

**HARD LESSONS: WHAT THE '80s TAUGHT MANAGERS**

THE MAGAZINE OF CORPORATE MANAGEMENT

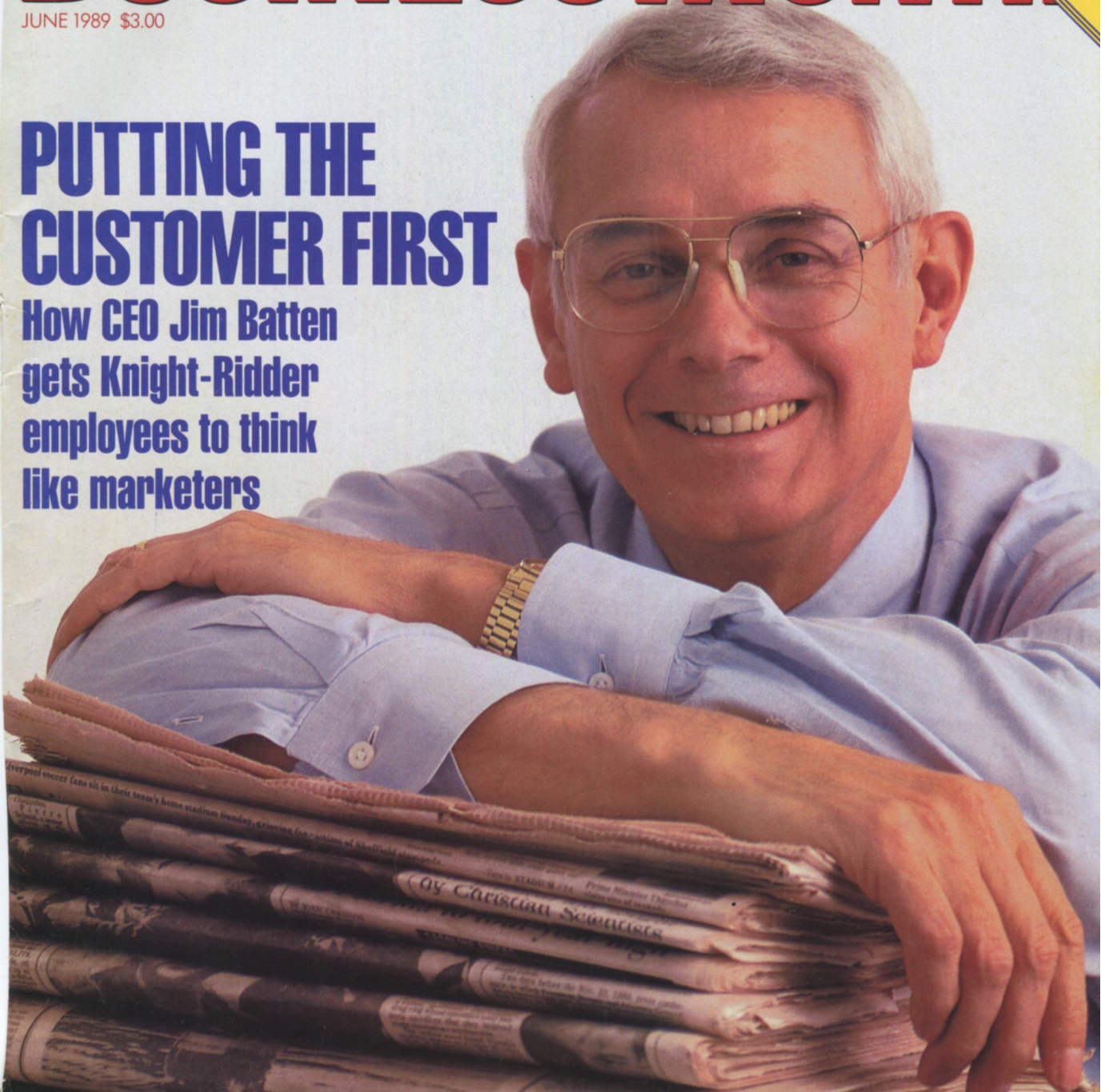
# BUSINESS MONTHLY

JUNE 1989 \$3.00

**SPECIAL REPORT:  
THE BEST-MANAGED CITIES**

## PUTTING THE CUSTOMER FIRST

**How CEO Jim Batten  
gets Knight-Ridder  
employees to think  
like marketers**



# CUSTOMERS FIRST

*After a year as CEO, Jim Batten is campaigning to get every Knight-Ridder newspaper employee thinking like a marketer. Corny? Maybe. But it just might pay off.*

BY JOHN SEDGWICK

**W**HEN FIRST ENCOUNTERED, "customer-obsession" sounds more like a clinical disorder for lingerie salesmen than a high-stakes campaign to revamp the corporate culture of the second-largest newspaper chain in America. But it is, indeed, a management strategy, the brainchild of Knight-Ridder's new CEO, James K. Batten. He is wagering that if all Knight-Ridder employees, from the exalted publisher of *The Philadelphia Inquirer* right down to the lowliest newspaper boy for the *Monrovia (California) News-Post*, will rededicate themselves to serving their "customers"—the readers and advertisers—he can stamp out a dangerous complacency in the company's 30 newspaper properties. No less important, through customer-obsession he will halt what has been a steady decline in newspaper readership.

It is no easy task Batten has set for himself. Putting the customer first might be a straightforward matter in, say, the fast-food business, but it is almost endlessly complicated in the

*John Sedgwick's most recent book, The Peaceable Kingdom, has been filmed for CBS television.*

newspaper industry, where marketing questions pale beside such concerns as the First Amendment and the very role of newspapers in a democracy. In its simplest form, customer-obsession means that ad salesmen need to go beyond merely processing ads to actually helping advertisers sell their products; circulation personnel should make sure the papers are delivered on the porch and not in the puddles;

