region. Still others described journalists who fell into specific categories, such as “women journalists” and “fighting editors.” Many of the books are described in annotated bibliographies devoted to journalism.

In addition, the authors consulted Poole’s Index to Periodical Literature and Reader’s Guide to Periodical Literature to find magazine articles written about the topic. To supplement those sources, the authors visited dailies’ web sites and interviewed or corresponded with newspaper executives.

By looking at every employee-owned daily, as opposed to focusing on just one, the authors were able to look for common patterns and answer the question: “Why did such a large percentage of the nation’s employee-owned dailies fail?” By looking at other journalists and other dailies, the authors were able to answer a second important question: “Why did employees acquire so few dailies?” While looking for answers to both questions, the authors found frequent references to the alternatives discussed in Section III. Finally, by consulting a variety of sources, the authors were able to learn the perspective of both employees and their employers.

This study focuses on the 20th century, when all of the nation’s employee-owned dailies were created. As pointed out later in this paper, during the 19th century, journalists advocated endowing rather than employee-owned newspapers. By the 21st century, many of the nation’s employee-owned dailies had been sold or failed.

**SECTION I: Obstacles To Employee Ownership**

Although journalists often dreamed of owning a daily of their own, there were four primary obstacles to achieving that goal. First, during the early 1900s, owners typically wanted to leave newspapers to their families, not employees. Second, escalating costs made it difficult for employees to afford dailies. Third, negotiations were transacted in secret, so employees rarely had an opportunity to bid for dailies. Fourth, many newspaper owners were businessmen anxious to maximize their profits, not journalists anxious to promote professional values.

**Journalists’ Dream**

Clearly, many journalists dreamed of owning a newspaper and were confident that they would succeed: that a daily would make them rich, powerful,
and famous (Keller, 1893, Blythe, 1912, p. 50). Moreover, if journalists owned a daily, they never would have to worry about being fired (Blythe, 1912, pp. 50-51, Morton, 1989).

Allan Forman (1887), editor of The Journalist, found that, “Hardly a day passes that some sanguine newspaperman does not burst in upon us with the announcement that he is going to start a paper and revolutionize journalism.” Yet when Forman looked at journalists’ plans, the result was invariably the same. Journalists did not have enough money, and those who tried to implement their plans failed.

**Family Loyalties**

Typically, early owners were emotionally attached to their newspapers and wanted to pass them on to children (Anderson, 1987, p. 18). Many viewed their daily as a quasi public trust and, by keeping it in their family, achieved a kind of immortality for themselves and their work (Ghiglione, 1996, p. 39).

The advocates of employee ownership were mistaken about owners’ relationship with their employees. Those advocates seemed to believe that owners were anxious to reward loyal, long-term employees. Yet the books and articles written by journalists indicate that, typically, their relationship with owners was cold, distant, and impersonal. Owners and their staffs were from different classes with different interests. In many cities, owners were part of the local aristocracy whereas reporters were considered hired help: subordinate and easily replaceable (Wright, 1898, Over-Crowded New York, 1888).

Even some of the field’s most famous publishers rarely spoke to or even knew their staffs (Croffut, 1931, pp. 129-131, Diehl, 1931, pp. 56-58). Other publishers were autocrats who terrorized their staffs (Diehl, 1931, pp. 56-58, Nevins, 1932, p. 528, Lancaster, 1992, p. 156).

Moreover, dailies had few long-term employees. Beginners normally started their careers in small towns and, after gaining some experience, moved to larger markets. Experienced journalists then moved from one big daily to another (Croffut, 1931, p. 124, Morton, 1966, p. 208). Journalists’ ultimate goal – their Mecca – was New York City, yet even the journalists in that city considered their jobs “a temporary affair” (Over-Crowded New York, 1888, p. 8, The New York Reporter, 1889, p. 50).

Another reason for the turnover was age. Like athletes, reporters were in their prime during their 20s and early 30s (Lancaster, 1992, p. 159). Youngsters were able to stand the strain of the job: the poverty, stress, long hours, irregular meals, and lack of sleep. Keller (1893, p. 693) estimated that 90% left before they became old, using their jobs as stepping-stones “to something else less exacting, less limited in remuneration, less insecure in employment.”

