

## PLEASE DO NOT QUOTE

### 1. Introduction

Ownership of media is a sensitive issue. This is mainly due to the political implications of media. Potentially, owners of media could potentially have an impact on media content, and therefore influence society more than owners of other industries. There is also a diversity issue, which would be relevant to any industry. Media concentration could potentially have an undesirable effect on the total media supply regardless on its political implications. The sheer economic implication of ownership on the individual media company – seen as an economic entity rather than a political actor - is much less investigated<sup>1</sup>.

### 2. Research question

The main research question for this paper is: is there is a relation between ownership and economic performance in the Swedish regional daily newspaper industry? A more precise formulation is: does ownership have any effect on performance or behaviour within the particular subset of newspapers forming the *Lindesberg group* – a group representing a situation of open book accounting enabling very high transparency and low barriers for learning and imitation behavior. The main methodological problem is that members come and go in this group. I will approach this methodological problem by calculating averages, rank averages, and chain index averages and discuss pros and cons with these methods.

### 3. Background

Historically, family companies have used different models for ownership:

#### A. Family (private) ownership

Regional press in Sweden was private from the beginning. It diffused in the countryside during the 18<sup>th</sup> century, especially after *Aftonbladet* (1830) took the liberal fight against the establishment. Some publishers were book printers who saw a secondary use for their printers. Not until 1887 did the socialist movement start their first newspaper, *Arbetet*, which was two years before the formation of the Social Democratic Party. During its first years, the socialist movement more money on newspapers than anything else. Still, at the end of world war II, the press was mainly a business for right-center oriented families. During its heydays, some cities had as many as 3-4 newspapers of different colors. While many family companies have tried to stay independent, the succession problem of any family company has made many families sell their newspapers to larger newspapers, or to form foundations to keep the ideals alive. Some families have been able to form chains: Ander in Karlstad, Hamrin in Jönköping and Hjärne in Gothenburg. Today, very

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<sup>1</sup> See for example Picard & van Weezel (2007)

few independent newspapers remain. Most are part of six major ownership groups. Much of this development is, however, quite recent.

In a family company, the very same person could be owner, manager and editor: *the publisher*. There is still a company where this governance model applies, the Hörling family with *Nya Lidköpings-Tidningen*– the owner is CEO, editor in chief, and his children hold key positions. Sometimes, the publisher even started a political party or was represented in the parliament. In other family companies, the owner has a more hands-off approach. The manager could be left with much responsibility as well as with very little. Recently, newspaper companies have turned to a model where the CEO also is editor in chief – *tidningschef*.

For a newspaper, separation of profit and non profit could be as important as the separation of ownership and control. The liberal Bonnier family has been keen not to intervene with the editor in chief. This position was provoked during the 1960's, when Olof Lagercrantz was taking a radical position visavi the family values during a politically sensitive period<sup>2</sup>. If Bonnier would start to intervene, they might risk legislation for ownership concentration. Many newspapers have taken pride in providing editorial independence. In recent years, based on the example of *Norrköpings Tidningar's* acquisition of socialist *Folkbladet*, newspapers have allowed acquired newspapers to maintain their political colour. There are even examples of two editorial pages after a merger – one red and one blue.

#### B. Organization controlled newspapers

These have been controlled by the labor movement or the Center party. There is also one newspaper controlled by a church, *Tidningen Dagen*. The Center party started to expand a newspaper chain in 1975, even though one major newspaper, *Skånska Dagbladet*, was in the party's hands far earlier. Both parties have had centralized control of their newspapers. The Apressen went bankrupt in 1992. Local divisions of the labor movement took control, or competing newspapers took over. The labour movement have not profited from their newspapers, but rather subsidized them. The center party had a rule stating that the newspaper should keep 20% of the profit. This rule was necessary since the party used them as cash cows<sup>3</sup>. Little is known about the governance of organization owned newspapers.

#### C. Foundation controlled newspapers.

The foundation is a very peculiar animal in the organization jungle. In essence, a foundation is an endowment which owns itself. There no other owners then the foundation itself. The strategy of the foundation is eternal in principle – the statutes regulates what the foundation can do, in eternity. Only in special circumstances may the state change the statutes of a foundation.<sup>4</sup> Within the limits of the statutes, the board has virtually unlimited freedom of action. The board also elects itself by selecting new members at will.

Even in a family company, strategy could be inflexible due to tradition, strong identity, or respect of for past generations have achieved. In practice then, the family company could be as inflexible as a foundation. The difference is that the foundation relies is a formal institution while

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<sup>2</sup> Nyberg (2002) Even if the Bonnier do not use their power to effect content in their newspapers, Nyberg argues that one reason for ownership has be the *option* to defend the family against anti-semitism.

<sup>3</sup> Interview with Gustafsson (2007)

<sup>4</sup> One example is when the purpose of the foundation is to give money to a social group which existed at the time of the creation of the foundation but which has then disappeared.

tradition in a family company (mostly) is an informal institution<sup>5</sup>. The foundation is also dependent on the existence on an institutional framework in the country. One could not imagine a foundation in a country with weak enforcement of laws.

Special tax laws apply to a foundation. This may make it beneficial for a family company to choose this legal form. Normally, the foundation is created when an owner cannot find a willing heir but still wants to ensure continuity.

The agency problem between the owners and the management in a foundation should, in theory, be quite severe. The original owner family remain in the picture even after the foundation is created, for example by keeping shares with high voting power. Sometimes, however, the owner is dead, making it impossible for him to control the agent. There is not much research being done on the corporate governance of foundations. However, some research indicates that they can do just as well as other owners<sup>6</sup>.

Foundations could have other objectives than to run a business. If, for example, it has the function of providing means to the poor, and the newspaper is run to make profits available to this means, then the newspaper could be profit maximizing<sup>7</sup>.

It is not to be expected that the behaviour can be predicted from theory - the questions ultimately have to be settled by empirical studies.