**HE HOPES THE CULTURE CHANGE CAN REVERSE A STEADY DECLINE IN READERSHIP.**

graphic artists must make the paper just as eye-catching as TV; and writers need to—well, it is a little unclear what writers need to do, and we'll get to that shortly.

Whatever customer-obsession is, the courtly, 53-year-old Batten has made the concept the centerpiece of his tenure as CEO. He raised the idea at a meeting of senior executives the

month before he was to assume control of Knight-Ridder in April 1988. Then he formally introduced it at a lavish, three-day, company-wide "customer conference" in Key Biscayne last August, where his theories about corporate culture and marketing were reinforced by such dignitaries as Lester Thurow and Jon Katzenbach, a former McKinsey consultant specializing in "major change."

Now, 10 months into the program, if Knight-Ridder's 22,000 employees are not exactly obsessed with their customers, they are at least getting obsessed with the idea of being obsessed with their customers. Campaign paraphernalia exhorting employees to be customer-obsessed has sprung up in most of the newspaper offices, and a predictable array of awards have been given to those who are singularly obsessed. At the flagship *Miami Herald*, a peppy kick-off rally launched the local version of customer-obsession, called "customer-driven excellence," or CDX. Now employees get their first dose of obsession each morning from a huge CDX banner stretched across the entrance to the building. And to help writers visualize their end-users, Polk Laffoon, a *Herald* editor, designed a series of "Reader Profile" posters complete with photographs, quotes and relevant informa-



tion in the style of the well-known Dewars Profiles.

So it goes throughout the chain. Other papers have handed out "I'm Obsessed!" coffee mugs and "I went an extra mile" (for a customer) T-shirts; established easier ways for readers to respond to their newspapers than the old-fashioned letters-to-the-editor columns; and asked reporters to call a reader once a week to chat.

