TUCK SCHOOL OF BUSINESS AT DARTMOUTH
WILLIAM F. ACHTMEYER
CENTER FOR
GLOBAL LEADERSHIP

Dow Jones & Company: Innovation in Print and Online

On January 2, 2007, readers of *The Wall Street Journal* discovered they could more easily scan the paper on crowded planes and trains and found the *Journal* fit a bit more neatly into their briefcases. Dow Jones & Company, Inc., publisher of the *Journal* for over a century, had trimmed the width of the paper and trimmed costs in the process.

As readers delved into the paper more deeply that day, they noticed additional changes. The "Letters to the Editor" section had moved to a different page. The volume of financial market data printed in the paper had been reduced. The key messages within some articles were encapsulated in a new design feature—summary boxes. Dow Jones's management team anticipated readers would not only grow accustomed to the new format, they would decide it better fit their overall reading habits.

Those reading habits had changed, as had the media landscape. In particular, the Internet no longer was the experimental new communications frontier it had been a decade prior. It had become a meaningful, stable component of the overall pattern of media consumption. In fact, most *Journal* readers consumed news online routinely and already were aware of the top stories by the time the *Journal* was printed. Thus, the value readers placed on seeing "what happened yesterday" in print had declined. Readers wanted more in-depth analysis instead. They wanted to understand how yesterday's events might affect their lives today and tomorrow.

The print *Journal* and the online version had not differed substantially previously. The Internet was an alternative source for all the articles that appeared in the *Journal,* plus additional content, such as breaking news and multimedia complements to the news. For most individuals, it was a convenient way to access the news when a copy of the paper was not handy. For some—those who preferred reading online—it was a substitute for the newspaper.

By 2007, however, many readers were not choosing one medium or the other. They utilized both. Furthermore, their needs, expectations, and behaviors online differed dramatically from those in print. It no longer made sense to offer substantially the same content through two distinct media.

In redesigning the *Journal,* Dow Jones aspired to the optimum, integrated presentation, one that gave readers what they most wanted from each channel. The company marked

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the redesign as "Journal 3.0: Newspaper for the Digital Age" and reinforced its aspiration on the cover page of its 2006 annual report, published in early 2007, which read, "Content whenever, wherever, however."

New Newspaper, New Organization

While readers embraced a new format, leaders at Dow Jones transformed an organization. The project to redesign the *Journal* consumed tremendous energy in 2006 but it was just one of many changes under way, albeit the one with the greatest symbolic resonance. The organizational implications of an integrated news package were profound. As the company redesigned the product, it also developed new ways to package and sell advertisements and reconstructed its approach to marketing and selling subscriptions. In fact, every function within the company faced major change.

Rich Zannino, chief executive officer since February 2006, crafted the change agenda. He had begun shaping a vision for the company earlier while serving as chief operating officer, but his promotion to CEO accelerated the pace of change. By shifting a few senior executives to new positions, Mr. Zannino broke the conservative power base of the preceding CEO, Peter Kann, and his wife, Karen Elliott House, who, until early 2006, was the publisher of the *Journal*'s print version.

Dow Jones had hired Mr. Zannino in 2001 as chief financial officer, a position he filled for 18 months before his promotion to COO. News accounts of his promotion to chief executive in 2006 included the observation that he was the first non-journalist to ever run the company. The newspaper industry as a whole was suffering, and some openly speculated that Mr. Zannino was put in place to streamline the company for sale. But Mr. Zannino repeatedly reinforced his stated intention to build Dow Jones for the long run. He further observed that he believed there was no realistic path to profitability for newspapers that only cut costs.

Earlier in his career, Mr. Zannino had held several senior positions at fashion house Liz Claiborne. By 2007, he had convinced one of his former colleagues there, Jorge Figueredo, to rejoin him at Dow Jones. After just a few weeks in his new post, Mr. Figueredo reflected on the similarities between the two companies:

> Perhaps surprisingly to some, fashion designers and journalists have a number of similarities. Both are creative and both think they are the most important link in the value chain. They view themselves as individual contributors, like to set their own hours, and seek independence. But there is a significant difference. Designers are primarily emotional beings. Journalists, particularly business journalists, are much more rational and intellectual.