Even talented reporters and editors were fired when newspapers’ profits fell. Other reporters and editors were eliminated in the purges directed by efficiency experts – or when newspapers were sold, merged, or closed (Sontheimer, 1941, pp. 5-6, Spalding, 1961, p. 91, Smith, 1962, p. 186).

As recently as the 1980s, Weaver and Wilhoit (1986, pp. 17-21 and 69-71) found that reporters who had worked for their current employer an average of only three or four years, and that journalism remained “a young person’s occupation,” with many of the industry’s practitioners leaving in their 40s. "Weaver and his associates’ (Weaver et al., 2003, p. 3) latest study found that journalists are now becoming slightly older. Reflecting the aging of the baby boom generation, journalists’ median age has increased to 41.

**Other Factors**

Employee ownership also was discouraged by: (1) escalating costs, (2) the secrecy surrounding most negotiations, and (3) a conflict between business and professional values.

Journalists’ salaries remained low as costs escalated during the 1900s, making it increasingly difficult for employees to afford dailies. By 1900, most cities had several dailies and, for journalists, the cost of establishing or purchasing one was prohibitive. None of the reporters Samuel G. Blythe (1912, pp. 236-237) knew had a cent, or expected to ever have any money, except on payday. Other journalists agreed that the industry’s salaries were low, making it difficult for reporters to save any money (Thompson, 1930, pp. 291-292, St. Clair, 1940, pp. 46-47, Patterson, 1948, p. 86).

Jointly, employees wanted to buy more dailies but were denied an opportunity to even bid for them. Normally, when dailies were sold, the negotiations were conducted in secret. Typically, the New York World was sold and killed – perhaps unnecessarily – behind closed doors (Bowers, 1961, p. 231). The company’s revenue had declined from a peak of $25 million to $13 million, and it had lost more than $1.5 million in 1930. Still, the Morning World had a circulation of 320,000, the Evening World 284,000, and the Sunday World 500,000. The company had not set aside any money for emergencies, and some journalists accused the Pulitzer family of squandering all its profits on luxurious living. Some journalists also believed that new and more competent owners could save the newspapers (Churchill, 1958, p. 327).

For a few hours, the World’s employees tried frantically to raise enough money to buy the paper. Some pledged their life savings, but their effort was too little, too late (Stewart, 1943, p. 81). Claude Bowers (1961), a columnist at the World, suspected that the Pulitzer family was prohibitive. None of the reporters Samuel G. Blythe (1912, pp. 236-237) knew had a cent, or expected to ever have any money, except on payday. Other journalists agreed that the industry’s salaries were low, making it difficult for reporters to save any money (Thompson, 1930, pp. 291-292, St. Clair, 1940, pp. 46-47, Patterson, 1948, p. 86).

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est bid, $5 million, then killed the morning World and merged the Evening World with his afternoon Telegram (Churchill, 1958, p. 328).

Other owners never considered selling their newspapers to their employees, a notion foreign to their values. While some owners viewed their newspapers as sacred trusts with an obligation to their readers, others did not. Increasingly during the 1900s, papers were owned by businessmen who invested in them after becoming rich in other fields. William Salisbury (1908, pp. 520-521), for example, complained that, “Journalism in America is, in nearly every case, but a business to newspaper owners and managers.....”

After working 13 years as a journalist, J.W. Keller (1893, p. 700) agreed that: “When the question of capital is considered, journalism becomes at once a business, pure and simple. Money is invested to make money. The fundamental principle of metropolitan journalism today is to buy white paper at 3 cents a pound and sell it at 10 cents a pound.”

SECTION II: Attempts At Employee Ownership

Counts of the nation’s employee-owned dailies vary because of mergers, failures, and conflicting information. For years, the Milwaukee Journal and the Milwaukee Sentinel, for example, were separate publications and generally counted as two employee-owned dailies. Since their merger in 1995, they have been counted as one. Also, employees owned different proportions of newspapers, from a few shares to 100%.

The Survivors

As the 20th century ended, employees owned a majority of the stock in only four dailies.

1. Milwaukee

Established in 1937, the employee-ownership plan in Milwaukee, Wis., is the oldest still in effect. Employees own 90% of the stock in Journal Communications, Inc., which owns the Milwaukee Journal Sentinel, plus five television and 34 radio stations in other cities. Lucius W. Nieman founded the Journal in 1882, and several chains wanted to buy it when Nieman died in 1935.

