

FALL 2012 VOL. 66 NO. 3

# Nieman Reports

THE NIEMAN FOUNDATION FOR JOURNALISM AT HARVARD UNIVERSITY

**HARVARD'S MASTER OF INNOVATION  
TUTORS A NIEMAN FELLOW ON HOW  
MEDIA CAN SUCCEED IN THE INTERNET AGE**

**BET THE  
DISRUPTOR**

Clayton M. Christensen,  
Harvard Business School

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Clayton M. Christensen, left, of Harvard Business School; David Skok, right, a 2012 Nieman Fellow.  
Photos by John Soares.

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## Cover Story: Be the Disruptor

Harvard Business School professor Clayton M. Christensen's theory of disruptive innovation provides a framework to understand how businesses grow, become successful, and falter as nimble start-ups muscle in on their customers. It's a familiar story, one that has played out in the steel and auto industries, among others. Now Christensen, in collaboration with 2012 Martin Wise Goodman Canadian Nieman Fellow David Skok, has applied his analysis to the news industry. Their goal in "Breaking News" is to encourage news executives to apply the lessons of disruption to the media industry as a means of charting new paths to survival and success. (For an audio interview with the co-authors, visit <http://niemanlab.org/disruptor>.)

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**NIEMAN REPORTS**

**THE NIEMAN FOUNDATION FOR JOURNALISM AT HARVARD UNIVERSITY**

[www.niemanreports.org](http://www.niemanreports.org)

VOL. 66 NO. 3 Fall 2012

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Periodicals postage paid at Boston, Massachusetts and additional entries.

**SUBSCRIPTIONS/BUSINESS**

617-496-6299

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Subscription \$25 a year, \$40 for two years; add \$10 per year for foreign airmail. Single copies \$7.50. Back copies are available from the Nieman office.

Please address all subscription correspondence to One Francis Avenue, Cambridge, MA 02138-2098 and change of address information to P.O. Box 4951, Manchester, NH 03108. ISSN Number 0028-9817

**POSTMASTER:**

Send address changes to Nieman Reports

P.O. Box 4951

Manchester, NH 03108



## Rising to the Challenge

JOURNALISM IS AN ESCAPE ARTIST.

For the generation raised on Watergate, that lesson landed hard. The most powerful men in the world could not shut a story down. They lied and conspired, then bullied the watchdogs, but the facts prevailed, coaxed into daylight by journalists. I doubt I was the only teenage girl to draw special inspiration from Washington Post publisher Katharine Graham, who endured a thuggish threat from the Nixon administration and didn't blink.

"All that crap, you're putting it in the paper? It's all been denied," former U.S. Attorney General John Mitchell told reporter Carl Bernstein. "Katie Graham's gonna get her tit caught in a big fat wringer if that's published."

The years following Watergate did not shake my belief in journalism's inevitability, even when journalists were slow off the mark or challenged by the most extreme conditions. I thought of this anew when the 2012 Nieman Fellows chose their winner for the annual Louis M. Lyons Award for Conscience and Integrity in Journalism, named for the late Nieman curator. The honor went to Mohammed "Mo" Nabbous, founder of Libya Alhurra TV, who succeeded in bypassing government blocks on the Internet in order to stream live footage and commentary about Libyan unrest.

While disseminating those first images of the Muammar el-Qaddafi regime's clashes with rebels and attacks on civilians, Nabbous was shot and killed. His wife announced his death on the very live stream that Nabbous had created.

Journalism is an escape artist.

Bullets and political threats are not journalism's only predators. The avarice and ignorance of some owners have played their part. So too the fabulists and cheats who would lay low their newsrooms by breaking the trust. But the collapse of the business model that long sustained the industry has come to overshadow those worries. The fundamentals are broken and alternatives are uncertain. How does journalism escape this?

In this special issue of Nieman Reports, we examine that question through the eyes and research of one of Harvard's preeminent scholars, business school professor Clayton M. Christensen. Christensen's groundbreaking research on innovation and disruption, documented in his book "The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail," has influenced some of the world's most successful entrepreneurs.

How Christensen came to focus on the news industry is a story that underscores the fundamental promise of a Nieman Fellowship. When Canadian journalist David Skok arrived at Harvard last year, he joined 24 other journalists from around the world in a tradition of study dating to 1938. But the tremulous business environment in which he and other fellows operate has brought a new urgency to the work of the Nieman Foundation.

Skok knew of Christensen's examination of industries ranging from education to health care and wondered: Why not layer the lessons onto the upheaval in journalism? Christensen agreed and the fruits of their collaboration are documented in these pages and as an e-book found on the Nieman Reports website.

Their conclusions, Skok writes, will not alone eliminate the challenges that haunt modern media companies. Nor should their consumer-centric framework be confused as a substitute for the journalism of accountability. But the clear questions they pose—about culture, organization, habits and risk—are provocative ones that can enlighten decisions in individual news organizations and the industry more broadly.

Without a business plan, Skok says, "there is no editorial independence left to root for," a truth from which there can be no escape.

A handwritten signature in black ink, which appears to read "Clayton M. Christensen". The signature is written in a cursive, flowing style.

# Finding a Way Forward

A Nieman Fellow engages the Harvard Business School's master of innovation in a mission to save the news industry.

BY DAVID SKOK

I HAVE NEVER KNOWN A TIME WHEN journalism was just journalism or the only profit margins journalists worried about were those belonging to the companies we reported on.

As a journalism intern at a sports news radio station in Toronto in 2002, I experienced my first taste of the business realities facing my craft. Just four weeks into my internship, the station's management, unable to compete in a saturated market, went off the air, leaving dozens of motivated, educated and talented journalists looking for work.

Months later when I was an intern at "ABC News Nightline," it faced cancellation amid rumors that David Letterman would take our late-night slot.

And finally, following the 2008 financial crisis, I watched as colleagues and mentors were laid off and news budgets were slashed after my newsroom's parent company, Canwest Global Communications Corp., declared bankruptcy.

Time and again, I have witnessed once mighty news institutions tackle revenue challenges with cost-cutting measures. These measures, in turn, have worsened the revenue challenges, putting us in a downward spiral that has sped up exponentially with the advent of new disruptive technologies and

increased competition.

I'm not alone. For many of today's journalists, the idea of a church-and-state separation between the editorial and executive teams has always been an aspiration not matched by reality. We spend our days reporting the news and leading newsrooms while dreading the inevitable wave of cutbacks that is regularly just one staff meeting or quarterly earnings report away.

Across the industry, there are shock waves being felt as audiences and advertisers flock to new platforms. Media organizations have to adapt to a structural, systemic shift in their once healthy business models, and, once again, it is the journalists who are feeling the brunt of these changes.

It is frightening, but it is not terminal. There is still hope for traditional news organizations if we can make some courageous choices and recognize our own flaws. There has always been and will always be reporting so important to the functioning of society that no price tag can be placed on it. This fact makes it all the more urgent to meet today's revenue challenges.