Theoretically, all three forms of ownership could have the same profit motive – they could maximize profit or merely try to break even. It is reasonable, however, to expect that a foundation, with an explicit non profit objective, will have lower demand for profitability than a family controlled company. In one of my interviews, the interviewee had asked his board on what the foundation required from the newspaper in economic terms, and got the answer: “what do *you* think?”<sup>8</sup>

#### 4. Sources and method

##### A. Sample/ background of the group

The Lindesberg group was formed in 1956 and a decision to dissolve it was taken during fall 2007. The group was formed in a time of crises for the daily newspaper industry. Some CEOs in the newspaper industry realized that they were lagging behind other industries in terms of economic control. All members belonged to FLT, an organization for rural newspapers. All original members have been CEOs for the market leading newspapers in the the local area, with a liberal agenda<sup>9</sup>. Membership is personal, and follows the CEO to a new newspaper should he move (this has happened four times). Lindesberg is the name of the small city was the first meeting took place<sup>10</sup>. The group has had a secretive character and membership has not been public knowledge. Even if many discussions take place between newspapers in the industry at large, the Lindesberg Group

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<sup>5</sup> Landes (2006) describes how the Rotschild family has formalized succession rules.

<sup>6</sup> Steen (2006)

<sup>7</sup> Picard & van Weezel (2007)

<sup>8</sup> Interview with Cal Wikström.

<sup>9</sup> Liberal in Sweden is to the right of the center in politics, associated with Folkpartiet. There is also a more conservative party, Moderaterna. For both parties, liberalism is the underlying ideology. *Center-right* or *non socialist* might be more appropriate labels.

<sup>10</sup> 50th year celebration issue.

represents a rare case where this sharing of experiences has been systematic, based on selective membership, and where almost total openness is required from participating members. Also, the systematic benchmarking over a period of 50 years should distinguish this group from many others.

In contemporary erfa-groups, my impression is that people with the same function, such as marketing managers, from different industries come together. The fact that newspapers have been active in clearly separated geographical areas allows managers from the same industry to meet. Also, being on the same side ideologically should be beneficiary for cooperation. In comparison, it does not appear likely that furniture producers would cooperate in a similar fashion, since they compete in the same market, and don't share an ideological mission. It should be unusual for any industry that benchmarking numbers are collected, especially on this level of detail, for such long time, and for companies of such moderate size.

At the end of the period, four members had been explicitly forbidden by their boards to participate in the group. Recent developments of chain formation made former allies more like competitors. Also, the use of benchmarking numbers for the newspaper was less important for a new generation of CEOs who directed companies with a broader range of activities than newspaper production<sup>11</sup>.

25 of Sweden's regional newspapers have been members of the group. This is a considerable part of the total population regional newspapers: 1975, this number was 1975.

Five member companies change from family controlled to foundation controlled during this period. In some of these cases, the original family keep some shares. (See appendix). It should also be noted that there is a few examples of cross ownership within this group. In the liberal consortia, some of the member companies in the Lindesberg Group are involved. However, they do not have full control. (See appendix). These consortia are composed differently, one with five original members, one with twelve. Both family companies and foundations are represented.

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<sup>11</sup> Interview with Cal Wikström

Year	1 bar	3 blt	2 boh	4 bt	5 dt	6 ek	7 fk	8 gd	9 hd	10 hp	11 jp	12 kbl	13 na	14 nk	15 nft	16 nt	17 nv	18 smp	19 smt	20 sut	21 unt	22 uk	23 ya	24 oc	25 op
1956		12	5			11		7			4			6		8	3			1		9	2		10
1957		12	5			11		7			4			6		8	3			1		9	2		10
1958		12	5			11		7			14			6		8	3			1		9	2		10
1959		12	5			11		7			14			6		8	3			1		9	2		10
1960		12	5			11		7			14			6		13	3			1		9	2		10
1961		12	5			11		7			14			6		13	3			1		9	2		10
1962		12	5			11		7			14			6		13	3			1		9	2		10
1963		12	5			11		7			14			6		13	3			1		9	2		10
1964		12	5			11		7			14			6		13	3			1		9	2		10
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1966			5			11		7	15		14			6		13	3			1		9	2		10
1967			5			11		7	15		14			6		13	3			1		9			10
1968			5			11		7	15		14			6		13	3		16	1		9			10
1969			15			11		7						6		13	3		16	1		9			10
1970			15			11	17	7						6		13	3		16	1		9			10
1971			15			11	17	7						6		3			16	1		9			10
1972	18		15			11	17	7						6		3			16	1		9/20			10
1973	18		15			19	17	7						6		3			16	1		20			10
1974	18		15			19	17	7						6		3	21		16	1		20			10
1975	18		15			19	17	7						6			22	21		1		20			10
1976	18		15			19	17	7						6			22	21		1		20	23		10
1977	18		15			19	17	7						6			22	21		1		20	23	16	
1978	18		15			19	17	7						24			22	21		1		20	23	16	
1979	18					19	17							24	6		22	21		1		20	23	16	
1980	18					19	17							25	24	6		22	21		1	20	23	16	
1981	18/21					19	17							25	24	6		22	21		1	20	23	16	
1982	18/21					19	17	26						25	24			22			1	20	23	16	
1983	21					19	17	26						25	24			22			1	20	23	16	
1984	21					19	17	26						25	24	28		22			1	20	23	16	
1985	21		29			19	17	26						25	24	28		22			27	20			16
1986	21		29			19	17	26						25	24	28		22			27				16
1987	21		29			19	17	26						25	24	28		22			27				16
1988	21		29			19	17	26						25	24	28		22			27				16
1989	21		29			19	17	26						25	24	28		22			27				16
1990	21		29			19	17	26		31				25	24	28		22	30		27				16
1991			29			19	17	26		31				25	24	28		22	30		27				16
1992			29			17	26	31		31				25	24	28		22	30		27				
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1996			29			17	26	31		31				25	24		32		22	30		27	33		
1997			29			26	35	31		31				25	24		32		22	30		27	33	34	
1998			29			26	35	31		31				25	24		32		22			27	33	34	
1999			29			38	36	31		31				25	24	37	32		22			27	33	34	
2000					38	36	31	31		31				25	24	37	32		22			27	33	34	
2001			40		38	36	31	31		31				24	37	32		22				27	33	34	
2002			40		38	36	31	31		31				24	37	32		22				27	33	34	
2003			40		38	31	31	31		31				42		32		22				27	36	34	41
2004			40		38	31	31	31		31				42		32		22				27	36	34	41
2005			40		38	45	31	31		31				42		32		22				43	36	34	

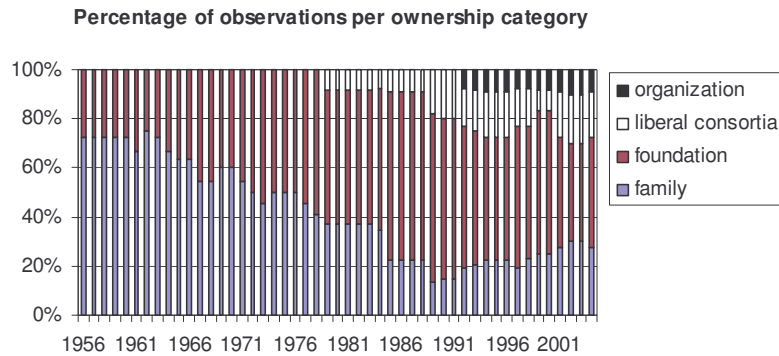
family foundation liberal consortia organization (Center party)

15, 16, 21 and 36 have been CEOs for two newspapers

Chart 1. Members of the Lindesberg Group 1957-2005. Source: Lindesberg Group 50<sup>th</sup> year celebration issue. Numbers indicate number for CEOs in the group.