Nieman’s will allowed his trustees to sell the Journal to the bidder most likely to carry on his ideals rather than to the highest bidder (Conrad, Wilson, and Wilson, 1964, p. 177). Nieman’s successor, Harry J. Grant, believed that ownership motivated employees to do their best, but also wanted to maintain local ownership and to spread the Journal’s profits among the employees who helped earn them (Shepard, 1996, p. 28).

To fend off chains, Grant established an irrevocable trust. Shares valued at $3,500 each were split 100 for 1 (to $35 units) and offered to employees who had worked for the Journal five years. More than 500 employees qualified, and each received an initial stock quota of from $500 to $5,000, based on their pay and rank. The company helped employees arrange bank loans at low interest rates, and a large bonus helped them make a 50% down payment. The balance was due within 10 years, with dividends applied toward payment. To prevent sales to outsiders, employees held “certificates of participation” instead of actual stock and, when they left the company, were required to sell their certificates back to the trust (Milwaukee Plan, 1937).

During a strike in 1962, the Hearst Corp. sold the money-losing Milwaukee Sentinel to the Journal for $3 million (Conrad, Wilson, and Wilson, 1964, pp. 204-205). The Sentinel then became an employee-owned daily and continued to be published in the morning while the Journal continued to be published in the afternoon. By 1995, newsprint costs had risen, and the dailies’ circulations had declined. The dailies were merged, creating the Milwaukee Journal Sentinel which is published in the morning (Shepard, 1996, p. 28).

In 2003, leaders of Journal Communications Inc. proposed dissolving the 66-year-old employee stock trust and selling some of the Journal’s stock to the public. Under the proposal, employees will receive class B shares with 10 votes. Class A shares sold to the public will have one vote each, so the company’s employees will retain control in corporate governance matters (Morton, 2003a). Yet many of the company’s shareholders are older, and some may want to diversify their holdings or to repay loans they obtained to buy stock. Also, as more stock is issued — and the percentage held by employees declines — the Journal’s employees may someday lose control of the company (Romell, 2003a, Romell and Gallagher, 2003). Or, the company may become an acquisition target (Romell, 2003b). The sale of shares to the public will give the Journal the capital it needs to expand.

2. Omaha

In 1962, the owner of Omaha’s World-Herald was about to sell the daily to the Newhouse chain. Peter Kiewit, who operated one of the largest construction companies in the region, learned that the newspaper was being sold to a chain “and did not want his hometown paper owned by an outsider.” Kiewit bought the World-Herald, then “let the newspaper people run it, and created a mechanism that would, upon his death, permit employee ownership while ensuring the paper remained locally owned” (Wood, 2000). When employees resell their stock, they receive only its book value. Any amount over that goes to charity, so neither the World-Herald’s employees nor the Kiewit Foundation (which retained about 20% of the stock) has a financial incentive to sell to a buyer offering a premium (Roesgen, 1999, p. 42).
3. Fairbanks, Alaska

In 1975, C.W. Sneeden, publisher of The Daily News-Miner in Fairbanks, Alaska, established an employee ownership plan that ensures the daily’s continued local ownership and independence.

4. Monroe, Mich

The Evening News in Monroe, Mich., was acquired by its employees in 1994. Grattan Gray, chairman of the board, sold 58.8% of the company’s stock to an Employee Stock Ownership Plan (ESOP). The company was heavily in debt, and Gray concluded that an ESOP was “the only answer to maintaining local ownership.” All but eight or 10 of the newspaper’s 100 employees converted at least a portion of their 401(k) plans into company stock (Ghiglione, 1996, p. 39).

The Unsuccessful

In addition to the Milwaukee Sentinel, nine other newspapers owned by their staffs ceased publication, were sold, or merged. Arranged by their date of acquisition, the other employee-owned dailies that failed included:

1. & 2. Kansas City

Employees acquired The Kansas City Star and The Kansas City Times in 1926. Publisher William Rockhill Nelson died in 1916, and even some employees thought that Nelson arranged for his staff to buy The Star (Quigley, 1980, p. 86). In fact, a son-in-law enabled Nelson’s staff to buy the newspaper (Johnson, 1935, pp. 135-161). Nelson’s will said The Star should be sold after the death of his wife and daughter and the proceeds given primarily to an art gallery (Members of the Staff of The Kansas City Star, 1974, pp. 176-183). Nelson’s son-in-law helped The Star’s staff submit the highest bid, $11 million (Johnson, 1974, pp. 155-194).