Liz Claiborne had suffered in the early 1990s when department stores declined and new distribution channels proliferated. The CEO during that time—a professional manager, not a fashion designer—effected a turnaround by empowering the voice of the customer within the organization. Fashion designers resisted. For years, they had told customers what they wanted. They were the experts; customers were not savvy enough to know what they wanted in fashion. Mr. Figueredo believed journalists faced a similar transition. In past decades, when the media industry was dominated by a small number of powerful players, news organizations had the power to tell consumers what they thought consumers needed to know. By 2007, the media industry had fragmented and consumers had more power and more choices. In Mr. Figueredo's view, designers and journalists still needed to provide a service by editing the choices available to consumers, but both needed to be more open to consumers' influence.

If the dominant theme of Mr. Zannino's change effort was cross-channel integration, greater attunement to customer wants and needs was a close second. In fact, some Dow Jones executives believed the integration of print and online news was overdue and would have happened sooner had the company acted on observed trends in reader behavior. The Internet enabled the gathering of rich data about reader habits. Dow Jones could count every click.

While the themes of change were clear, the details were not. Nobody knew exactly what the future Dow Jones organization would look like. Nobody had ever built a news organization that operated as though print and online channels should be managed as an integrated, complementary package. Mr. Zannino was counting on dozens of managers within the organization to first identify and then implement the portfolio of innovations that would push Dow Jones forward.

Reorganization

By early 2006, Mr. Zannino already knew the company needed to be reorganized. Dow Jones managers had already surfaced several projects to improve the print-online interface, but they were struggling to push them forward. Too often, these initiatives labored under conflicts of interest between the print and online organizations While chief operating officer, Mr. Zannino had found himself frequently drawn into low-level print-online debates.

Thus, one of his first moves was to push down the point at which the reporting lines for the print and online *Journal* intersected. Before the change, Dow Jones was organized first by channel and then by publication. Immediately after the change, Dow Jones was organized first by customer group, then by publication, then by channel, with the expectation that further integration would follow, group by group.

Mr. Zannino named Gordon Crovitz to head the newly created Consumer Media Group (CMG), which included both print and online versions of the *Journal* plus all versions of *Barron's* and *MarketWatch,* the latter a web-only publication for individual investors. The company also created the Enterprise Media Group to manage its products intended for purchase by businesses, including its Factiva online research database, Dow Jones Newswires, and Dow Jones Financial Information Services. (Dow Jones owned about a dozen community newspapers as well, and they continued to be managed separately as the Local Media Group.)

Mr. Crovitz saw clear rationale for the reorganization in Dow Jones's history:

> Dow Jones has always been in electronic publishing, starting just a few years after the founding of the company in the 1880s. In fact, one of the first uses of electricity on Wall Street was the Dow Jones news ticker. Historically, however, the electronic products were for business professionals and print products were for individual consumers. It was not until 100 years after our first electronic product that we developed an electronic product for consumers—the online *Journal.* At the time, we kept it organized under our other electronic products, but it really is and always has been a very different business.

Mr. Zannino elaborated on his intent with the reorganization:

> Across every function, we need to be thinking cross-channel. We won't need to reengineer everything, but we will have to reexamine everything. A lot of process reengineering can get done at a grassroots level but only if we provide common leadership, shared objectives, and shared incentives. We also must engage people at a personal level by convincing them that working towards integration is the way for them to succeed personally. For example, when journalists identify themselves as print journalists, I ask them, "How do you plan to stay relevant?" It is in journalists' best interests to build skills across channels.

Todd Larsen, chief operating officer of the Consumer Media Group, added further detail:

> By the time the reorganization was announced, there was little opposition to it. The CEO turnover was the precipitating event. There were too many issues rising to the top for resolution, and the views within the senior management team were too sharply divergent. Bringing print and online together has created a common view. Now we are able to approach decisions with less conflict by looking at the data and asking what it means for our company and our strategy.

The change had other benefits. It was a powerful signal from the top of additional steps to come. Managers with dotted-line relationships that crossed channels began to take those dotted-line responsibilities more seriously. Any initiative that crossed channels became easier to budget because finances rolled up to the same P&L; there was little debate about how best to allocate revenues and costs between print and online. It also became easier to move people from one channel to the other.

Enabling Change through People

Mr. Zannino and his colleagues reinforced the reorganization by making widespread personnel changes, including internal promotions, external hires, and a few dismissals. Mr. Zannino explained his approach to creating change:

> If you want a big change in culture, you need a big change in people. Of the top 25 people in the company, 16 are in new positions. The people in the new jobs are the ones that "get it." I'm always on the lookout for someone who "gets it" but has been put under wraps by a boss who does not want to change. Those are the diamonds in the rough.