During my 2011-2012 Nieman fellowship I had the great privilege of working with the widely recognized expert

on strategy and innovation, Harvard Business School professor Clayton M. Christensen. His disciples include Intel's ex-CEO Andy Grove, New York City's Mayor Michael Bloomberg, and the late Apple CEO Steve Jobs who, according to Walter Isaacson's biography, was heavily influenced by Christensen's book "The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail."

Having already tackled disruption in technology, education and health care, Christensen graciously obliged my request to help tackle disruption in journalism. Over a five-month period, Christensen, Forum for Growth and Innovation Fellow James Allworth, and I systematically applied his theories to journalism. The goal was to establish a framework for understanding what is taking place in the industry. While this won't provide immediate answers to the financial pressures facing incumbent news organizations, we hope it will provide a set of questions that news managers can ask as they make strategic decisions about their newsrooms.

Studying the news industry from a clinical perspective with my colleagues at the Harvard Business School and using the tools of analysis that have been applied to industries as diverse as



David Skok found in his studies at Harvard Business School a new way to analyze what's happening to the news business. Photo by John Soares.

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manufacturing, technology and medicine has been a challenging but rewarding experience. Having been liberated from my own journalistic impulses and biases, I have come to the realization that while the technological disruptions facing our industry are 50 percent of the challenge; the other 50 percent is on us. We have failed to foster a newsroom culture that rewards innovation and empowers the younger generation, that can readily adapt to the new media world around us, and that is willing to experiment with the diversified revenue streams right in front of us. To use the oft-quoted phrase, “culture eats strategy for breakfast.” Our traditional newsroom culture taken in aggregate has blinded us from moving beyond our walls of editorial indepen-

dence to recognize that without sales and marketing, strategy, leadership and, first and foremost, revenues, there is no editorial independence left to root for.

In his 1958 address to the Radio and Television News Directors Association convention, Edward R. Murrow warned us not be “deluded into believing that the titular heads of the networks control what appears on their networks. They all have better taste. All are responsible to stockholders, and ... are honorable men. But they must schedule what they can sell in the public market.”

My own experience has confirmed that most executives are indeed honorable men and women, but I choose not to beg for their permission to create the journalism that we aspire to. I choose

instead to meet them on their own turf by articulating a strategic vision for our shared sustainable future, because if we can't make the business case for journalism, nobody else will.

The culmination of our work is now available in the pages that follow and in e-book format on the Nieman Reports website. Whether you work for a successful mainstream newspaper, national broadcaster, city-sized daily, or an Internet news start-up, we hope that our work gives you a new lens with which to view the dramatic changes taking place in journalism. Beyond that, our even greater hope is that it will help guide your newsroom with a clearer path forward as you position yourselves for journalism's bright future.

# Breaking News

## Mastering the art of disruptive innovation in journalism

BY CLAYTON M. CHRISTENSEN, DAVID SKOK, AND JAMES ALLWORTH

### OLD HABITS DIE HARD.

Four years after the 2008 financial crisis, traditional news organizations continue to see their newsrooms shrink or close. Those that survive remain mired in the innovator's dilemma: A false choice between today's revenues and tomorrow's digital promise. The problem is a profound one: A study in March by the Pew Research Center's Project for Excellence in Journalism showed that newspapers have been, on average, losing print advertising dollars at seven times the rate they have been growing digital ad revenue.

Journalism institutions play a vital role in the democratic process and we are rooting for their survival. But only the organizations themselves can make the changes required to adapt to these new realities. This search for new business models remains elusive for most. Executives interviewed in that Pew report confirmed that closing the revenue gap remains a struggle. "There might be a 90 percent chance you'll accelerate the decline if you gamble and a 10 percent chance you might find the new model," one executive explained in the report. "No one is willing to take that chance."

But pursue it they must, or their organizations will be deemed irrelevant by news consumers. New entrants are already leaving their mark on journalism—stealing audiences and revenues away from legacy organizations.

This has happened before. Eighty-nine years ago, Henry Luce started Time as a weekly magazine summarizing the news. All 28 pages of the black-and-white weekly were filled with advertisements and aggregation. This wasn't just rewrites of the week's news; it was rip-and-read copy from the day's major publications—The Atlantic Monthly, The Christian Science Monitor, and the New York World, to name a few.

Today Time, with its print and online properties, confronts the challenges posed by the digital age, but reaches a global audience of 25 million.

With history as our guide, it shouldn't be a surprise when new entrants like The Huffington Post and BuzzFeed, which began life as news aggregators, begin their march up the value network. They may have started by collecting cute pictures of cats but they are now expanding into politics, transforming from aggregators into generators of original content, and even, in the case of The Huffington Post, winning a Pulitzer Prize for its reporting.

They are classic disruptors.

Disruption theory argues that a consistent pattern repeats itself from industry to industry. New entrants to a field establish a foothold at the low end and move up the value network—eating away at the customer base of incumbents—by using a scalable advantage and typically entering the market with a lower-margin profit formula.

It happened with Japanese automakers: They started with cheap subcompacts that were widely considered a joke. Now they make Lexuses that challenge the best of what Europe can offer.

It happened in the steel industry, where minimills began as a cheap, lower-quality alternative to established integrated mills, then moved their way up, pushing aside the industry's giants.

In the news business, newcomers are doing the same thing: delivering a product that is faster and more personalized than that provided by the bigger, more established news organizations. The newcomers aren't burdened by the expensive overheads of legacy organizations that are a function of life in the old world. Instead, they've invested in only those resources critical to survival in the new world. All the while, they have created new market demand by engaging new audiences.

Because new-market disruptors like The Huffington Post and BuzzFeed initially attract those who aren't traditional consumers of a daily newspaper or evening newscast, incumbent organizations feel little pain or threat. The incumbents stay the course on content, competing along the traditional definition of "quality." Once established at the market's low end, the disruptors—by producing low-cost, personalized and, increasingly, original content—move into the space previously held by the incumbents.



Clayton M. Christensen of Harvard Business School developed the theory of disruptive innovation. Photo by John Soares.

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It is not until the disruption is in its final stages that it truly erodes the position of the incumbents.

#### ANOTHER CLASSIC CASE OF THE INNOVATOR'S DILEMMA

So how can traditional news organizations sustain themselves financially while remaining relevant to their audiences in this rapidly changing landscape? Waiting for online advertising to materialize or hoping for a return to the old way of working is futile. The time for delay has passed: Newsrooms should embrace this disruption head-on and look for other avenues within the value network that are ripe for growth and innovation.

Drawing on previous research, this article highlights three key areas for those in the news business to consider:

- First, we'll provide a framework to understand *what it is that audiences value* and where opportunities exist for newsrooms to take advantage of this.
- Second, we'll explain the impact of disruption on traditional newsroom business models and suggest ways to *exploit other aspects of the value network* to increase revenues and drive innovation.
- Finally, we'll examine *the role of culture and capabilities* in an organization and how best to manage them. As the landscape changes, capabilities and culture may need to change too—or they can become a liability in the new world.