There is a clear tendency in the group’s composition in terms of ownership. Family companies initially dominates while foundations become more common in the end. Over the entire period families count for 41,9% of the observations, foundations for 48,6%, liberal consortia for 7,2%, and organization owned press (Center party) for 2,3%.<sup>12</sup>

<sup>12</sup> These figures takes into account that one newspaper is owned 50% by a foundation and 50% by a family during its time of membership.



### C. Pros and cons of using the Lindesberg group data

The advantages of using the Lindesberg dataset are:

- (i) Comparability. The very *raison d'être* of the group is to make the core newspaper businesses of the companies comparable. Accounting measures has been made comparable and the selection of members also helps comparability – members are all leading newspaper outside the main metropolitan areas, and only papers with a certain size are accepted.
- (ii) Members act on the same information. Different behaviour cannot be explained by access to different information.
- (iii) Industry wide norms in this group should affect the companies equally. Being part of the same network should increase likelihood of sharing same norms.
- (iv) There is no reason to believe that being a member of this group should effect companies differently. Even if industry norms and group effect should reduce variance in the group, a difference between ownership in spite of this would be even more interesting.
- (v) Long time span allows analysis over many business cycles. Data before 1975, when a formalized subsidy system for the press was introduced, could be interesting since support was given already 1965 but channeled to the newspapers through the party system.
- (vi) The first three hypotheses above are taken directly from Melesko (1996). He analyzes performance in some in regional newspapers, and ownership is one of his variables. For Melesko and for Nilsson (1996) it is hard to control for outsourced printing and civil production (production of other products than newspapers in the printing plants). This problem is resolved by using the Lindesberg dataset.
- (vii) Unique level of detail, especially for cost and employee specifications.

The disadvantages of the Lindesberg dataset are:

- (i) Members in the group shift over time
- (ii) The sample is not random
- (iii) Ownership is mostly families and foundations, not organizations. In some periods, there are very few family companies.
- (iv) Access to data is conditioned on confidentiality, making a more detailed discussion of an individual company harder.
- (v) The level of detail in the data may not always be needed.

## 5. Empirical results

### A. Total income per employee

This is a measure of productivity. It gives the total value of output per employee. Since the Lindsberg Group measures number of employees as time equivalents (1 employee = 1570 working hours per year), this measure divided by 1570 would also give the average labor productivity per hour.

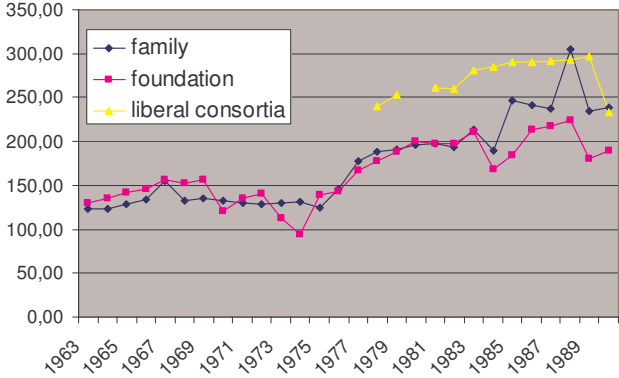


Chart 1. Total income per employee. Deflated with CPI. Source: Lindsberg Group database.

Averages seem to be roughly the same until 1983, with greater variance for foundations until 1975. After 1975, foundations appear are less productive. The two newspapers owned by liberal consortia (mixed ownership) are clearly most productive. (The spike for family companies 1988 is related to a Falukuriren’s transformation to a regional chain with few newspapers. It more than doubled its circulation 1988 and one might speculate about accountancy related reasons for its higher value for productivity this year.).

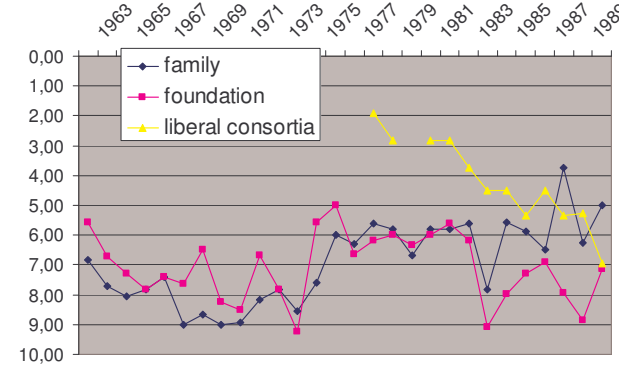


Chart 2. Total income per employee. Adjusted average rank. Reversed values on Y-axis. Source: Lindsberg Group database.

In this chart, newspapers productivity has been ranked in order of magnitude. The rank has then been adjusted to the fact that the total number of newspapers one year might be 10 to 12. Averages for each form of ownership has then been calculated. The same basic pattern as in chart 7 emerges.