In 1977, The Kansas City Star and The Kansas City Times were sold to Capital Cities Communication for a record $125 million. Fifty years after being acquired by its employees, the company had run into financial problems. There were allegations that the company’s managers were inept, while an executive complained that the company was “run by committee” (Kennedy, 1979, p. 59, Newsome, 1983, p. 37).

3. New York

Also in 1926, employees of The New York Sun were offered an opportunity to buy its stock. The Sun’s 71-year-old owner, Frank Munsey, had died of appendicitis and left the bulk of his $20 million estate to the Metropolitan Museum of Art. Munsey instructed his executors to sell his properties within five years, but had said he wanted to reward his employees. Executor William T. Dewart approached the museum’s trustees, who agreed to sell The Sun, the Evening Telegram, and other properties to him for about $13 million. Dewart sold the Evening Telegram, then concentrated on The Sun, selling large blocks of stock, also valued at $100 a share, to employees (O’Brien, 1928, pp. 211-228, Walker, 1934, p. 84).

By 1947, employees knew The Sun was losing money, and there were rumors about its sale. But The Sun was 116 years old, and employees thought a new owner would revitalize, not kill, the publication. Abruptly on Jan. 4, 1950, employees were informed that The Sun would cease publication (Morehouse, 1953, pp 186-190).

4. Hartford, Conn

Under a trust devised in 1947, employees were encouraged to buy stock in The Hartford Courant but required to sell the stock back when they retired or died. Employees’ heirs could keep the stock only if they obtained a special waiver. All voting rights, plus the power to grant waivers, were given to The Courant’s trustees.

In 1978, Capital Cities offered The Courant’s stockholders $132 a share. Employees opposed the sale whereas employees’ heirs — with no jobs to lose and everything to gain — “tended to vote in favor of selling, or at least considering other offers.” Still, the offer was rejected.

In 1979, the Times Mirror Co. of Los Angeles offered The Courant’s owners $200 a share: a total of $105.5 million. At the time, The Courant’s directors were squabbling with top executives (and the executives with one another) over how the newspaper should be run. Plus, there were other problems as well:

- Some directors and managers were critical of The Courant’s news coverage.
- Despite climbing profits, some directors believed the newspaper’s earnings and stock price were too low.
- There was the continued threat of a takeover.
- After a strong publisher retired, illness forced his handpicked successor’s premature retirement, leaving a vacancy in The Courant’s leadership.

When the Times Mirror made its more generous offer, The Courant’s directors accepted it, thereby extricating themselves from all the newspaper’s problems (Lang, 1990).

5. Cincinnati

In 1952, employees and readers who wanted Cincinnati’s morning daily to remain locally owned purchased it from the estate of John R. McLean. About 75% of The Enquirer’s employees acquired stock (Dale says Enquirer stock purchase will be beneficial, 1971). In 1955, internal dissension resulted in
the firing of some leaders of the employee movement, and many shareholders sold out.

Scripps-Howard published Cincinnati’s evening daily, the Post & Times Star, and began acquiring stock in the Enquirer. By 1970, Scripps held 60% of the stock and was ordered by a court to sell it. The Enquirer’s board had been waiting for an opportunity to regain a majority interest, and most of the Enquirer’s stockholders approved the purchase, bidding $35 a share (Enquirer stock sale plan delayed by suits, 1970). A minority argued that the company could not afford Scripps’ shares, which would cost $17.6 million, and filed four lawsuits to block the purchase. A Cincinnati-based holding company that owned a local bank then offered Scripps and other stockholders $40 a share, thus acquiring The Enquirer (Enquirer stock purchase opposed, 1970: Judge acts while hearing suits to block Enquirer transaction, 1970: Cincinnati firm hikes bid on Enquirer stock, 1971: Dep’t of Justice okays sale of Enquirer to AFC, 1971).


In 1957, employees acquired the Peninsula Newspapers Inc. of Palo Alto, Calif. Two decades later, they sold the Palo Alto Times and other properties to the Tribune Co. of Chicago.

7. Redwood City, Calif.

The Redwood City Times also was owned by Peninsula Newspapers Inc. Thus, it, too, was acquired by its employees in 1957, then sold to the Tribune Co.