A cautionary note: Due to the rapidly changing media landscape, some of the examples provided in presenting these frameworks may no longer be relevant. These case studies are intended to bring theory to life and convey timeless principles. The underlying ideas don't change, even if the facts in the case do.

This article is targeted toward traditional news organizations that are being disrupted, but the issues we'll tackle are relevant for all media companies (start-up and legacy newsrooms as well as print, broadcast and digital operations) working to sustain journalism in the digital era.

## Part One

# Always Consider The Audience First

DESPITE WHAT SOME MARKETERS would have you believe, we don't go through life conforming to particular demographic segments. While audiences are almost always broken down in such a way, nobody goes out and buys a newspaper because he is an 18- to 25-year-old white male with a college degree. Those attributes of a consumer may be *correlated* with a decision to purchase and read one particular newspaper over another, but they don't actually *cause* one to read or buy anything.

The problem is that too many newsrooms' strategies are based around exactly this assumption—that their businesses can best be explained in terms of key demographics, price points, or distribution platforms.

Instead, a better way of thinking about the business you're in is through the lens of a theory that we call jobs-to-be-done. The basic idea is that people don't go around looking for products to buy. Instead, they take life as it comes and when they encounter a problem, they look for a solution—and at that point, they'll hire a product or service.

The key insight from thinking about your business this way is that it is the job, and not the customer or the product, that should be the fundamental unit of analysis. This applies to news as much as it does to any other service.

To illustrate the importance of focusing on jobs-to-be-done, let us give you an example in a totally different industry: the furniture store IKEA. It's been incredibly successful: The Swedish company has been rolling out stores all over the world for the last 50 years and has global revenues in excess of \$32.6 billion. So why, when there are so many

furniture store chains out there, has IKEA been so successful?

A big part of it is that rather than being organized around particular products or demographic profiles, IKEA is structured around a job that many consumers confront quite often as they establish themselves and their families in new surroundings: "I've got to get this place furnished tomorrow, because I have to show up at work the next day."

IKEA has made a number of strategic decisions in order to best fulfill this job. For example, IKEA stores are often built in quite distant locations. This might seem counterintuitive, but it enables IKEA to set up huge warehouses so that everything a customer needs can be purchased in one trip. IKEA offers same-day delivery; customers might not be able to fit everything they need in their cars, but they don't want to have to make multiple trips and can't afford to wait until tomorrow for everything to arrive. Similarly, because having children running around the store might distract them from remembering everything they need to buy, IKEA introduced day care facilities. And in case you get hungry during your shopping trip, you don't even need to leave the premises—every IKEA store has a restaurant.

Everything IKEA does revolves around doing the job of "I need this apartment or home furnished, and I need it done quickly and efficiently."

Let's look at another example of a job—but this time, we will use one that the media industry is more frequently called upon to fulfill.

David is in line for his morning coffee. He's probably got 10 minutes while he

**DISRUPTIVE INNOVATION**



In 1925, two of the nation's leading orators, William Jennings Bryan, above, and Clarence Darrow, faced off at the landmark Scopes trial about the teaching of evolution. Hundreds of newspaper reporters converged on Dayton, Tennessee but no account could rival a Chicago-based radio station's real-time broadcast of the drama. It was the first trial in the U.S. to be carried live. Chicago Tribune publisher Robert R. McCormick had bought the station at a time when other publishers fought to squash the new medium. McCormick, mindful of the potential synergies between radio and newspapers, had changed the call letters to WGN for "World's Greatest Newspaper." Photo by Hulton Archive/Getty Images.

waits to order and be served. It's going to be wasted time so David pulls out his smartphone. He opens up Twitter and scans through his feed for an interesting article. A New Yorker article catches his eye, he clicks on it, and starts reading. Just as he finishes it, the barista calls his name; his coffee is ready.

What we've described here is actually a huge job in the media market—"I have 10 minutes of downtime. Help me fill it with something interesting or entertaining." David chose to hire Twitter, but he could have hired a newspaper that was lying around the coffee shop. Or he could have hired a game off the App Store. Or perhaps he could have started replying to his e-mail.

Understanding the world through the lens of jobs-to-be-done gives us an incredible insight into people's behavior.

Next time you're sitting in a doctor's office, watch all the people with exactly this job: "I've got 10 minutes to kill; help me fill it." Traditionally, the office would help patients fulfill this job by leaving magazines in the waiting room. Nowadays, many patients find this job is better fulfilled by their smartphones or iPads—allowing them to curate and read the articles and websites that are of interest to them, rather than relying on the office manager's taste in magazines. Before the smartphone, magazines were popular because they were competing almost entirely with non-consumption: if patients didn't pick up the magazines, they were left sitting there with nothing to do. But compared to a random magazine, getting to read what they're interested in on their portable device is a vastly superior choice.

Similarly, the job of "I have 10 minutes to spare. Help me fill it with something interesting or entertaining" arises on David's commute home when he's on the subway. He finished his New Yorker article from this morning, but unfortunately, Twitter isn't an option now because his cell phone doesn't work underground. At this point, for millions of commuters all around the world, one name pops into their heads: Metro.

When Metro was first introduced, it didn't try to compete head on with the incumbent papers. In fact, for most high-end consumers of newspapers, it is vastly inferior. Yet despite this, and while virtually every newspaper has had its readership decline as a result of the explosion of information available on the Internet, Metro now has over 67 daily editions in 22 countries.

How has it done it? Well, it has targeted the job that has arisen in David's life. And it just so happens that every day, millions of people around the world also have this exact job.

It's much easier to understand the success of Metro when you view it through the lens of job-to-be-done. The job of "help me fill the time" is a widespread one, but folks who are on their way home from a day at work are focused on one thing: getting home from work as quickly as they can. Until they get on that train, their willingness to stop for anything—including to pay for a paper—is probably pretty low. However, hand them a paper without asking them to pay for it, and chances are, they'll take it from you. With that in mind, the Metro was made a "freesheet"—the cost of producing it is subsidized entirely by advertising from businesses hoping to target commuters. The stories are intentionally made short, punchy and easy to read. The aim? Allow readers to complete the paper (and expose them to all the ads) within 20 minutes—which Metro worked out was the average time spent on a train commute home. With a traditional newspaper, a copy left behind on a seat means the next reader gets it for free, depriving the paper of revenue. In contrast, a Metro reader who picks up a copy left behind has just saved the newspaper the cost of distributing one more paper. By targeting the job-to-be-done, Metro has dramatically bucked the trend of declining circulation.

This is just one very simple example of a job that arises multiple times in pretty much everyone's life every day.

So how can you find these jobs?

## ASKING THE RIGHT QUESTIONS

As managers think about what their news organization can do to thrive in a changing world, they must ask:

- What is the job audiences want done?
- What kinds of employees and structure does the company need so it can fulfill that job-to-be-done?
- What is the best way to deliver that information to audiences?