Ranking is not a remedy for all shortcomings of the dataset. There are still very few family newspapers around 1990, and there is the problem of members entering and leaving the dataset. However, I would argue that average ranking is a more intuitively clear concept. We are not fooled into believing that the value on the y-axis makes sense over time. It is becomes more clear that a competition takes place each year in this group. In fact, a staple chart each year may be the

best way to think about it. Visually, however, it is much less satisfactory (note that the smaller staple, the better):

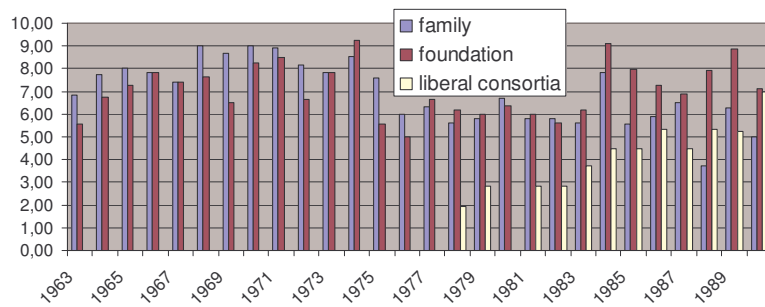


Chart 3. Total income per employee. Adjusted average rank. Source: Lindsberg Group database.

Obviously, ranking exaggerates the differences between ownership categories. This is not necessarily a bad thing. From the chart, we see that foundations on average rank as more productive than their family counterparts in the beginning of the period, while the opposite is true in the end.

A simple mean for all years may be also calculated:

	<i>Average</i>	<i>Rank</i>
Family	175,22	6,93
Foundation	165,08	7,08
Lib. Consortia	273,03	4,21

We get the same result: on average, foundations have lowest productivity, either in absolute values or as ranked each year. The liberal consortias appear as very productive<sup>13</sup>.

Maybe there are two way we can look at a time period. Either we can the look at it as a river where the dimension of time is essential. Or we can see it as one period which we chose to slice in several parts. It is just one big round cake, and we indulge in its parts without thinking too much about the order. If our purpose is to evaluate forms of ownership, would this approach suffice?

B. Text in meters (“*column-meters*”, *spm* = *spalimeter*) per journalist & ads in meter (*spm*) per employed in advertising department.

The sheer length of text or advertisement columns per employed is not a measure of productivity in a strict sense, since productivity measures require a (market) value for what is produced. It is, however, a way to clearly distinguish the output of journalists from advertising people. Income from advertising is possible to measure, so there is an output value for advertising people, but there is no good equivalent for journalists. Income from circulation should not be attributed to them alone; people buy newspapers also for the ads.

However, as soon as we do not have market values, we run into trouble. One issue is quality. One *spm* of local gossip could never be compared to one *spm* of high quality lyrics of

<sup>13</sup> Since these newspapers were acquired, one may speculate that bidders saw this potential and then were determined to get results.



Tranströmer. Or could it? Another one is the non profit value. If the correspondents in Burträsk don't produce so much, they are still there, and they cover the area and they allow the newspaper to spread its word even in a remote area. This could be what the founder or the party had in mind in the first place.

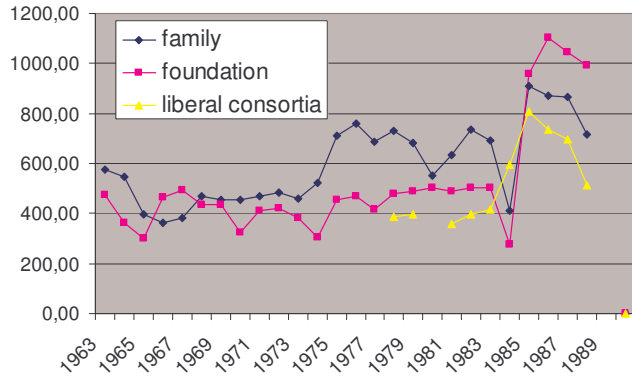


Chart 4. Column meter text (spm) delivered per journalist. Source: Lindsberg Group database.

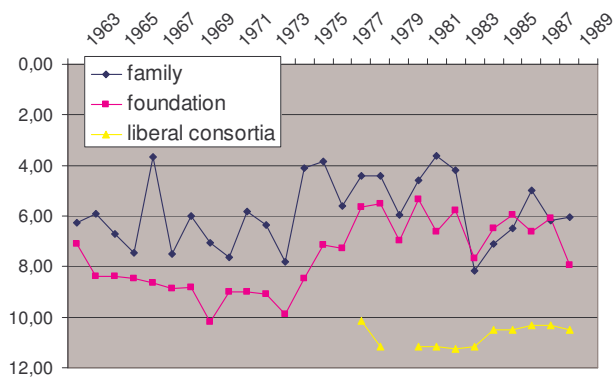


Chart 5. Column meter text (spm) delivered per journalist. Adjusted ranking. Source: Lindsberg Group database.

### C. Total cost per employee

This is the total cost (before depreciations) per employee.

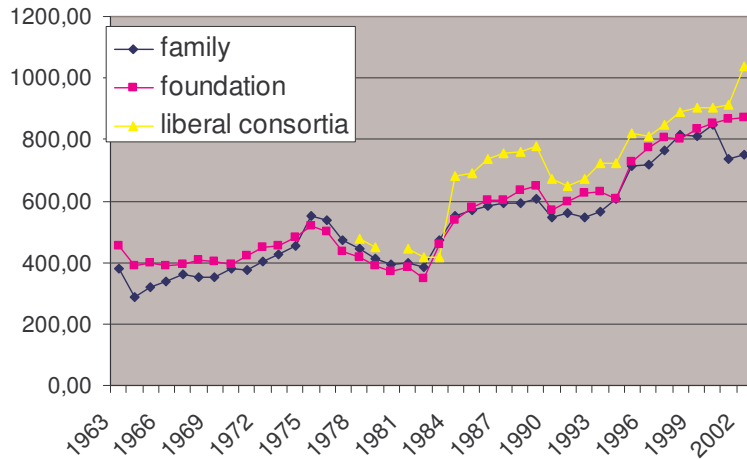


Chart 6. Total cost per employee. Deflated with CPI. Source: Lindesberg Group database.

Liberal consortia have highest cost per employee. Family companies and foundations are quite similar. A closer look reveals that foundation have higher costs for all the years for the phototypesetting transformation around 1975. This change is more dramatic for family companies, but the cost per employee decreases at the same rate after 1975. Interestingly, the total effect seems to be around zero between 1972 and 1984.