8. Wilkes-Barre, Penn.

The Citizens’ Voice in Wilkes-Barre, Penn., was established during a strike at the city’s existing daily in 1978, and every employee was given stock. Employees sold the newspaper in 2000, and an executive told the author that it “was the next logical step” and that they “found a good match” with another daily in the state. At the time of the sale there were still two dailies in Wilkes-Barre, a city of 43,000. The Citizens’ Voice had a circulation of 33,819 on weekday mornings and 29,739 on Sundays. Thus, it remained far behind its rival, The Times Leader, which had a circulation of 49,823 on weekday mornings and 67,205 on Sundays (Maddux, 2000, p. I-398).


In 1984, publisher John T. McConnell began to turn the Journal Star over to his employees, confident that their agreement would make it difficult for employees to ever sell the daily (Newsom, 1983, p. 37). The Journal Star was the first U.S. daily to create an Employee Stock Ownership Plan (ESOP), and experts said it could serve as a model, showing “the dwindling roster of about 375 independent newspapers how to stay locally owned and successful” (Morton, 1993).

Peoria’s Journal Star remained independent only 13 years, primarily because its employee-ownership plan was too generous. For each $50 an employee invested in its stock, the company contributed an additional $150. The price of each share rose from $39 in 1983 to $207 in 1996, and some employees decided to retire early (Morton, 1993). The company did not have enough money to buy back every share and, in 1996, sold the Journal Star to the Copley Press for $174.5 million.

Minority Interests

Employees acquired some stock – but not a controlling interest – in other dailies, such as The New York Tribune and The Denver Post. When Horace Greeley died, he held only 6% of the Tribune’s stock, in part because he had given some shares to employees (Brendon, 1983, p. 57). In Denver, Harry H. Tammen and Fred G. Bonfils purchased the Post in 1895, and neither had children. After their deaths, much of The Post’s stock was held in trusts and foundations. Executive Palmer Hoyt considered it an unhealthy situation and, after studying other employee-ownership plans, wanted to make all The Post’s stock available to employees, yet they acquired only 8% (Hosokawa, 1976, pp. 364-411). Most of The Post’s stock was turned over to the Denver Center for the Performing Arts. Dissatisfied with The Post’s performance, the center’s trustees sold The Post to the Times Mirror Co. (Hosokawa, 2000). A current employee adds that changes in federal tax laws made it difficult for foundations to own for-profit businesses, and also that a newspaper executive “was really more interested in building a performing arts center than in running The Post” (Anonymous, 2000).

SECTION III: Alternatives

The failure of so many employee-owned dailies makes owners wary of the concept. Moreover, today’s financial experts warn against it (Stein, 1997, p. 6, America, 1999, pp. 35-37, Waldman 2000, p. 1). So rather than sell dailies to their employees, owners in the United States are finding alternatives, some apparently more successful. The alternatives have some – but not all – the advantages of employee-owned dailies. Dailies may remain locally owned, and their executives may be able to emphasize quality rather than profits. But employees no longer are given a share of the dailies’ ownership and profits.

Endowed Newspapers

During the late 1800s and first decade or two of the 20th century, journalists advocated endowed rather than employee-owned newspapers as the perfect solution to their industry’s problems, which included commercialization, irresponsibility, sensationalism, and bias. Endowed newspapers also seemed able
to protect newspapers from the corrupting influence of politicians and advertisers. Groups were not yet perceived as a problem.

Charles H. Levermore (1889) of the Massachusetts Institute of Technology explained in 1889 that because no one depended upon endowed newspapers for their livelihood, journalists would be freed of the need to earn a profit, and neither advertisers nor subscribers would be able to pervert their policies. A group of public-spirited citizens or some great capitalists might endow newspapers, and boards of trustees might supervise the newspapers’ finances, select their editors, and ensure that the journals lived up to their high principles (Holt, 1912, pp. 299-300).

Rewarding Editors

Rather than selling their dailies to employees, owners began to reward a few key executives. Giving executives a portion of their profits or a few shares of stock helped attract and retain the most talented. The practice started during the mid 1800s and continues today (Maverick, 1870, p. 91, Allee, 1961, pp. 118-119, King, 1965, pp. 130-131, and 143, Clayton, 1969, pp. 67-68).