One way to figure out what jobs the audience wants to be done is to look at what successful competitors have accomplished and then ask what people were trying to do when they hired the competitor. Craigslist, for example, is a network of websites that feature generally free online classified advertisements with sections devoted to jobs, housing, personals, items for sale, and so on. The site, founded in 1995, currently covers 70 countries. Craig Newmark created Craigslist because he intuitively understood audiences' frustration with classifieds in newspapers. If a consumer wanted to post a classified ad in a newspaper, he had to pay (usually by the line) for a listing that might be buried between dozens of similar entries. It was frustrating for buyers and sellers to find a match. It wasn't easy to search. You'd have to put your phone number in the listing, and you'd often get calls even after the sale had taken place. And, in a digital world, it was slow—ads would take a day or more to post. Craigslist has been hugely successful because it does a better job than traditional news organizations of providing classifieds by making listings easily discoverable, by making it easy to hide your e-mail address, and by allowing consumers to post for free in real time.

Another way is to simply watch people and get a deep understanding of how they live their lives. Both Apple co-founder Steve Jobs and Akio Morita, co-founder of Sony Corp., were famous for disparaging market research. Part of the reason is that too often, consumers are unable to articulate exactly what it is they are looking for, their thinking

constrained by the solutions that already exist in the market. The approach Morita took at Sony? “Our plan is to lead the public with new products rather than ask them what kind of products they want. The public does not know what is possible, but we do.” This idea might seem contrary to how many large media businesses are run—but it can be hugely valuable in generating insight for new business opportunities.

Successful companies understand the jobs that arise in people’s lives and develop products that do the jobs perfectly. And if a company does this, customers will instinctively “pull” the product into their lives whenever that job arises.

#### **THE JOBS ARE CONSISTENT—IT’S THE PRODUCTS THAT CHANGE**

What’s very interesting about the jobs that consumers want done is that they are consistent over time. As industries are disrupted, different products emerge that are better able to complete the job—but the job stays the same.

The camera market is a great example. The success of digital point-and-shoot cameras was driven by them addressing a job that frequently occurred in consumer’s lives: “I want to capture this moment, and share it.” Given most peoples’ budgets, digital point-and-shoot cameras fulfilled the job quite well, particularly in comparison to their film-based forebears.

However, competitors who are better focused on the job that people hire cameras for are now killing the digital point-and-shoot camera.

Five years ago, cameras on smartphones, music players, and other small multipurpose devices were vastly inferior to most digital point-and-shoot cameras. However, the cameras on these devices had one big advantage: You would almost always have one of them with you. While digital point-and-shoot cameras were quite small, they were still bulky enough that you would think twice about carrying one in your pocket. If you knew a moment for a photo was going

to arise, then you’d probably be willing to put up with it. But if an unexpected opportunity for a photo arose, then chances are you probably didn’t have your camera with you.

Given the fact that the job of capturing a moment would arise in consumers’ lives whether they had their camera with them or not, many people found themselves increasingly hiring the cameras on their phones. Manufacturers realized this, and sales of phones and other devices that had a camera in them exploded. This, in turn, enabled manufacturers to significantly narrow the photo quality gap between their products and point-and-shoot cameras.

But what has really turned the screws on the point-and-shoot camera is the other part of the job that consumers hire the devices for—sharing. Photos taken on smartphones and other media devices can now be instantly uploaded to online services such as Facebook, Instagram and Twitter. You don’t have

cameras that used to cost five figures. These new cameras take photos that are vastly superior to a point-and-shoot, and they continue to get cheaper, smaller and easier to carry.

Usage statistics released by the photo-sharing website Flickr demonstrate the appeal of cameras at the low and high ends of the market, with the point-and-shoot losing ground. The most popular cameras for posting photos on Flickr are smartphone cameras. And the most popular non-smartphone camera on Flickr isn’t a point-and-shoot, but rather the Canon EOS 5D Mark II—a high-end digital SLR.

While the middle-of-the-road point-and-shoot was once the best solution for the job given most peoples’ budgets, that is no longer true. As the technology has evolved, alternatives have come to market that are better able to fulfill the job of consumers. As long as the point-and-shoot manufacturers continue to compete against each other rather than

**Successful companies understand the jobs that arise in people’s lives and develop products that do the jobs perfectly. And if a company does this, customers will instinctively ‘pull’ the product into their lives.**

to go home, plug the camera in, and download the photos so you can then upload them to share on the Internet or over e-mail. You can do it instantly, right from the device.

Now, there are still going to be those times when we know the job will arise, and we’re not satisfied with the quality that a phone camera will take. These are the times when we would have hired a digital point-and-shoot for the job. But in this instance, the point-and-shoot camera has been squeezed from the other direction—by a drop in the price of digital SLR cameras and the emergence of mirrorless interchangeable lens cameras. Today, for three figures, you can purchase a camera that is more sophisticated than

refocus on the job that their product gets hired to do, we predict their market share will continue to erode.

#### **THE ERODING ‘MIDDLE GROUND’ FOR NEWS**

As with cameras, journalism’s “middle ground” has eroded as new products have appeared at either end of the market for news and information. At the low end, products and services like Metro and Twitter are serving consumers whose need is simply “Help me fill this 10 minutes right now.” If you were to look at the market only by industry segment, you’d think that Twitter’s key competitor is Facebook. However, we would argue that far from just competing with Facebook, Twitter is also competing with

news and media organizations in fulfilling jobs that millions of people around the world have every day.

At the other end of the spectrum, for the job of “I will be in an airplane or on a train for four hours, and I want to be intellectually stimulated,” sites like Longreads and tools like Instapaper and Pocket (formerly Read It Later)—the latter of which now boasts more than 5 million users—are enabling users to find and save longer-form storytelling for offline viewing. These tools strip out ads, creating a visually appealing, consistent and customized equivalent of a weekend newspaper or a periodical. And they aren’t just competing against other apps and websites, but against an airline’s in-flight entertainment system, The New Yorker, or a book.

Ultimately, when a company gets it right, audiences will reward them for satisfying a job they have in their life.

As managers at media organizations consider instituting changes to their business model—perhaps by charging for content that they previously freely provided online—they should ask whether their organization is doing such an outstanding job of satisfying consumers’ needs that consumers will pay for their content. This is particularly the case if you’re in a commoditized space where other organizations are providing very similar content for free. In addition, it’s critical to avoid falling into the trap of believing that you can charge for content just because it costs money to produce.

Instead, the content must be so compelling that users will pay for it. This requires targeting the right jobs.

Once managers establish what jobs consumers want done, a series of new questions arises for managers: How can they *improve* their existing products so they perform the job better than any other competitor? What existing products are no longer competitively viable in serving customers’ jobs-to-be-done and should be cut? And finally: What *new* products could be introduced that address a different job-to-be-done for their audience—or perhaps a new audience altogether?

## Part Two

# When Times Change, Change Your Business

THE DISRUPTION OF THE NEWS ECOSYSTEM has exploded what was once an integrated, closed workflow. News organizations used to control the gathering, packaging, distribution and sale of the news product. Today, journalism is a disintegrated and open process.

While these disruptions can collectively seem like a terrifying transition for incumbents, they have also created a wealth of opportunities that are waiting to be exploited by these very same organizations. News organizations should challenge their own assumptions by looking beyond their existing business models for new ways of finding value.