"Why all this manic concern about pleasing [our customers]?" Batten asked in his keynote address to the customer conference, no doubt read-

regularly winning more Pulitzer Prizes than any other except the New York Times Company. It copped seven in 1986 and added three more this year. Such is its reputation for quality that, as one reporter said, "When Knight-Ridder comes calling to buy a newspaper company, nobody in the newsroom groans." It is also the only newspaper chain listed in a 1984 compilation, *The 100 Best Places to Work*, an accolade that the CEO at the time, Alvah Chapman, regarded as even better than a Pulitzer Prize.

Under the circumstances, why would Batten, an ex-editor, want to rock the boat by mandating such sweeping changes? Having come up through the ranks on the news side, he has spent most of his professional life being more concerned with scoops than paid subscribers. He was editor of his Davidson (N.C.) College paper and joined the pre-merger Knight Newspapers' *Charlotte Observer* as a cub reporter in 1957. He went on to report on Southern politics and civil rights from the Washington, D.C., bureau before moving on to work the city desk at another Knight paper, the *Detroit Free Press* (where the copy boys gave him the supreme compliment of addressing him as "Gentleman Jim"). He returned to *The Observer* as executive editor in 1972, and three years later was tapped to become Knight-Ridder's vice president for news. He left the newsroom "most reluctantly" and on not-so-good days still wishes he was back in Charlotte, blue pencil in hand. To his way of thinking, that kind of nostalgia is a good thing: "Perhaps anybody who is too eager to leave a newspaper and come to work in corporate offices should be disqualified from the job."

Batten's origins on the news side are no small matter in the newspaper business, where editorial people and business people mingle with all the cordiality and mutual respect of the Hatfields and the McCoys. Tony Ridder, a former publisher of Knight-Ridder's *San Jose Mercury News* and now president of the company's newspaper division, likens the schism to that between Northerners and Southerners, but any pair of perpetual antagonists will do—east versus west, capitalist versus communist, oil versus water. Newspapermen call it the sepa-

ration of church and state, which is both description and explanation. The editorial side is the church, its priests worshipping at the high altar of public service. The business side is the state, up to its neck in the grubby realities of public commerce.

In an effort at evenhandedness, it has been a tradition at Knight-Ridder for successive CEOs to be drawn from alternative camps—business one time, editorial the next. It has also been a tradition for a CEO to make his mark on the company by reaching out to the opposing camp, or at least trying to. Thus, it was Lee Hills, former editor of *The Miami Herald* and the *Detroit Free Press*, who engineered the merger of Knight Newspapers and Ridder Publications in 1974, still the largest newspaper merger in history. Alvah Chapman, the former general manager of *The Miami Herald*, held the record for Pulitzer Prizes during his tenure as CEO. Now Jim Batten has stepped up with his own version of a Nixon-to-China campaign—only a former newsman could sell customer-obsession to the news side.

**D**ESPITE THE AVIATOR glasses and silver-haired good looks, Batten is not the kind of person from whom you would expect much managerial der-ring-do. He moves in a deliberate, lumbering way and slumps awkwardly in his chair. When he speaks, he does so quietly, and there is the unmistakable lilt of a Southern patrician. His style is that of an editor—solid, careful, fair, sensitive to nuance. He is still, almost a year after he introduced the customer-obsession campaign, fiddling with the headline. In conversation he eschews the term "customer-obsession" (which he says he got from Tom Peters and Robert Waterman's *In Search of Excellence*, although only the phrase "quality obsession" appears there), preferring instead the tamer "customer-centered" or "customer-driven." "I've had my own ambivalence about the nomenclature," he says, apparently concerned that he might appear to be encouraging dementia. "But if obsession conveys intensity and urgency, then I'm going to relax and call it obsession."

For, he believes, the newspaper in-

**This is not Knight-Ridder.**

View Knight-Ridder with two 'd's  
Our company can do it all.  
And we don't look like the other  
news guys.

And every five million Americans  
probably couldn't get our name right. But  
they depend on us every day.