To expand his empire, E.W. Scripps gave promising young executives the money needed to establish dailies in rapidly growing industrial cities (Knight, 1966, pp. 203 and 281-282, Douglas, 1999, p. 147). Scripps normally retained at least 51 percent of the stock, dividing the other 49% among his associates. Scripps was not being altruistic. “He simply could make more money by holding 51% and letting capable subordinates hold the other 49% than he could by owning the entire paper,” Knight said (1966, pp. 80-81 and 203). As Scripps’ network of newspapers and stockholders became larger and more complicated, he devised a simpler system of profit-sharing for every employee, regardless of rank.

Charitable Donations

During the 20th century, other publishers began to leave their newspapers to charities or educational institutions:

- Theodore Bodenwein left The Day in New London, Conn., in the hands of five local trustees, including two from his newspaper. Since 1939, profits not needed for quality coverage and expansion have been given to community organizations, an arrangement that assures The Day’s continued independence (Giglione, 1996, p. 40, Stone, 2000).
- Marajen Stevick Chinigo left control of the News-Gazette in Champaign, Ill., to a nonprofit foundation that supports local charities.
- In Delaware, Joe Smyth created a nonprofit company to ensure his company’s perpetual independence. Smyth was CEO of Independent Newspapers Inc., which published the Delaware State News in Dover and 37 other daily, weekly, and monthly newspapers. Five trustees reinvest the company’s profits back into its newspapers (Moses, 2000, p. 16).

Nelson Poynter created journalism’s most famous trust. Poynter, who published the St. Petersburg Times until his death in 1978, believed that an independent and locally-owned newspaper is “less bottom line-driven than its publicly held counterparts and more accountable to readers” (Moses, 2000). Poynter mistrusted even family ownership, believing that the Times should be controlled by “professionals who recognize what the duty of the paper is” (Risser, 1998, p. 32). He considered, then rejected, the idea of allowing employees to take over the Times or leaving the Times to his alma mater, Yale University (Anderson, 1987, p. 22). Instead, Poynter created the Modern Media Institute, later renamed the “Poynter Institute for Media Studies,” hoping it would elevate the practice of journalism and ensure his daily’s continued independence.

Two other publishers also recently announced the establishment of educational institutions. In 1999, Nackey Scripps Loeb, publisher of The Union Leader in Manchester, N.H., founded a school of communications. When Loeb died in 2000, her stock went to the school (Moses, 2002, p. 10). Similarly, H. Brandt Ayers, whose family owns the Anniston (Ala.) Star and Talladega’s Daily Home, has announced that their ownership will eventually be transferred to a nonprofit foundation that will establish the Ayers Institute and offer a graduate program in community journalism in collaboration with the University of Alabama (Morton, 2003b, p. 60, Cox, 2003, pp. 16-18).

Failures’ Chilling Effects

Today’s owners are reluctant to try employee-ownership because so many attempts failed. Howard H. “Tim” Hays, for example, hoped his sons or other relatives would take over the Press-Enterprise in Riverside, Calif., but none wanted to. Hays then considered three alternatives: (1) employee ownership, (2) giving the Press-Enterprise to Stanford University, or (3) selling the Press-Enterprise to a public-spirited non-journalist who would guarantee its staff’s editorial independence (Risser, 1998, pp. 19-20). Hays (2000) rejected the idea of employee ownership “because the history of such sales is disastrous.” After learning that university policies prohibited any commitment to retaining the newspaper, Hays also decided against giving the Press-Enterprise to Stanford. At the age of 80, he sold the Press-Enterprise to a group: the A.H. Belo Corp. of Dallas, Texas. “Out of consideration for our employees and our readers, we were careful in our selection of a purchaser,” Hays explained. “We had a short list of companies we thought qualified in terms of maintaining the quality and integrity of the paper. Belo was among them.”
Experts' Warnings

Through a 401(k), employees in many industries can invest their retirement savings in the company they work for. Companies often add to employees' contributions, sometimes even matching them. Financial experts are skeptical, however.