To give an analogy from a totally different industry: IBM started out as a hardware and software company, but facing a continuing decline in revenue from its products as new competitors entered, the company shifted its focus to professional services. Today, IBM is primarily a solutions-based consulting company. Faced with disruption, IBM completely redefined itself, moving away from its fading traditional businesses and leveraging the expertise of its people to capitalize on a different opportunity in the market.

Like IBM, news organizations should look to shift their focus away from business models oriented around integrated, closed ecosystems and embrace new opportunities that the disintegrated, open system has made available. News organizations should look for new business lines that leverage existing newsroom assets to satisfy jobs-to-be-done. These assets can be found by looking closely at all of their operations.

Again, to take an example from another field: When the music industry’s traditional business model of making

money from record sales collapsed with the advent of Napster and later iTunes and Spotify, it was an unexpected source—concert tours—that resulted in revenue growth. Live performance ticket sales and merchandise were once viewed more as a marketing exercise to increase sales of albums; they are now considered a key source of revenue. The Internet-led disruption meant that value accrued in a different part of the value network; as album revenues declined, “360 deals,” which enable record labels to make revenue not just on albums but also on tours and merchandise, have become more common.

Most traditional news organizations operate a value chain that is made up of three distinct parts. First, there is the newsgathering; this comprises all the resources and processes required to collect, write, shoot, edit, produce and package news and information. Second, there is the distribution of the product; this encompasses all the ways that news organizations get their content into the hands of the audience. Third, there is the selling of the news; this part includes not only sales and subscriptions but also advertising and marketing.

### GATHERING THE NEWS

Before taking a closer look at where to find opportunities in newsgathering, the overall state of newsgathering and consumption needs to be assessed. Today, more news is created and consumed than ever before. Search engines, aggregators, blogs and social media are just some of the avenues for audiences to consume and create information. Add in satellite radio, over-the-top digital boxes, smartphones and tablets, and it’s apparent that

DISRUPTIVE INNOVATION



In 1980, when the three major TV networks devoted only 30 minutes to the evening news, Ted Turner bet on a much bigger appetite for current events. He launched Cable News Network (CNN), the nation's first 24-hour-a-day, seven-day-a-week, all-news network. Its watershed moment arrived in 1991 when it provided the only live TV coverage of the start of the first Persian Gulf War. The live footage of the bombings, picked up by stations and networks around the world, was seen by one billion viewers. Today, CNN International is available in more than 200 countries. Photo by T. Michael Keza for The New York Times.

news and information are everywhere in abundance and, increasingly, free.

This information is also available across borders. No longer does an American news organization hold a monopoly over international news coverage entering the U.S. market. Author and X Prize Foundation CEO Peter Diamandis put it succinctly when he observed that a Kenyan on a smartphone has access to more information than Bill Clinton had as president. In the past, people who wanted intensive news coverage of Egypt had to subscribe to an Egyptian newspaper or buy an expensive satellite dish. Today, Egyptian news is available at our fingertips. When the Arab Spring uprisings took place in 2011, the Qatar-based news network Al Jazeera reported that traffic to its English-language website, where a live stream of its broadcast was available, increased by 2,500 percent—with up to 60 percent of the traffic coming from the United States.

The wealth of information available almost instantaneously has lowered the value of the general interest news story such that it's often less than the cost of production. General interest and breaking news reporting comprised of answering the "who, what, when and where" has become commoditized. It cannot create enough value to sustain a news organization in the long term.

The value for news organizations now increasingly lies in providing context and verification—reporting the "how, why and what it means"—and facilitating communities around that news and information.

Consider a 2011 survey by video solutions company Magnify.net that asked a group of individuals to describe how they felt about their incoming information stream when they were connected to the Internet. Over two-thirds of respondents (72.7 percent) described their data stream as "a roaring river, a flood, or a massive tidal wave." Most respondents said the information coming at them had grown by at least 50 percent from the previous year.

Clearly, there is a need for what

Jim Moroney, publisher and CEO of The Dallas Morning News, calls PICA: Perspective, Interpretation, Context and Analysis. This type of newsgathering requires identifying the organization's main areas of focus, in particular beats or verticals, and then aligning more reporters, columnists and editors to these subject areas.

Bill Simmons, sports columnist for ESPN, became a household name for sports fans across North America interested in his musings on Boston sports teams, basketball and pop culture. It wasn't the sports scores that drove audiences to ESPN.com (you could get those anywhere); it was Simmons's perspective, interpretation, context and analysis that made him arguably one of the most popular sports bloggers in the world.

Focusing on particular specialties also frees up the editorial team to identify and organize relevant content from around the news ecosystem. Curation lowers production costs by having newsrooms concentrate more on discovering, fact checking, and aggregating information. Aggregation or "linking to your competitors" may be viewed as antithetical to the values of traditional news organizations, but it doesn't have to be.

Some traditional news organizations have achieved great success by curating content from around the news ecosystem and presenting it in a meaningful storyline. The Week, founded in the United Kingdom in 1995, draws from over 1,000 media sources from around the world to offer a balanced perspective on the issues of the week—all in a concise, readable package. According to figures compiled by the Audit Bureau of Circulation, The Week has seen steady growth. At a time of tremendous upheaval in the magazine industry, the weekly has expanded, printing local editions in North America and Australia. Between 2003 and 2011, the U.S. edition of The Week enjoyed a circulation gain of 197 percent. That percentage increase was bigger than what other news-oriented weekly magazines, including The Economist (+93%), The New Yorker (+10%), Time (-19%), and

Newsweek (-52%), experienced in the U.S. during the same period.

Internet start-ups have curated content successfully for years. The most well-known example is The Huffington Post. Launched in 2005, the site began as an aggregator of content from around the Web, including article summaries from traditional news organizations. Acquired last year by AOL for \$315 million, it is now one of the most popular news sites in the United States, attracting 38 million unique visitors in September.

Along with curation, newsrooms can create value by bringing into their fold contributors who complement their own editorial strengths in particular subjects. This isn't just about publishing stories by subject experts, but about building networked communities around those ideas.

Take the example of Forbes magazine. Executives at Forbes understand that you cannot run a news business and produce quality content in the digital era with a cost structure built for analog times. The biweekly publication's website has changed the traditional role of the editor. Editors still manage staff reporters but their working relationship with freelancers has changed. Instead of giving them assignments and editing their stories, editors now manage a network of roughly 1,000 contributors—authors, academics, freelance journalists, topic experts, and business leaders, all focused around particular subjects of interest—who post their own stories and are accountable for their own individual metrics. According to Lewis DVorkin, chief product officer at Forbes, 25 percent of the content budget is now dedicated to contributors, who wrote a total of nearly 100,000 posts last year.