View 28 newspapers right in  
your mailbox. Business information  
services and cable systems.

View 22,000 editors, reporters,  
pressmen, producers, subeditors,  
photographers and paper carriers.  
Around the world we report and de-  
line the news. Accurately, fully and with  
a deep compassion for human sensitivity.

View one of The 100 Best Companies  
in 1986. In St. America. At Knight-Ridder.  
There is no corporate necessity.  
Every paper and station reflects  
the community it serves.

Our publications and editors report  
and deliver headlines within the hour.  
We call that local autonomy. Without  
it, Knight-Ridder newspapers wouldn't  
have won 50 Pulitzer Prizes, including  
an unprecedented seven this year.

In nearly 75 million Americans get  
our name wrong. But they can  
know where to get their news.

**KNIGHT-RIDDER**

The company was so low-profile that it ran ads like this to tell readers—and employees—what it isn't.

ing the minds of his audience. "Forgive the simplistic answer: They pay for everything we do."

Knight-Ridder's far-flung operations needed a little reminding of the business essentials, because by strictly journalistic standards the company was doing just fine. It did lose its standing as the largest newspaper chain when Gannett introduced the 5.8 million circulation *USA Today*, but Knight-Ridder remains number one among large chains in prestige,

## THE PARADOX OF NEWS AS WIDGET

Newsmen are adamant that newspapers should deliver the news, but study after study shows that the news, at least as conventionally defined as government and politics, is precisely what people care least about. If newspapers really mirrored customer interests, sports stories would be on the front page above the fold, local news would go below the fold, world news on the inside page, then the funnies, advice columns, business information and supermarket ads. National news about the President and Congress, traditional front-page material, would be buried deep inside.

But conventional newspaper as-

dustry is in urgent need of intense attention. In the years before his ascension—when Batten served as president of Knight-Ridder knowing as surely as the Prince of Wales that if he survived he would one day take over—he grew increasingly troubled by the shadows stretching across his domain. Once upon a time, the presses cranked out money along with the morning edition. All papers—good, bad and indifferent—survived. Batten likes to tell the story of the man who went into newspaper publishing because he could make money “even if he was brain-dead.”

Looking around, Batten saw the results of this smugness. The industry's gross circulation hadn't risen in decades, despite population growth. Without the gains of such national publications as *The Wall Street Journal* and *USA Today*, circulation for America's dailies was actually decreasing. Losing out to television, the fitness boom and other demands on people's time, daily newspaper penetration into American households had fallen from 98 percent in 1970 to 69 percent in 1987. And the percentage of newspaper readers among the rising generation, the 18- to 29-year-olds on whom the industry would soon depend, had fallen from 60 percent in 1967 to 33 percent in 1986. Even *The Philadelphia Inquirer*, the most illus-

trious and profitable paper in the Knight-Ridder chain, accounting for 21 percent of corporate revenues, was ignored by three out of every four potential readers in its market. Any new subscribers that Knight-Ridder attracted had gone to replace those it had lost. In 1987, the corporation spent \$25 million to acquire 1.6 million new readers, but the net gain was a paltry 24,000. As Batten summarized the situation, “One-point-six million subscribers came, and one-point-six million subscribers went away—all in 12 months.” More embarrassing, an advertising-bureau survey showed that many subscribers weren't even bothering to open the papers they were buying; 25 percent of newspapers went unread. Bad as this was, Batten was in some ways more concerned by the “What, me worry?” attitude among the newspaper staffs. “Newspaper plants are populated by people who think they were born on third base,” he says. “They've always been successful, and they assume they always will be successful. If the world weren't changing, they could get away with that attitude. But the world is changing.”

For years, Knight-Ridder had been talking about improving what it termed the “essentiality” of its papers. When Batten took over, he realized that if he was to get his point across,

he couldn't blather anymore about abstractions. Now was the time for making a fundamental, almost tangible connection between the company and its market, between its employees and its readers and advertisers. Now was the time for customer-obsession.