Columnist Jane Bryant Quinn (2000) insists that investing a large share of your retirement savings in your company's stock can be incredibly dangerous. Quinn explains, “The more you depend on a single stock, the greater the risk of a ruinous loss.” Quinn especially fears “excessive amounts of company stock in many 401(k)s.” While some stocks do well, others “will dive and not recover, or not recover for many years,” she warns. The price of stock in IBM, for example, “plunged by two-thirds in the years after the 1987 crash.” Other big-name firms, including Gillette, Lucent, Campbell Soup, Coca-Cola, and Procter & Gamble, also suffered major losses (Saporito, 2002). Quinn (2000, 2001) recommends that workers invest no more than 5 percent of their money in their employer’s stock.

Discussion and Conclusions

Despite journalists’ yearning for ownership and criticisms of chains, the concept of employee-ownership seems to have failed. Only four employee-owned dailies survived the 20th century, and one of the four – the Milwaukee Journal Sentinel – is threatened.

Why did so many employee-owned dailies fail?

To succeed, employee-owned dailies had to avoid a multitude of problems. The price of a newspaper's stock had to be low, so every employee could afford it, and the stock had to be divided fairly among all of a paper’s employees. Newspapers had to help with the financing and also had to repurchase every share when employees quit, retired, or died. Moreover, company bylaws had to make a sale difficult. Other problems were even more difficult to avoid. Publishers committed to the concept of employee-ownership were unable to ensure that their staffs remained unified and that every successor was highly competent. Also, with fewer dailies available, those owned by their employees aroused the interest of chains eager to expand.

Human nature is another obstacle, since people are fundamentally rational and likely to make decisions that maximize their own economic interests. It is easy, in the abstract, for journalists to insist that newspaper owners should be altruistic and emphasize quality rather than profit. Yet when journalists become part-owners, their priorities may change. Like the owners they’ve criticized, some employees become preoccupied with their company’s profits and their stock’s value. Journalists approaching retirement seem especially anxious to sell their stock to the highest bidder.

Some employee-owned dailies also lacked the managerial expertise needed to run a successful newspaper, and chains’ buyouts enabled journalists to escape all the problems associated with managing a big business. Moreover, management by committee rarely works. Any organization that lacks a dominant owner or small group of dominant owners is likely to have problems surviving. So although owned by their employees, dailies cannot be run by committees. They need executives with the power and vision to accumulate the capital needed for improvements, expansion, and the repurchase of stock.

It seems especially difficult for employee-owned dailies to acquire the capital needed to expand and diversify. Public companies, by contrast, can use their stock to make acquisitions or can more easily sell bonds and other securities to raise money for growth.

In essence, journalists seemed to idealize the concept of employee-owned dailies. Few anticipated all the problems they would encounter. At the same time, journalists seemed to demonize chains, although empirical research fails to consistently support all their criticisms.

Journalists can learn some lessons from other industries’ ESOPs. The number of companies with ESOPs has grown dramatically, to 11,000, and many of their goals are similar to the goals at employee-owned dailies. Some of ESOPs’ problems, too, are similar. ESOPs may have to repurchase employees’ stock...
when they quit, retire, or die. And an ESOP’s managers may experience a conflict of interest when someone tries to take over their company. Company managers may oppose a takeover that benefits their ESOP.

Scholars in the field of business have found that ESOPs are most successful when large outside shareholders monitor managers’ performance, a feature lacking in employee-owned dailies. Those scholars also have found that companies with ESOPs are more likely to remain independent, a finding that researchers in the field of journalism might pursue to determine why ESOPs are more successful than employee-owned dailies at retaining companies’ independence.

There are important differences as well. Most notably, the scholars studying ESOPs use some measures of success – company revenue, productivity, and profits, for example – that journalists may consider abhorrent.

Despite all those problems, there are rewards in the newspaper industry for the employee-owned dailies and other alternatives that succeed: evidence that employee-owned dailies do, as intended, an exceptional job of serving their communities. For years, the Milwaukee Journal was ranked among the nation’s best dailies (Merrill, 1968, pp. 38-40). While other newspapers retrenched during the 1990s, Omaha’s World-Herald remained committed to maintaining its role as a statewide newspaper and achieved a high penetration rate (Roesgen, 1999, pp. 40-41). The St. Petersburg Times, a daily owned by a non-profit institute, also provided “a bigger news hole, lower newstand price, and more news staff than many of its peers.” Moreover, the Times’ penetration rate was 10 points higher than the industry average (Moses, 2000, p. 16). Its employees, too, benefitted from the trust established by Nelson Poynter, enjoying exceptional working conditions and a notably high morale (Baker, 2001).

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