With a focus on niche subjects and a network of bloggers who write posts and curate work on these subjects from other publications, Forbes attracts new contributors and facilitates conversation across the network, driving more traffic to the company's sites. As DVorkin describes it, "Talented people want to belong to a respected network, and

that's what we've built and continue to build." This new system has resulted in a network effect whereby contributors generate their own loyal followings under the Forbes umbrella. In one year, Forbes doubled the number of unique visitors to its website. Referrals from social networks rose from 2 percent to 15 percent of the traffic to Forbes's digital properties, and search engine traffic increased from 18 percent to 32 percent of the total traffic.

Every newsroom's reporting strengths will be unique, and the challenge is for the news manager to assess a newsroom's unique strengths. If the strength is local

leverage this scale before they lose their competitive advantage.

While news consumption is on the rise, consumption patterns are changing: instead of reading *entire* magazines and newspapers or watching nightly news broadcasts straight through to the end, technology is now enabling audiences to consume *individual* articles and news segments à la carte.

Capitalizing on these shifting consumption habits requires thinking creatively about new distribution models.

One way to attract a fragmenting audience is by experimenting with innovative customer value propositions.

cost of producing the content is already absorbed by the core business. And to those worried about cannibalization, we would say: If a company is going to cannibalize your business, you'll almost always be better off if that company is your own, instead of a competitor.

**Equipment.** Equipment that isn't being used to full capacity is a missed opportunity for revenue. News organizations typically have excellent large-scale production capabilities, such as high-quality color printing presses and multi-camera, professionally lit studios. Yet as circulation and ratings have fallen, many of these facilities are sitting dormant or, in some cases, being sold or decommissioned. It makes sense for news organizations to look outside the company for ways to generate revenue from unused or underutilized equipment. Potential customers for services include marketing and client-service firms that want to produce high-quality brochures, commercials, branded entertainment, and other materials.

The Dallas Morning News invested in new technology and expanded its commercial printing business, which now makes up 5 to 10 percent of its parent company's total revenue. As more companies outsource printing jobs, that figure is expected to rise. According to news industry analyst Ken Doctor, commercial printing is a good business to be in because it usually has a fairly high profit margin.

Another way to increase revenue is to make full use of distribution channels. The Dallas Morning News doesn't deliver only the Morning News to the doorsteps of Dallas residents. As Doctor wrote in a column for the Nieman Journalism Lab, "You won't find a Morning News thrower with a single paper; they toss USA Today, The Wall Street Journal, The New York Times, and a couple other titles."

If a television station or a newspaper is already paying to get their content over the airwaves or to a doorstep, managers should think about how they can leverage distribution infrastructure such as deliv-

The question of how best to survive in the new world will not be answered by hoping for a return to the past. ... And to those worried about cannibalization, we would say: If a company is going to cannibalize your business, you'll almost always be better off if that company is your own, instead of a competitor.

reporting, how can the newsroom derive more value from its content? How can it expand local reporting capabilities? How can the newsroom develop innovative products and applications—and how can it do this while reducing the cost?

#### DISTRIBUTING THE NEWS

In stepping back to see where new value can be created, the next area that news organizations can address is the mechanisms used to deliver their products. Managers may look to exploit the scale of distribution and the equipment used to distribute the content.

**Scale.** News organizations retain a unique value proposition because they can still achieve an enviable scale of distribution. Even in today's fragmented media world, a weekly magazine, evening newscast, or a daily newspaper can still touch the lives of hundreds of thousands of people both within their communities and, thanks to the Internet, around the world. It is important for news organizations to

A consumer may find it difficult to justify the purchase price for each of a number of publications, but a subscription package that gives a consumer access to magazines from multiple outlets is a compelling and unique proposition. The recently launched Next Issue tablet app, a collaboration between Time Inc., Condé Nast, and three other major magazine publishers, is an interesting example. For a flat fee, a subscriber gets all-you-can-read access to more than 40 magazines, including People, Fortune, Sports Illustrated, Time, Vanity Fair, and Condé Nast Traveler.

This may be the right approach for these companies and their audiences. Or it may not be. However, the question of how best to survive in the new world will not be answered by hoping for a return to the past. Instead, now is the time for news managers to aggressively experiment with new distribution efforts. Syndication and partnership initiatives can be pursued with only a minimal increase in the costs of distribution because the



ery trucks and fiber optic lines to generate value beyond their existing chain.

### SELLING THE 'NEWS'

We put quotation marks around the word “news” here because managers need to think differently about what “news” is if they are to find ways to generate new revenue. New opportunities can become apparent when managers change their perspective about a news organization’s role and its standing in the community. What can sales and marketing teams do to create additional value? Consulting services, event marketing, and long-tail repurposing are three possibilities.

**Consulting Services.** There is now a market in the private sector for skilled journalists and sales representatives who can provide consulting services for retail, social networking, and entertainment companies, among others. The Society of Digital Agencies noted this shift in its most recent annual state of the industry report. The survey of marketers and digital agencies showed that 66 percent plan

aging their employees to experiment with the “digital agency” concept, in which news organizations act as online marketers and provide training and consulting services for local businesses. These services can include copyediting and showing a business how to set up a website, use social media, and produce professional advertisements.

This would bring news organizations closer to their communities, foster more relationships, and boost the potential for additional revenues in traditional advertising. It will, however, need to be done in a way that doesn’t erode the news organization’s editorial integrity. The agency’s operation must be kept separate from newsgathering.

**Events.** News organizations are frequently well positioned to host events that bring diverse communities together around shared interests and ideas. Revenue can come from admission fees as well as corporate sponsorships.

The nonprofit Texas Tribune, a news website that focuses on statewide issues,

in revenue from event sponsorships this year, plus attendee income.

**Long-Tail Repurposing.** When news organizations think about selling their content, they traditionally focus on short-term prospects. But digital content never disappears. It can be repurposed, repackaged and re-sold in different formats. Whether in video and story archives, e-books or research packets for academic case studies, news organizations should think about how to create value from their content beyond the daily or weekly news cycle.

Following the arrest of Boston gangster James “Whitey” Bulger after 16 years on the run, The Boston Globe released three of its investigative reports about the accused murderer as e-books. The stories were pulled from its archives. Jeff Moriarty, the Globe’s vice president of digital products told the Poynter Institute’s Jeff Sonderman that the only expense was hiring a vendor to format and submit the books to Amazon and other digital bookstores. He said the production costs were recouped within a few days through e-book sales.

Managers need to think differently about what ‘news’ is if they are to find ways to generate new revenue. New opportunities can become apparent when managers change their perspective about a news organization’s role and its standing in the community.

increases in spending on earned and owned media, such as blogs, corporate websites, and social media. When asked what would get increased priority in 2012, for instance, 61 percent said content creation like blogs, and 57 percent said mobile Web development.