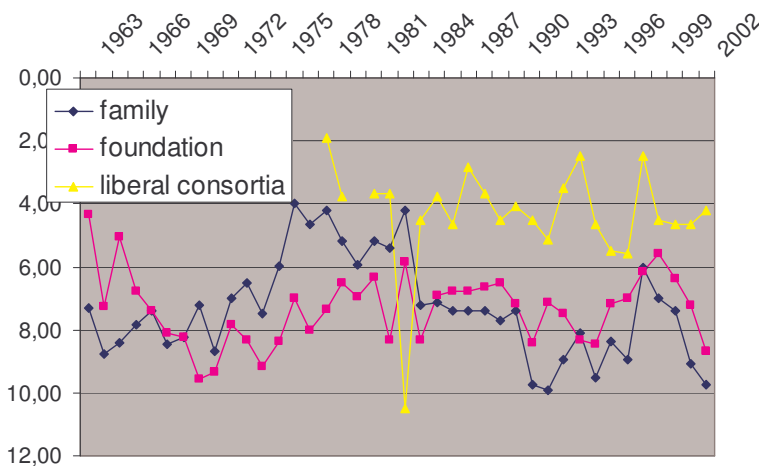


Chart 7. Total cost per employee. Adjusted average rank. Reversed values on Y-axis. Source: Lindesberg Group database. In this chart, newspapers productivity has been ranked in order of magnitude. The rank has then been adjusted to the fact that the total number of newspapers one year might be 10 to 12. Averages for each form of ownership has then been calculated.

Mean for all years:

	<i>Average</i>	<i>Rank</i>
Family	524,16	7,31
Foundation	550,94	7,33
Lib. Consortia	715,58	4,31

Liberal consortia clearly have more costs per employee. The sum for rank for families and foundations are virtually the same, while there is a slight difference in means.

One may break down the costs in costs for the editorial department and relate this to number of employed at the editorial department (journalists etc).

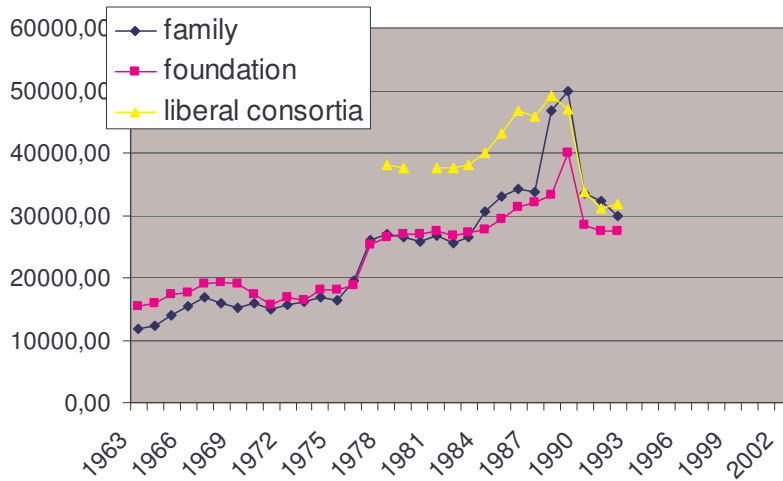


Chart 8. Editorial cost per employee on editorial department. Source: Lindsberg Group database.

(After 1993, the definitions change in the database. 1993-2002 need to be analyzed separately). The great surprise here is maybe that foundations seem to be most reluctant to let editorial cost rise during the good times 1984-1990. Before that, they outspend families.

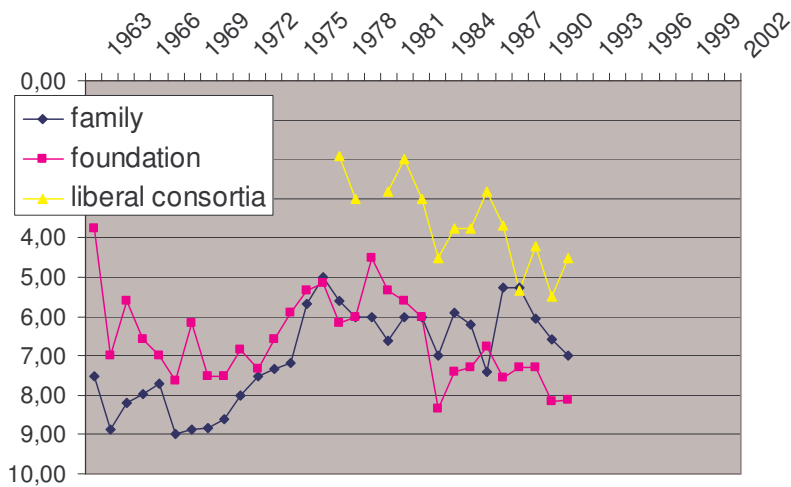


Chart 9. Editorial cost per employee on editorial department. Adjusted average rank. Reversed values on Y-axis. Source: Lindsberg Group database.

Mean for all years 1963-1992:

	<i>Average</i>	<i>Rank</i>
Family	24156	6,97
Foundation	23642	6,59
Lib. Consortia	39806	3,63

Liberal consortia clearly spends more for each employed at the editorial department, while foundations are most cost effective during this period.

#### D. Gross margin

Gross margin is turnover minus direct costs in relation to turnover. It is the marginal performance before depreciation and financial items. In the newspaper industry, these depreciations may vary considerably in the investment cycle, the gross margin may capture the performance of the daily business better than operating margin.

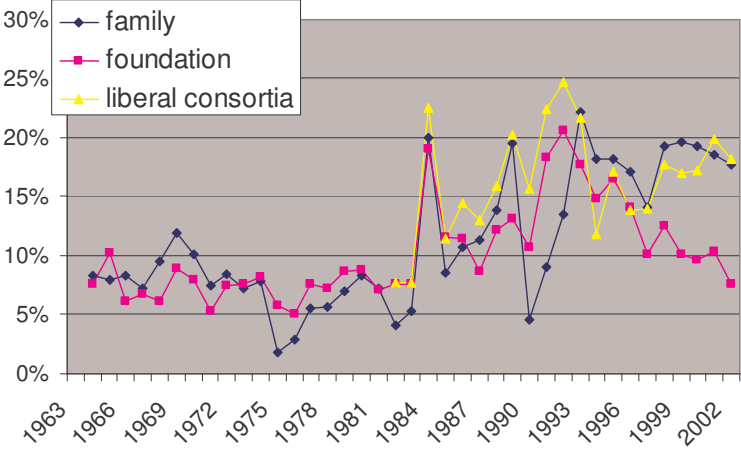


Chart 10. Gross margin. Source: Lindsberg Group database.