With his characteristically calm demeanor, Mr. Zannino continued:

> To create change, you also have to remove people who are behaving the old way. That sounds harsh, but it is the truth. And you have to make preaching the change a part of your daily routine, celebrating the right victories. This effort may fail, but if it does, it will be because I got the strategy wrong, not because I had a bunch of passive-aggressive managers who wouldn't execute it.

In reassigning executives to new positions, Mr. Zannino and his colleagues placed a heavy burden on his senior team. Mr. Larsen commented,

> Two thousand six was a tough year. There was a lot of change, and a lot of people are in new roles working hard to figure out how to do their new jobs well.

Although Mr. Figueredo was new to Dow Jones, he had already begun grappling with how the human resources function could most strongly support the change effort. He noted that because there were so many new members of the top management team, supporting their development into a productive team was a top priority.

Part of the challenge was to formalize each executive's understanding of his or her new role. Mr. Crovitz anticipated rewriting several job descriptions as part of the change effort, starting with that of the print *Journal*'s managing editor, Paul Steiger, who was on the cusp of retirement.

In building the organization's capabilities, a premium was placed on managers with cross-channel experience. Mr. Crovitz commented,

> I expect all of my direct reports to be completely fluent in both media. Paul Steiger, for example, knows a great deal about online. We were very fortunate that he wanted to learn it all. We have to build that expertise at all levels, and that has major implications for training and development. For people to march through the ranks here, they are going to have to be experts across media.

Ann Marks, chief marketing officer, gave her perspective:

> We are very cognizant across all functions of the need to hire and develop people with digital experience. We are a multimedia company now, and both print and digital perspectives are valued. Print people can learn the online world if they just make the effort.

To support development deeper into the organization, Mr. Figueredo envisioned stronger talent-management processes built on a framework that mapped the core competencies the company needed to execute its strategy. In his view, a strong talent-management framework would address such questions as, What does the reporter of tomorrow look like? and, How are we hiring, training, promoting, and designing career paths to create that reporter of tomorrow? Mr. Figueredo also anticipated that it would be difficult to build the needed competencies quickly without additional acquisitions. In acquiring

MarketWatch in January 2005, for example, Dow Jones acquired all at once numerous managers with online savvy.

Susan Martin, who led organizational training and development for Dow Jones, aligned the company's development programs with its organizational change endeavors, focusing on four central themes: collaboration, customer intimacy, innovation, and accountability. The collaboration module in the development program used examples of best practices to help managers understand what collaboration across channels looked like and what the difficult challenges were. By 2007, Ms. Martin was discussing new rotation plans and a new mentoring program to give employees the opportunity to develop skills in unfamiliar channels. Ms. Martin explained her philosophy on mentoring:

> Mentoring programs should enable the formation of relationships whereby one person guides another in a way that develops a skill set needed to move up in the organization. Mentors are not always senior. If what I know is what you need, and if there's a good chemistry between the two of us, then there is going to be a mutually beneficial mentoring relationship.

The company reinforced the direction it wanted its executives and managers to move in by changing their personal scorecards. Ms. Marks described her own scorecard:

> I have goals for both print and online. For example, I track the number of subscribers in both print and online, online usage, and, particularly, the extent to which joint subscribers [both print and online] are using the online product.

Mr. Crovitz gave each of his direct reports—including those whose titles suggested their duties were singularly tied to print or online—performance goals that had both print and online components. In some cases, the company assigned hard targets for integration initiatives. For example, Ms. Marks had hard targets in 2007 for online usage by customers who subscribed to both the print and online versions of the *Journal.* The targets were based on experiments the company ran in 2006 to discover how readily such usage could be pushed higher.

Dow Jones used a software application for ensuring performance objectives were aligned throughout the organization. Where hard targets were not feasible, managers' accountabilities were tied to actions. Did they make the effort to communicate the transformation message to their people? Did they execute planned integration initiatives? Did they surface ideas for integration projects?

Making Change Happen—Function by Function, Project by Project

As Mr. Zannino worked to align the company's structure, incentives, and people with the new integration strategy, he also monitored the overall pace of change. As of early 2007, he was unsatisfied, convinced that the team could be pushing harder for cross-channel collaboration. He believed his managers should be taking bigger risks. That did not mean more mammoth projects, like the redesign of the *Journal.* In fact, across all functions, many integration projects amounted to process redesigns and did not even require a distinct budget. Mr. Zannino kept a distance from such efforts, encouraging action deeper in the organization, feeling that the prime movers in integration should be executives at the director level and below. (Directors reported to vice presidents, who reported to presidents, who reported to the CEO.) Ms. Marks commented,

> We will all figure it out within each function. We accomplished a great deal in the first year and now, in marketing, we are in fine-tuning mode. There are a lot of messy details. Someone has to take initiative. That's how the messy areas get solved.