IT WAS ONE THING FOR JIM Batten to raise the issue, however, and another for him to knock it home, particularly in a company like Knight-Ridder, which is not accustomed to decreeing radical change from on high. The corporation had always operated as little more than a holding company. It provided employee training at an institute and some managerial guidance, but essentially it existed in name only, and even the name wasn't very well known. Most employees thought of their papers as their employers, not Knight-Ridder.

Nothing much had ever been done to change these impressions until the public began confusing Knight-Ridder with the popular television show *Knight Rider*. The newspaper chain responded with its first national advertising campaign, showing a glossy photo of the sleek, jet-black *Knight Rider* automobile with the caption: “This Is Not Knight-Ridder.”

But the corporate whole is still considerably less than the sum of its parts. Headquarters limits itself to a tiny staff located—symbolically—on the top floor of *The Miami Herald*. Only Tony Ridder, president of the newspaper division, and Bill Baker, group vice president for news, oversee their operations. The whole idea is to let the individual properties manage their own affairs without interference from above. “Our newspapers are peculiarly local, indigenous operations,” Batten explains. “If they were not, if they were perceived as branch offices of a distant corporation, then they would fail. And if they were not part of the community, bone of the community's bone, then they would not be the kind of newspapers that we want to have anything to do with.” Every tub on its own bottom, in short.

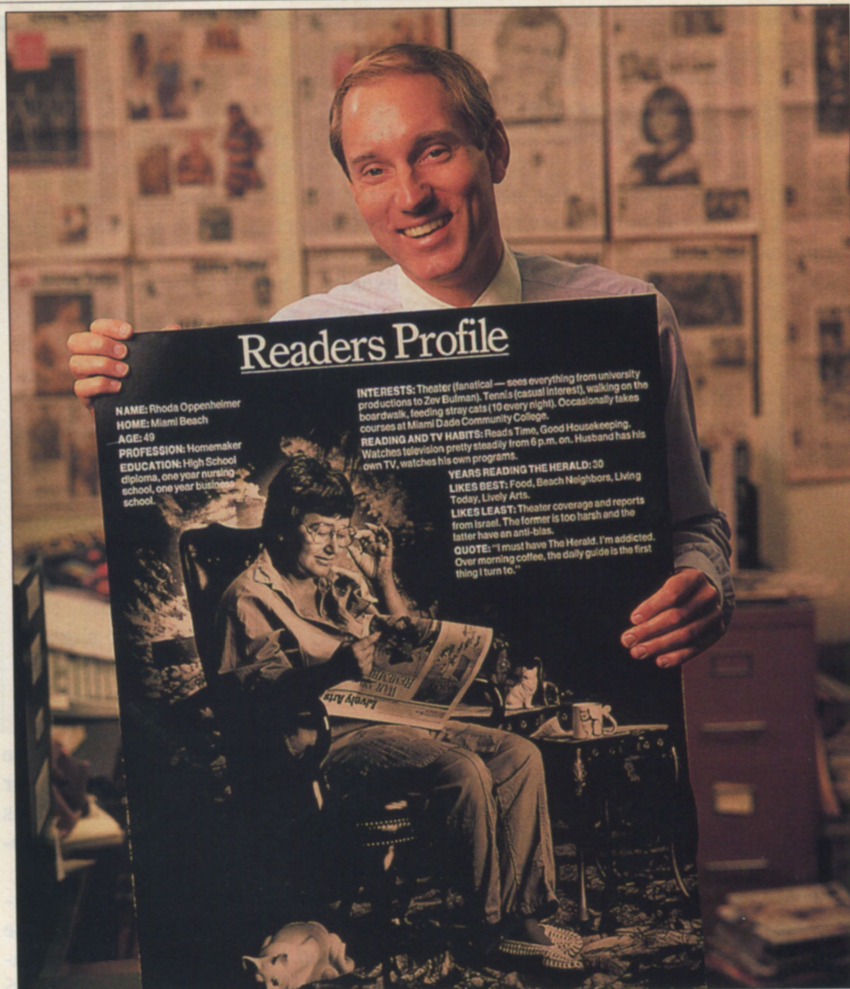
The lack of a corporate identity did pose a problem for Batten if he wanted to organize a corporation-wide cultural revolution. What's more, Knight-Ridder's detachment from its constit-