According to Jay Rosen, a professor of journalism at New York University, “Every company is a media company now.” But, while technology has enabled everyone to become a journalist or brand marketer online, not everyone has the skills or tools to satisfy an audience. News organizations can capitalize on this need. They might consider lever-

has made events a cornerstone of its revenue plan—and the early reports look good. As Andrew Phelps reported for the Nieman Journalism Lab, the Tribune began by hosting more than 60 free public events attracting leading politicians, large audiences, and hundreds of thousands of dollars in corporate sponsorships. Last fall, the Tribune hosted its first paid event; The Texas Tribune Festival was a weekend of talks and discussions aimed at activists, policy makers, and others invested enough in politics and current affairs to pay \$125 for a ticket. Texas Tribune CEO Evan Smith told the Lab that he expects \$900,000

We have described some of the places that news organizations can look to see where new value can be extracted. There is no one-size-fits-all model, and we do not expect that every example will work for all organizations. However, managers should think about how they can capitalize independently on their assets. Having an entrepreneurial mindset is critical to finding success in this new world.

Once managers generate ideas about how the company can outperform competitors in creating experiences that fulfill consumers’ jobs-to-be-done and find new revenue within the value network, they must face the final and most difficult step in embracing disruption: implementing changes inside their organization. Pogo, the star of the Walt Kelly comic strip, sized up this challenge when he said, “We have met the enemy and it is us.” It is no small task to get employees to change how they think and work.

# Part Three

## Build Capabilities For a New World

FOR MANY YEARS, THE SYSTEMS AND processes used to gather, distribute and sell the news worked well. And in most respects they still do. It is a marvelous sight to witness a newspaper brought to life or a newscast on air, 24 hours a day, seven days a week. Those systems were designed precisely for that process. But what was once an advantage has become an albatross. The disruption taking place in newsrooms requires a new approach built on experimentation.

How does a newsroom's culture need to change on an organizational level? And how can those newsroom capabilities be used to embrace and even initiate disruptive change?

### UNDERSTANDING CAPABILITIES

There are three factors that affect what an organization can and cannot do: its resources, its processes, and its priorities. Each factor is clearly defined below. When thinking about innovation and how a newsroom might be able to embrace it, managers need to assess how each of these factors might affect their organization's capacity to change.

**Resources.** When asking the question "What can this news organization do?" the place most managers look for the answer is in its resources—both the tangible ones, like people, equipment, technologies and budgets, and the less tangible ones, like relationships with third-party vendors and advertising agencies. Without a doubt, access to abundant, high-quality resources increases an organization's chances of coping with change. But the resource analysis doesn't come close to telling the whole story.

**Processes.** The second factor that affects what a company can and cannot do is its processes. By processes, we mean the patterns of interaction, coordination, communication and decision-making employees use to transform resources into products and services of greater value.

One of the management dilemmas is that processes, by their very nature, are set up so that employees perform tasks in a consistent way, time after time. Processes are *meant* not to change or, if they must change, they do so through tightly controlled procedures. When people use a process to perform the task it was designed for, it is likely to be efficient. But when the same process is used to tackle a very different task, it is likely to perform sub-optimally. Newsrooms focusing on producing a television newscast, for example, often prove inept at developing a digital strategy because the second task entails a very different way of working, relying heavily on the written word and immediate deadlines—instead of verbal scripts and fixed broadcast times. In fact, a process that makes it easy to execute a particular task often is a hindrance to executing other tasks.

**Priorities.** The third factor that affects what an organization can and cannot do is its priorities. We define an organization's priorities as the standards by which employees decide whether an activity is attractive or unattractive—whether the activity is a story, an audience demographic, or an idea for a new product. Prioritization decisions are made by employees at every level, whether consciously or not. Among salespeople, they consist of on-the-spot, day-to-day decisions about which prod-

ucts to push with advertisers and which to de-emphasize. In the editorial realm, they can include story selection and the assigning of newsgathering resources. At the executive tiers, they often take the form of decisions to invest or not in new products, services and processes.

Different companies, of course, embody different priorities. As companies add features and functions to their products and services to capture more attractive customers in premium tiers of their markets, they often add cost. As a result, what once were attractive margins for the company become unattractive. If, for example, a company's cost structure requires it to achieve margins of 40 percent, then a priority or decision rule will have evolved that encourages middle managers to kill ideas that promise gross margins below 40 percent. Such an organization would be incapable of commercializing projects targeting low-margin markets—such as those we've listed in this article—even though another organization's priorities, driven by a very different cost structure, might facilitate the success of the same project.

For example, sales teams whose bonuses are based on achieving specific goals are often more motivated to sell a traditional broadcast or print advertisement, where the margins are higher, than a digital advertisement. Given the priorities outlined by management, it is unrealistic to expect these sales teams to pursue digital pennies when approaching agencies and advertisers. Yet the long-term value of digital revenue is critical to the sustainability of the organization, and failing to develop sales team capabilities in this area will weaken the organization's competitiveness over time.

As successful companies mature, employees gradually begin to assume that the processes and priorities that have worked in the past are the right ones for the future. Once employees operate under these assumptions rather than making conscious choices, those processes and priorities come to constitute the organization's culture.

One of the most common complaints made by newsroom executives today is the difficulty in changing the newsroom culture to adapt to a digital world. When attempting to change an organization's culture, the starting point is the *task* that you're trying to do, not the process or culture. This is because processes and priorities are a *response* to recurring tasks.

### CHANGING THE PROCESSES AND PRIORITIES, ONE TASK AT A TIME

Processes are not nearly as flexible or adaptable as resources are, and priorities are even less so. In order to instill the processes and priorities required to address disruptive innovation, managers must create a new organizational space where these tasks can be developed. There are several possible ways to do this, including:

- Creating new capabilities internally in which new processes can be developed;
- Spinning out an independent organization from the existing organization and developing within it the new processes and priorities required to satisfy new tasks; or
- Acquiring a different organization with processes and priorities that closely match the requirements of the new task.

**Creating new capabilities internally.** Old organizational boundaries, established to facilitate traditional ways of working, often impede the creation of new processes. A print newsroom, where people have habitually filed stories for one medium, will have a hard time changing the workflow to accommodate new tasks. Managers need to pull the relevant people out of the existing organization and draw a boundary around a new group. New team boundaries can facilitate new patterns of working together that can ultimately coalesce as new processes.

Teams should be entirely dedicated to the new tasks assigned to them. The members—whether physically located together or not—should have a separate structure, and each member should

be charged with assuming personal responsibility for the success of his part of the project. For every key element of the strategy, there should be one person's name beside it. At The New York Times, for example, the boundaries around the groups within its newsroom's digital development team were historically defined as serving the needs of reporters and editors. When the Times decided it needed to focus on experimental online journalism, it created a new cross-discipline team to do so.

This team inside the Times was designed to incorporate the skills of software developers directly into the processes of producing stories. As digital editor Aron Pilhofer described it in *New York* magazine, "The proposal was to create a newsroom: a group of developers-slash-journalists, or journalists-slash-developers, who would work on long-term, medium-term, short-term journalism [projects]." This team would "cut across all the desks," overriding old processes as the newsroom evolved. Developers were made full members of the news team and given responsibility as such; they were encouraged to collaborate with reporters and editors, not merely wait for assignments.

This new team is now known as the Interactive Newsroom Technologies group, and it continues to create new processes so the Times can more quickly develop better products around data journalism and innovative visual storytelling, rather than simply posting old-world newspaper articles online.