While pushing for faster action, Mr. Zannino resisted the temptation to "slam everything together." Some of Mr. Zannino's direct reports wanted to take a stronger hand in forcing the integration top-down. Mr. Zannino, however, was cognizant that he still served many print-only and online-only customers—both advertisers and readers—and wanted to avoid alienating those customers. "I want collaboration but fear homogenization," he explained. Mr. Crovitz agreed, commenting that it was good to be one step ahead of the competition but dangerous to get too far in front of your customers.

The overall pace of change varied by function, and each function's path to integration was unique. A few examples follow:

- The circulation marketing function took an aggressive approach to integration, with widespread personnel, process, and product-offering changes in 2006. (See related case study "Dow Jones & Company (B): Integrating Circulation Marketing.")

- The advertising sales groups took a more deliberate approach, cognizant of the fact that many of their corporate and advertising agency customers were still organized by channel—that is, there were separate decision makers, separate processes, and separate budgets for print and online ad purchases. (See related case study "Dow Jones & Company (C): Dow Jones Integrated Solutions.")

- The news group had taken a major step towards integration with the launch of *Journal 3.0.* Reader response was mostly positive. Critics simply cautioned the *Journal* against going too far in, say, shifting from news to analysis or shifting financial data online. There remained some pressing questions about the optimal format. For example, the team was still zeroing in on the best way to move readers from the end of an article to additional information online. The team had learned through experimentation within its Asian publications that referrals done the wrong way could annoy readers, particularly those that did not have immediate access to the web while reading the paper. There was also continuing debate regarding the optimal division of content in front of and behind the online *Journal*'s firewall. Only online subscribers could access content behind the firewall. Even in the heat of the dotcom era, when conventional wisdom held that all online content should be free, Dow Jones had taken the most conservative stance in the industry, making exceedingly little of their content available to interested individuals with an Internet connection.

While the launch of *Journal 3.0* was a major step in integrating the news *package,* however, the process of exploring options for integrating the news *organization* had just begun. There were only some small-scale integration experiments under way by early 2007.

The company approached the process of further integration with caution, anticipating emotions would run high. According to one senior executive, the online group for years had viewed themselves and their mission as special, while the print group viewed the online endeavor as an interesting experiment. While acknowledging the importance of the growing online channel, few print journalists endeavored on their own initiative to find ways to leverage the online channel. Thus, to ensure discussions about further integration in news were grounded in data, Dow Jones engaged an outside consulting firm to analyze the options.

The optimal structure and process for news production was hardly obvious. One extreme option was to give each reporter a beat and the responsibility to produce content within that beat for all channels. That would have been demanding of reporters, however, because it was hard to write for so many audiences. For example, *MarketWatch* readers, typically individual investors, had entirely different expectations than the executives and professionals who read the *Journal.*

Any integration plan would risk upsetting the newsrooms' cultures, as well as the implicit hierarchy among the newsrooms. (Dow Jones Newswire reporters generally aspired to be hired by the *Journal,* for example.) Furthermore, any integration plan was likely to upset the balance of power by placing more leadership responsibility in the hands of those who knew the online channel best.

By mid-2007, the company had appointed a new managing editor of the *Journal,* Marcus Brauchli, and moved forward with a major news reorganization. One goal of the reorganization was to minimize redundancies across media properties in producing "nondifferentiated" news, such as basic earnings reports—for decades a bread-and-butter offering for Dow Jones but much less valuable in the Internet age. The reorganization also gave more senior news leaders joint print-online or cross-media responsibilities. For example, Bill Grueskin, former managing editor of the online *Journal,* was promoted to deputy managing editor of news for the *Journal* franchise (print and online), reporting to Mr. Brauchli. All news bureaus now reported to Mr. Grueskin. Finally, in the reorganization, the leadership team sought to encourage and enable more entrepreneurship from the ground up to integrate print and online news packages.

- The IT group historically had been centralized and reported directly to corporate. The company decided that a necessary first step towards integration was to weaken the corporate IT function and devolve authority to separate leaders within the Consumer Media Group and the Enterprise Media Group. Ultimately, IT would not integrate print and online as deeply as other functions because demands on the IT function by print and online operations were drastically different.