The picture is rather messy. Newspapers could be in different phases in the cycle (this probably happens around 1992-93). Foundations underperform considerably after 1996, otherwise, there are no clear patterns. However, over the entire period 1992-2002, foundations do worst, while our two liberal consortia, as usual, appear on top.

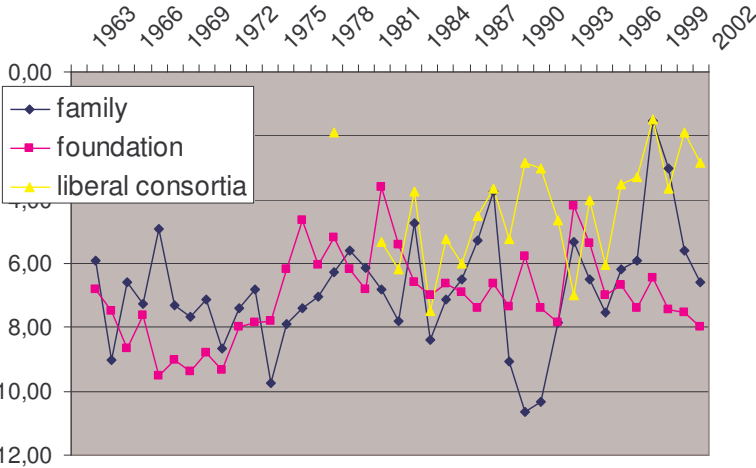


Chart 11. Gross margin. Adjusted average rank. Reversed values on Y-axis. Source: Lindsberg Group database.

Mean for all years 1963-2002:

	<i>Average</i>	<i>Rank</i>
Family	11,22	6,80
Foundation	10,18	7,02
Lib. Consortia	16,39	4,25

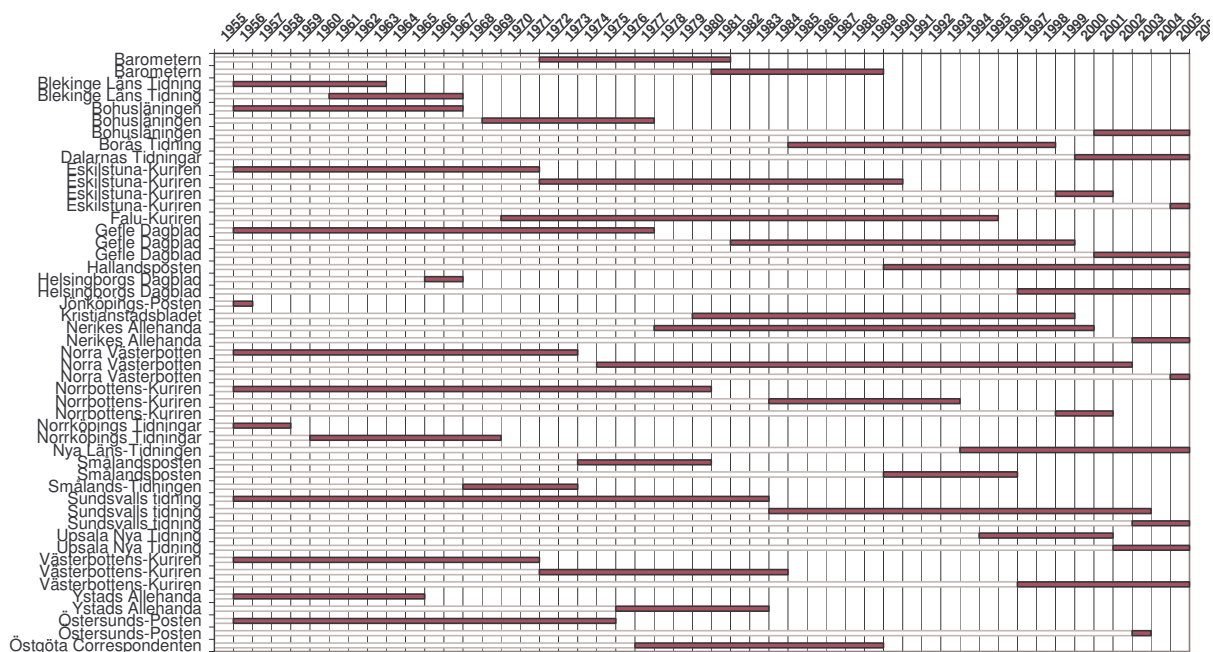
## 6. More on the sources

The purpose of this part is to give a richer the context of the figures used.

The sources available for the Lindesberg Group are minutes for meetings 1984-2007, some letters, a 50<sup>th</sup> year celebratory issue, and interviews with six former members of the group (so called honorary members who are not active members but still invited to meetings). There are also one page agendas for the meetings all years, and the collection of norm numbers for each year are accompanied of a discussion from “normtalsmannen”, the person responsible form the benchmarking numbers. Minutes for two meetings are missing, fall 1985 and fall 1988. There are two protocols each year, spring and fall, each being 3 to 13 pages long. (Here, I will refer to spring meetings as 19XX:S and fall meetings as 19XX:F. I sometimes refer to members as M9, the ninth member elected to the group.)

There have been 45 members over the years, representing 25 newspapers. All of these have been man, with one exception. (Shortly after this woman was elected the group was dissolved, however, this may not be a casual effect!).

## 5. Active years, newspapers



**DO NOT QUOTE THIS TABLE. CONFIDENTIAL INFORMATION.**

There have been four persons responsible for the so called norm numbers: M9 (1956-1979), M18 (1980-1986), M27 (1987-2002), M43 (2003-). The first member used to type the numbers with special typewriter, making it possible to make very small figures<sup>14</sup>.

The time spent on the numbers in the meetings decreases over time. From the beginning, one full day could be spent on scrutinizing them, almost having the character of a homework interrogation.

<sup>14</sup> 50 year celebration issue

In 1984, the first day between 9 and 15 is spent on them; for the most part of the period 1984-1999, the first day before lunch is used. After 2003, presentations have radically changed, and one pays much attention to other factors than cost, such as marketing and changing competition.<sup>15</sup> In the interviews, however, my impression is that these norm numbers had a real function for the members.

The discipline on reporting norm numbers is not perfect, but my overall impression from the sources is that it is very good.

It is stated *many* times in the minutes that the members consider the norm numbers to be very important. It is hard to know if this is true or a repeated mantra; a formal excuse for holding the group together. The numbers do change over time, if they were meaningless they would not have been changed. On one occasion, members were asked to prepare three comments on the norm numbers to the next meeting. This indicates that comments have been too few at earlier meetings. It could also be due to the personal style of the presenter of the norm numbers.