uent papers reflected other divisions within the company. The big-city papers had little in common with the suburban dailies, and even within each newspaper, the essential unity of the operation was barely apparent. First and most dramatic, there was that historic gulf between the business and editorial sides. But the various departments—circulation, advertising, finance, news—also tended to regard themselves as separate entities. As Batten looked out over his kingdom, then, he could be forgiven if he saw no kingdom at all but a loose collection of squabbling duchies and fiefdoms.

Partly by luck and partly by design, Batten's customer-obsession campaign addresses many of these problems at once, overcoming the divisions and exploiting them simultaneously. First, it helps on the corporate-identity front by giving the company a unifying theme. Knight-Ridder can be the customer-obsessed company practically the way Allstate was the good hands people. Ads to that effect have already started to appear in business magazines.

The message also capitalizes on Knight-Ridder's low-profile management style. Along with Ridder, Batten has personally taken the new gospel to each of the 30 papers, meeting individually with as many employees as he can. The message may come down from the top, but Batten leaves its all-important interpretation and implementation to those down below. After all, they know far better what their customers really need than he does. "I tell them: 'Nobody, certainly not I, knows how to do all this stuff. I believe in these ideas, but in the end I'm dependent on all of you to figure out what to do, not just to get it done.'"

In theory, customer-obsession can also give a greater sense of order to the warring duchies, as individual compartments of the papers start to recognize that their "customers" are not simply the readers and advertisers, but the next department along the long assembly line that ultimately delivers a fresh newspaper to each subscriber's doorstep. If the music critic misses his deadline, the editorial copy is delivered late, the presses start late, the delivery trucks leave late, the newsboys start their routes late and the customer gets his paper late.



Polk Laffoon, an editor at *The Miami Herald*, designed posters to help writers visualize readers.

That's the theory, anyway. And the reality? As one might expect, customer-obsession has been enthusiastically embraced on the business side. It is, after all, a business concept, phrased in business language. Also, customer-obsession means empowerment: Many business-side employees are being granted new dispensation to do whatever they feel is necessary to make customers happy. On their own authority, circulation personnel can offer replacement papers to dissatisfied subscribers, and ad salesmen can re-run ads for unhappy advertisers.

By contrast, the news side has greeted the news the way it would any news—with skepticism bordering on outright disbelief. Most reporters and editors assumed that customer-obsession was just a promotion line, and, even if it wasn't, they couldn't see how or why it should apply to them. When the *St. Paul Pioneer Press Dispatch*, for example, instituted what it termed its

Extra! program to reward employees who had responded successfully to the new order, it found that it could award prizes of T-shirts and coffee mugs to winners in the circulation and sales departments with great fanfare. But when the awards went to reporters, the presentation had to be handled quietly.

The basic problem is that reporters are any manager's worst nightmare. By training, by nature and by profession they are completely unmanageable—skeptical, independent-minded, irreverent, resistant to authority. Unlike the other newspaper employees, they view their profession as a calling, a nearly sacred mission to defend the public interest. As such, reporters resent the very idea of "customers," with the term's noxious business connotations. Many papers, consequently, have quietly substituted the more palatable term "readers" for newsroom consumption.