**Creating capabilities through a spin-out organization.** Economic pressures make it difficult for large organizations to allocate the critical financial and human resources needed to build a strong position in small, emerging markets. And it is very difficult for a company whose cost structure is tailored to compete in high-end markets to be profitable in low-end markets as well. When a company's priorities render it incapable of allocating resources to an innovation project because of unattractive margins,

the company should spin the project out as a new organization.

News Corp.'s entry into the tablet space is an example of this spin-out approach. Despite having many well-known brands—including Fox News, The Wall Street Journal, Dow Jones, and the New York Post—News Corp.'s management identified the consumption of news on tablets as a disruptive innovation for their traditional news properties. As a result, News Corp. decided to create a separate unit for an iPad-only newspaper, The Daily. To thrive in the tablet market, News Corp. needed to be comfortable with lower gross margins and a smaller market than its traditional newspapers commanded. The company needed to be patient for growth, but impatient for profits.

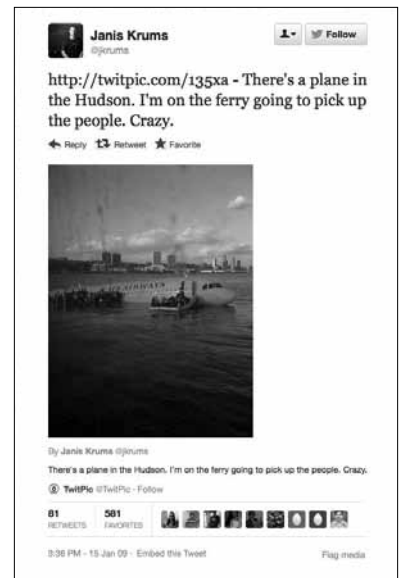
As of October 2011, the Daily had 80,000 paying subscribers and an average of 120,000 readers weekly; these numbers stack up well against the digital editions of some established print brands. The New Yorker, for example, had 26,880 iPad-only subscribers as of that month, according to Ad Age. If the Daily had the same cost structure as its traditional print counterparts, its prospects of getting to profitability would be remote indeed. But with a totally different approach, the likelihood of it reaching profitability is far greater, and it continues to experiment with its business model to reach this goal.

Given that a young upstart may cannibalize the company's traditional business, it is critical that such a project have high-level support and be independent from normal decision-making processes. Projects that are inconsistent with a company's existing profit model will naturally be accorded the lowest priority or, worse yet, face hostility from the legacy business. Having a separate workspace for the spinout organization can be helpful, but what's most important is that a disruptive start-up not be placed at the mercy of the old organization—which might see the upstart as a competitive threat and attempt to have it shut down or cause it to fail.

**DISRUPTIVE INNOVATION**



In January 2009 when a US Airways plane landed in New York's Hudson River, Twitter users beat the mainstream media on reporting the news. Janis Krums was a passenger on one of the commuter ferries dispatched to pick up the stranded airline passengers. He took a photo of the dramatic scene and uploaded it to Twitpic. It was one of the first images of the accident broadcast to the world. It also was something of a revelation to the news industry because it demonstrated how easy technology made it for anyone to be a news provider. Photo by Janis Krums.



Yet this does not mean that the old operation should be entirely abandoned in favor of the new. In the example of News Corp., its revenues from print and broadcast advertising are still strong. But when disruptive change appears on the horizon, managers need to assemble the resources, processes and priorities to confront that change *before* it affects the mainstream business. They need to run two businesses in tandem, with one set of processes geared toward the present and another geared toward the future.

This needs to be guided by top management. In previous studies of disruption, very few companies succeeded without the personal, attentive oversight of the CEO. More than anyone else, the CEO can ensure that the new organization gets the required resources and is free to create processes and priorities appropriate to the new challenge without interference. CEOs who view spin-outs as a tool to get disruptive threats off their personal agendas, rather than organizations to be nurtured and developed, are almost certain to fail.

#### **Creating capabilities through acquisitions.**

After assessing its resources, processes and priorities, the organization may determine that an innovative venture cannot be initiated in-house or by creating a spin-out organization. In these instances, companies should look to acquisitions. Questions about for-profit versus non-profit education aside, when The Washington Post Company determined that it needed to diversify its revenue stream and it could not create those capabilities in-house, it purchased Kaplan Inc. in 1984.

Companies that successfully gain new capabilities through acquisitions are those that know where those capabilities reside in the acquisition and assimilate them—or not—accordingly.

If the capabilities being purchased are embedded in an acquired company's processes and priorities, and not in the acquired company's resources, then the worst thing the acquiring manager could do is to integrate the acquisition into the parent organization. Integration will

vaporize the processes and priorities of the acquired firm. Once the manager of the acquired company is forced to adopt the buyer's way of doing business, everything unique about the acquisition's capabilities will disappear. A better strategy is to let the business stand alone and to infuse the parent company's resources into the acquisition's processes and priorities. This approach truly constitutes the acquisition of new capabilities.

If, however, the acquired company's resources were the reason for its success and the primary rationale for the acquisition, then integrating the acquisition into the parent company can make a lot of sense. Essentially, that means plugging the acquired people, products, technology and customers into the parent company's processes as a way of leveraging the parent's existing capabilities.

Forbes magazine's purchase of True/Slant, a digital news blogging network, worked well because it understood what capabilities it was acquiring. Beginning in 2008, Forbes invested in the digital news start-up whose market value was built primarily upon its expertise in blogging platforms and its more efficient digital, print and video content creation models. By doing so, Forbes effectively incubated a new disruptive start-up as a separate entity. When Forbes completed the purchase of True/Slant in 2010, it appointed True/Slant's CEO, Lewis DVor-kin, as Forbes's chief product officer, and adopted a range of elements from True/Slant's business model—including providing small payments to contributors based on pageviews. This careful acquisition process was a major contributor to the success that Forbes achieved in building its community network.

Managers whose organizations are confronting change must first determine whether they have the resources required to succeed. They then need to ask a separate question: Does the organization have the processes and priorities it needs to succeed in this new situation? Asking this second question is not as instinctive for most managers because the processes by which work is done and the priorities

by which employees make their decisions have served them well in the past. The very capabilities and culture that have made news organizations effective also define their disabilities. In that regard, time spent soul-searching for honest answers to the following questions will pay off handsomely: Are the processes by which work habitually gets done in the organization appropriate for this new challenge? And will the priorities of the organization cause this new initiative to get high priority or to languish?

The reason that innovation often seems to be so difficult for established newsrooms is that, though they employ highly capable people, they are working within organizational structures whose processes and priorities weren't designed for the task at hand.

Creating an innovative newsroom environment means looking within the existing value network and beyond traditional business models to discover new experiences for audiences, then realigning your resources, processes and priorities to embrace these disruptions.

While there is no one panacea to replace the traditional business models that news organizations relied upon for half a century, these recommendations taken in aggregate provide a framework for an emergent strategy to take hold. Innovation requires courageous leadership, a clearly articulated vision, and the strength to stay the course.

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