There are very few discussions on single numbers of the norm numbers. What the norm should be, for example, or what a reasonable level of profit should be, is not revealed.

There is a discussion in the late 1990's if norm numbers can be used by top management within the organization. This is allowed for given that identities of individual companies are protected.

There is a peak in the 70's in the amount of norm numbers used by the group. After that, the number of figures declines (discretely), and there is an effort to make them easier to use. For example, in 1993, graphs were added to the presentations.

There is a typical structure for the meetings. They start with a discussion of the norm numbers. Development of prices and volumes for each newspaper are discussed separately. Negotiations and agreements are very often discussed, in relation to labor, suppliers and so forth. Events in the organizations *FLT and TU* (which will be described below) are mentioned. In almost all meetings, the general economic condition for the industry is discussed. It is also common that a member tells the group about the conditions in his geographical area. Finally, events from one single newspaper company can be a headline in the minutes. Member issues are frequent, often related to election of new members. There is a friendly competition where members try to predict their newspaper's circulation for the next year – evidently important enough for one member to give a telephone call for his estimate. In many of the interviews, this spirit of competition between the members is confirmed. Other frequent issues are issues of organization, distribution issues, pricing, new media, new technology, and production issues. Before the demise of the A-press in the early 1990's (the press controlled by the labor movement) this competitor is a very common topic for discussions.

### *Economic and business development*

Estimates for the next year are given every meeting - circulation and advertising prices for each company. Also, changes up to this time of the year are shown in a table. From spring 1997, profit is estimated in the same way.

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<sup>15</sup> Interview with N.N.

Obviously, the changing conditions in the industry – market, new technology and so forth – are reflected in the minutes in many ways. I get the overall impression that the members are well aware of the threats and that they do not overestimate their positions, a somewhat surprising conclusion for an industry often accused of being self content and unwilling to react. For example, the members discuss early examples of free dailies long before the launch of *Metro* and are prepared to meet them. What is somewhat surprising is that cooperation between newspapers is considered so rarely - only after the downturn 1996-1998 are there more discussions on this. In the minutes for these years there is a distinct feeling of growing confusion in the group.

In fall 1999, one member commented that it would be possible to decrease costs if the willingness to cooperate was stronger. Commonly owned subscription systems, printing plants and so forth could create opportunities for cooperation. The member mentions *City Gate* as an example of a project which would have been impossible for individual newspapers to pursue. Another member agreed – if one made an effort to define the *core business*, and allowed it to develop in each company, everything aside from the core business could be opened up for cooperation. This indicates that members have felt some ambivalence at this point on what their core industry really is. This ambivalence does not appear earlier in the protocols.

#### *Relation to labor*

Profit sharing schemes are frequently discussed in the earlier minutes. This is an interesting aspect since they relate to the intriguing question of what happens with profit in these companies – profits which started to be very good in the 80's. Social responsibility issues are mentioned only a few times. Reorganization in the wake of the desktop publishing in the early 1990's is a given plenty of attention.

Negotiations with labor organizations SJF, HTF, GR and distribution people is a very common topic. Sometimes, when a board member of industrial organization Tidningsutgivarna (TU) is on the board, he can give inside information on what can be expected in the near future– an obvious advantage.

#### *Issues on production and organization*

Changes in production normally have implications on organization issues and agreements with unions. One member asks the group on comments a new production system which he plans to install in early 1988. He is asking the group for comments on the reorganization he plans. Two new departments are formed - one composed of groups in the labor force which belong to different unions, and one composed of two other labor groups. Comments from all of the other members are referred in the minutes, mainly on labor agreement issues. One member comments that each newspaper has to figure out what is bad their current organization and find unique solutions, since culture varies and space often sets limits. One member states that journalists are the trouble makers, another that his editorial manager is head of production, a third raises the question if local agreements should be made.

#### *Distribution*

Metropolitan newspapers are not mentioned very often. This is probably because they are supplements rather than substitute products. Most rural newspaper only has six issues a week, so

there is a gap on Sundays. In 1987S, one member state that besides increased competition, their Sunday issues creates distribution problems without proper compensation. On the same occasion, new agreements with distribution labor force are discussed. Members all agree that they should have a dialogue with the distribution companies before the implementation of the agreement, before new practices have been established. The institute of joint distribution subsidized by the state is a common topic.

#### *Relation to other organizations*

Two organizations are referred to very frequently, TU (*Tidningsutgivarna*), which is the industrial organization, and FLT (*Förenade Landsortstidningar*), which is an organization for the rural press. (All initial members of Lindesberggruppen belonged to this organization).

The process of merging TA (organization for employer), TU and a third organization. *Dagspressen* (The daily press) is discussed in 1993. Risk for domination of Bonnier – Sweden big media family - is a concern, but other issues of more practical nature seem to dominate. This topic is discussed in many of the following meetings.

It is likely that the Lindesberg Group has had a strong influence in TU, frequently occupying positions as CEO and election committees. At least, this is expressed in many of my interviews with the members.

FLT comes up in almost every meeting in the 90's. Mainly, this is a news agency competing with the news agency TT but it also develops other functions, such as advertising packages and IT. The impression from the minutes is that the ownership of this organization is problematic; it seems to be owned by both small and big rural newspapers who have conflicting interests. There are frequent discussions in the minutes how this organization should be handled, and even if it should supported at all. The Lindesberg Group minutes thus gives an inside view on how the most important members of FLT really felt about this organization in a phase where it started to decline (today, FLT has a very minor role).

#### *Ownership issues*

At the time, spring 1996, one member raises the question if **high circulation or profit** is the ultimate objective of the newspaper – he feels they might be looking too much at high circulation. This, it seems to me, is the key question for a foundation which has a business, and something for the board to decide on. The foundation should be mostly interested with a non profit objective as circulation – to spread the message. It suggests a high degree of managerial capitalism and/ or weak boards. (Another member states that this is exactly why new measures for circulation is needed from TS, the institute responsible for measuring circulation. They should measure how many persons who actually reads the newspaper and not only household coverage. )

Many of the newspapers are controlled by foundations. Foundation ownership may give CEOs greater freedom than other forms of ownership. One interesting question is how the objectives of the organizations are stated in a foundation – there are some rules which are set once and for all, but within those rules, there is little control. Another question is what the foundation does with its profits. In one of my interviews, a CEO for a foundation controlled newspaper referred to a



situation where he specifically asked the board of what they really wanted from the company, in terms of financial return. “You tell us”, he was told<sup>16</sup>.