- Finance was a centralized function at Dow Jones. To support integration, the finance team worked to become active partners and valued advisors to line managers, in part by assigning managers with line experience to senior finance roles. Historically, business managers at Dow Jones had viewed the finance group primarily as scorekeepers—formalizers of plans and budgets, and the first to warn if the company had fallen behind plan. The finance team was physically distant, working out of a Princeton, N.J., office.

Many integration projects, such as an effort to redesign the company's classified ad offerings, were large enough to require a distinct budget and, thus, were managed through the machinery of Dow Jones's planning and budgeting processes. Mr. Zannino described how the integration effort had affected the company's capital allocation process:

> Every project has a business case and an ROI, but we also evaluate strategic fit, and any print-online integration project has a high score for strategic fit. We don't take an ROI less than cost of capital just because a project is "strategic," but it does influence our prioritizations. In fact, almost every project that comes up for review these days has a print-online component.

In the 1990s, any ROI projection for an investment in the online channel was speculative. However, over the decade since the launch of the online *Journal*, projections for online projects had become nearly as accurate as projections for print projects.

Kelly Leach, who headed strategic planning for the Consumer Media Group, worked extensively with the finance team on planning and budgeting. She described the budget for the *Journal* redesign effort:

> We could accurately forecast the changes in our costs, and that alone justified the investment. It had a great ROI. It was harder to estimate the revenue impact of the redesign. At the time, external ad forecasts for the newspaper industry were flat or slightly down, but based on the initial reception the thinking behind the redesign received from advertisers, we budgeted ad revenue to be up a few percent. We used past consumer research to estimate the impact on circulation. We were able to be very accurate, for example, in estimating the number of subscription cancellations we received as a result of reducing the extensiveness of the stock tables in the print journal.

Ms. Leach also offered her view of how budgeting had changed after the reorganization:

> Now that print and online roll up on the same P&L, we are much less nitpicky about the funding of cross-platform investments. We are much less likely to ask, "Whose budget is this on?" and "How will we allocate costs?" We haven't changed the budgeting process, but people are much more willing to say, "Let's just do the right thing from a business standpoint."

Ms. Leach also observed that it had become much easier to compare and reconcile the operating assumptions underlying the plans that surfaced from print and online groups.

The finance group continued to calculate profit and loss for the print and online *Journal* separately, though the importance of these numbers had diminished. Ms. Leach commented,

> We still need some visibility into the profitability of both products. Most of the issues we deal with still affect just one product or the other. We have separate budgets for them, and there are still separate incentives for them. In evaluating the financial performance of individual business owners, we're cognizant of the trade-offs that they may make that benefit the *Journal* franchise overall, potentially at the expense of one product or the other. We use the individual product P&Ls to generate good questions and good discussions.

Reflection

The senior management team at Dow Jones felt they accomplished a great deal in their first year under Mr. Zannino, but they also recognized there was a long way to go. Some departments were well ahead of others in making the integration happen, and the path towards integration was different in each function.

The uneven pace of integration created some pressures. Within departments that were farthest along, such as marketing, managers sometimes found it cumbersome to coordinate with other functions that were not yet integrated so completely.

Mr. Larsen commented on lessons learned from the first year of the change effort:

> I learned the importance of symbols in driving change. Gordon [Crovitz] turned the *Journal* redesign into a huge rallying cry for organizational transformation. People understood that if the product was designed cross-channel, then clearly the organization should be too.

He continued, reflecting on the pace of change:

> It has been a crazy year. If anything, we've committed the sin of trying to do too much, too quickly. Although there are lots of projects going on beneath my radar screen, we still are involved closely in many cross-platform projects. We need to continue to create mechanisms that reduce the involvement of the senior management team.

Ms. Martin added her own observation:

> We could have been even more attentive to the emotions in the organization. Change of this magnitude is scary. It's easy to operate on too much of an intellectual level. It is not just the fear of being laid off; it is the fear of being left out, of being marginalized.

Many companies would have enlisted support from outside consulting firms in moving forward with such an extensive change effort. Mr. Zannino, however, reached for consultants only in certain circumstances, saying,

> We don't need consultants to redesign the company. I find consultants are most useful when a company needs extra muscle to get people to do what they don't want to do. Broadly speaking, I don't think that is where we are.

As Mr. Zannino continued to push integration within Dow Jones, he wondered if a much larger integration project might soon be on his hands. On May 1, 2007, Rupert Murdoch, chief executive of the mammoth News Corporation, tendered an offer to acquire Dow Jones & Company.