But some papers have taken a more direct approach toward their reporters' holier-than-thou attitude, making it perfectly clear that no group of employees is any different from any other. At the *Pioneer Press Dispatch*, for example, the executives in charge of the campaign are meeting with all 900 employees, reporters included. To undermine the reporters' natural clubbiness, the meetings are kept small and are made up, deliberately, of people from different departments. Each session begins with a litany of startlingly frank details about the flat circulation, the declining penetration, the loss of the new generation of readers. Most reporters get the message quickly that the changes aren't so much for the good of the company as for their own good. If they don't shape up, they might lose their jobs. "You can't sweet-talk reporters," says Mark Nadler, the managing editor. "So you don't grab them by their heads, you grab them by the other end. As the statistics go by, you can almost see the change in attitude on their faces. They get this panicked look, and you can see them going, 'Holy shit!'"

Perhaps most worrisome for many news professionals, the customer-obsession campaign inevitably raises the dread specter of *USA Today*. In an industry not marked by many revolutions, Gannett's glossy national daily created the biggest stir in decades when it debuted in 1982. In a stroke, it brought rainbow-colored brightness; convenient digests and indexes; briefer, punchier stories; more tables and graphs; and, an oppressively lovable tone to a medium previously indistinguishable in form and content from the *Congressional Record*. Reporters loathed *USA Today* as a vapid, happy-talk McPaper almost as much as publishers admired it for being bright, innovative and, above all, astonishingly successful. Either way, it has been widely imitated.

The truth is, *USA Today* wasn't all that far from what the customer-obsessed crowd had in mind, although it knew better than to say so. Executives and editors spoke of the need to increase the number of "hooks," or points of entry, into a story to catch the elusive, too-busy readers. Instead of just a headline and strong lead paragraph, there might be a subhead

or a second headline, then an eye-catching photograph with a grabby caption, and possibly a graph or a chart to illustrate the main points in the story. The executives spoke of the need to have a paper that could be scanned in 15 minutes or less, the time customarily budgeted by busy readers. That meant news digests, clear indexes, and consistent sectioning so favorite parts could be found quickly. Indeed, one of the continuing frustrations of the *Pioneer Press Dispatch* was that, for complicated reasons, the funnies and crossword puzzle never appeared in the same place two days in a row. Under the name of "customer-obsession," several hundred thousand dollars were released from corporate headquarters to make consistency possible. As much as anything, that investment convinced the newsroom that corporate took the campaign seriously. Management had put its money where its mouth was. Now the joke is that if you have a pet project, slap "customer-obsession campaign" at the top of it, and you will get your money.

Still, many reporters didn't see the

most competitive markets, with the clearest adversaries, are the ones that are becoming obsessed fastest. The *Pioneer Press Dispatch* is locked in a bitter struggle with the larger *Minneapolis Star Tribune*. For many St. Paul reporters, keenly aware that the *Star Tribune* is making inroads down the Mississippi River toward St. Paul, the struggle was all the impetus they needed to join the program.

While *The Miami Herald* has no clear *Star Tribune*-like adversary breathing down its neck, it does have circulation figures showing dramatic losses over the past three years. The reporters know all too well that they are in a fight for survival, and they welcome any management campaign to resuscitate the newspaper. To play on this anxiety, John Schueler, director of the CDX program, has set up a kind of scorecard that lists monthly circulation and revenue performances in an easy-to-read, arrow-up or arrow-down format. "We want employees to know how they're doing without a lot of confusing numbers," he says.

Conversely, the papers that feel

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## REPORTERS ARE A MANAGER'S WORST NIGHTMARE: INDEPENDENT-MINDED, SKEPTICAL, RESISTANT TO AUTHORITY.

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need for customer-obsession because they were customer-obsessed already. That was their job: to write stories that people wanted to read in a way that made people want to read them. *The Miami Herald's* celebrated crime reporter, Edna Buchanan, seemed to sum it up when she said that she always kept her readers in mind. "I envision a certain couple," she said. "He is a little paunchy, she has her hair in curlers. I always feel that he will spit up his coffee, clutch his heart and say 'My God, Martha, did you read this?'"