Even if it would be interesting indeed, issues on relations to owners/ boards are not very frequent in the minutes. Especially, it would have been interesting to know if some of the board’s functions are replicated in the network, and if membership sometimes creates conflicts with the board.

Minutes from fall 1988 are missing but the agenda has a headline, “how our boards work”. In 1995F, the issue of board composition has a separate headline, as number 19 of 21 on the agenda. There are two lines: A member asks: “competence or honorary position?”. This is just by a brief “we all agreed that we need competent boards”, but there are no more questions.

In 1995S:8, compensations to boards are considered too low by two members to get competent board members. One newspaper has changed these after the survey presented in an attachment. Is this a case where CEOs decide compensation for the boards, rather than the other way around?

In 1995S:8, a member presents his company’s plans to be a full media house with many activities. Another member warns that the statutes of the foundation could be in contradiction with the company statutes (*bolagsordningen*). This ownership question is related to the fact that a foundation cannot deviate from what is stated at the time of its creation.

### *Surveys*

Participation in surveys is mandatory according to the statutes. Only members who participate get access to the results (“as usual, only members who participated in the survey got access to the results” (1986F:4). This indicates that at least some members don’t answer and that they still get away with this. Surveys are made on small and big issues. Some examples are: insurances, how members allow for car in duty (*tjänstebil*), benefits of employees (where free coffee is distinct from free cookies in the survey), benefits of CEOs, board compensation.

### *Direct joint actions*

The group takes few direct actions in the sense that it acts as a unit vis-à-vis other actors.

In 1985S:7, a survey is discussed on bank interests rates. The total surplus liquidity in the group is 100 mSEK. The idea is to manage this amount jointly to get better deals on the interest. Two banks have been contacted for a proposal. The issue is postponed to next meeting (the minutes are missing for this meeting). There are no pro or con voices in this discussion, but it is noted that a legal form has to be chosen for such an arrangement.

The group does have a small common budget. In 1999H:10, this is stated for the first time in the minutes: assets are SEK 137000, membership fees are SEK 96000, costs for spring meeting SEK 26000, survey on content SEK 28000, compensation to one of the member newspapers of SEK 25000 (probably to keep database for norm numbers and to the number crunching). Nothing of this is mentioned in the group’s statutes.

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<sup>16</sup> Interview with Cal Wikström

In 1993V:3, a letter is sent to the CEO of TU regarding measurement of circulation, a hot topic in many of the meetings. They want her to put pressure on TS. There is a response letter and in the next meeting it seems that TU has started to take some steps. At this time, two of the members are on the board in TU, so the CEO of TU should feel some pressure.

### *General observations*

I have not encountered a single mistake in grammar or other errors in language. It is obvious that most of the writers of the minutes has had backgrounds as professional writers. They make their points very distinctly, making the text quite dense and informative. Some humor is allowed for, but it is normally kept separate from business issues.

In the earlier protocols, it is more common that one merely mentions that a question has been discussed. Over time, discussions become more common in the protocols, in the sense that different actors can be identified and arguments are more elaborate. In the revised guidelines for the group October 18<sup>th</sup> 1982, it is stated that minutes should only inform on present members, issues discussed, and recommendations or achieved results. This excludes a more detailed reporting on actual discussions. This seems to have the purpose of protecting sensitive issues from ever being disclosed. As mentioned, such detailed reporting still does take place, especially in later years.

### *Does the group have a real function?*

An obvious sign is that the group does have a function is that discussions become more intense in the downturn of the business cycle 1996-1998. During this time, the members become aware that competition from new media has a real impact. The discussions are real, because you can feel genuine uncertainty in them and search for solutions. There is also good morale on reporting numbers during this time.

Of course, it is hard to know how unique this group is. What of the content in these minutes is unique, and what discussion would appear in other minutes, or even in the media? There are many other forums for discussions in the industry. The significance of the group is that an element of trust should be developed over time and that the members get to learn the other companies over time. The average time for membership is 14 years. If there are 2 meetings each year, then the average number of meetings that a member has attended at a given time is 14. 28 days spent on learning other newspapers is quite a lot.

### *Methodological challenges*

There are many questions that cannot be answered by reading the minutes. Interviews are an obvious solution. Oral history normally use open interviews. I have performed some semi-closed interviews, more open than closed, to “empty the archives” these persons have in their heads. Except for the usual problems with interviews (memory fading with time), there are two other problems here. Firstly, many of the interviewees have been very eager to talk and almost difficult to stop at some times. Secondly, it is not easy to ask questions that make it possible to *map out a process*. After the initial set of open interviews, I will therefore attempt to make a questionnaire. I hope to find specific questions so I can see if members from different époques answerer these differently. Also, I will ask these questions over the telephone to create some distance and make it easier to get distinct answers.

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## Interviews

K-G Gustafsson	15.10.07	Jönköping
Cal Wikström	27.11.07	Stockholm
Nils Isaksson	23.08.07	Luleå
C-G Carlson	08.06.07	Eskilstuna
Hans Westin	17.11.06	Sundsvall
Rolf Jonsson	17.11.06	Sundsvall
Arne Argus	09.04.08.	Linköping

## Member newspapers

1 bar	Barometern
2 blt	Blekinge Läns Tidning
3 boh	Bohuslänningen.
4 bt	Borås tidning.
5 dt	Dalarnas Tidning
6 ek	Eskilstuna-Kuriren
7 fk	Falukuriren
8 gd	Gefle Dagblad.
9 hd	Hallands Dagblad
10 hp	Hallandsposten
11 jp	Jönköpings-Posten
12 kbl	Kristianstadsbladet
13 na	Nerikes Allehanda
14 nk	Norrbottnens-Kuriren
15 nlt	Nya Lidköpings-Tidningen
16 nt	Norrköpings tidningar.
17 nv	Norra Västerbotten
18 smp	Smålandsposten
19 smt	Smålandstidningen
20 sut	Sundsvalls Tidning
21 unt	Uppsala Nya Tidning
22 vk	Västerbottens-Kuriren
23 ya	Ystads Allehanda
24 öc	Östgöta-Correspondenten
25 öp	Östersunds-Posten