Deborah Howell, executive editor of the *Pioneer Press Dispatch*, says she is going to rely on reporters' innate competitiveness to make the campaign work. This may be the way into the hearts and minds of reporters elsewhere as well, for the papers in the

most secure are the ones that are changing the least. Of all the newspapers in the Knight-Ridder chain, *The Philadelphia Inquirer* is by far the most prestigious. It ranks behind only *The New York Times* and *The Los Angeles Times* in journalistic luster. Unfortunately, the *Inquirer's* advertising lineage is down, which may explain why the publisher, Sam McKeel, is solidly behind the customer-obsession campaign. On a map on his wall, he marks with a pin all the suburban dailies that are circling the city. "We're not getting pecked by a duck," he says. "We're getting bitten in the ass by alligators." But the message has not yet taken hold in the newsroom.

No meetings have been held with the staff, no rallies, no T-shirts. The paper has avoided thematic approaches altogether on the assumption that

they would be dismissed as too hokey for *Inquirer* sophisticates. Instead, proponents of the plan have applied themselves to specific programs that are customer-obsessive in everything but name. Ron Patel, the features editor, has developed an improved and expanded weekly TV-listings booklet and a quarterly guide to cultural activities that are either too small or too unusual to be included in the regular weekend calendar.

Predictably, the critics and the best-known entertainment writers were the last to get on the bandwagon, but gradually, as *The Guide* began to take shape, the contributors recognized that it was actually doing something useful. They were, in short, customer-obsessed in spite of themselves. But only slightly.

**T**HE MOST SWEEPING impact of customer-obsession has been in the product. News, as reported by newspapers, has always had a politics-and-government slant that can be traced back to the fourth-estate function of holding government in check. Now that kind of news is well covered on television, and it can be boring, so the customer-obsession approach would find a new kind of news. A writer at *The Charlotte Observer* named Sophie Smith recently declared "Sophie's Rule," under which news is hereafter defined as whatever readers think it is. Other editors, such as the *Pioneer Press Dispatch's* Deborah Howell, favor "news you can use."

All of Knight-Ridder's editors have tried to make their papers more useful. *The Philadelphia Inquirer*, for instance, began including what are termed shirttails at the end of stories, providing information about how to attend the event or contribute to the fund described in the story. And it began running a round-up of advice and counsel on an inside page, called "Personal Briefing." Of course, there are limits to pleasing readers. *The Inquirer* is under considerable pressure from a surprising number of readers to cover professional wrestling as a legitimate sports event. It has yet to oblige them.

Most drastically for writers, though, customer-obsession meant a

## BATTEN MUST WAIT AT LEAST TWO YEARS TO SEE WHETHER THE PROGRAM WORKS.

serious redefinition of their jobs. Now they aren't necessarily writers at all; they are communicators. At the very least, they are expected to write shorter, punchier stories—a difficult thing to accept for a profession that measures its success in column inches. And some stories might not be stories at all, but graphs, charts, news digests or photo captions. "Reporters hate to hear that," Nadler says. But, with customer-obsession, hear it they will. *The Miami Herald* has stopped covering

developing hurricanes as news stories, for example, and reports a storm's progress on maps, with arrows showing its direction and a caption indicating the likelihood that it will strike the shoreline. To make this more palatable to the reporters who do the research, *The Herald* has instituted a policy of awarding bylines for these non-text pieces. There is still some grumbling, however.

Up on the top floor of *The Miami Herald* building, Jim Batten expresses quiet confidence that matters are proceeding apace. He knows these things take time. As Jon Katzenbach of McKinsey & Company told him, "major change" takes three to seven years, and customer-obsession has been around for less than one.

Batten confesses that he doesn't really know how it is going, and that, truth to tell, the whole business is entirely out of his hands. "I'm depending on the quality of our people and the power of these ideas," he says. "If you put them together, good things can happen." ■

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