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Jim Moroney, on leading through disruption at the *Dallas Morning News*

Transcript

Mike Kearney: Just stop and think about how you consume content on a daily basis. My guess is that it has probably changed materially over the last 10 years. I can remember vividly just 10 years ago when I'd get on the train every morning, I had to have my newspaper. It was just something I had to do. It was a ritual. It was like getting my latte in the morning.

But today when I think about how I consume content, and it's almost subconscious, I go to my phone. It is the portal to all the different news sources, like *The New York Times* and *The Wall Street Journal*. I use news aggregators. It's actually one of my favorite things: things like Flipboard or the new Apple News, which is fantastic. I also use Twitter. I spend a lot of time flipping through Twitter and finding some amazing stories that I never would find otherwise. And I even find some stories on Facebook, believe it or not.

How we consume content is having a huge impact on traditional newspapers like the *Dallas Morning News*. There are so many stats that I could throw at you that demonstrate the impact that digital has had on traditional newspapers. But let me just throw out a few from Pew Research.

Advertising revenue has experienced its greatest drop since 2009, falling nearly 8 percent from 2014 to 2015. In 2014, newsroom employment declined 10 percent more than any year since 2009. The newspaper workforce has shrunk by 20,000 positions, or 39 percent, in the last 20 years. Think about how many lost jobs that is. And there are 126 fewer daily newspapers in 2014 versus 2004.

And if that is not an industry in change, an industry in disruption, I don't know what is.

Jim Moroney: Eighty percent of the revenues of the newspaper industry came from print advertising in newspapers. The other 20 percent was circulation revenue. That 80 percent piece declined by 50 percent in less than six years. It's pretty remarkable for an industry to continue operating in the face of that kind of rapid decline. And by the way, the total decline in revenues in the newspaper industry has not abated. It continued to go down for the four years that followed. Around half or less of the total revenues of this industry are gone in less than a decade, and yet most of the industry is still operating.

Mike Kearney: Welcome to *Resilient*, where we hear stories from leaders on risk, crisis, and disruption. And we get those stories by meeting our guests on their home turf. My name is Mike Kearney, the leader of Deloitte's Strategic Risk practice. But for this, I have the unbelievable good fortune of sitting down with some incredible leaders who really define what it is to be resilient. And I'm hoping you are enjoying these conversations. We are really getting an eclectic group of leaders in so many different industries, experiences, and walks of life. I'll tell you for me, personally, it is the treat of my career.

Today, I'm at the historic *Dallas Morning News* building in downtown Dallas, Texas. And I'll tell you, it is incredible. If you've ever walked into their building, it is magnificent. In the lobby, you see all of these posters of their Pulitzer-winning articles. Today, I'm talking with Jim Moroney, the CEO of A.H. Belo and owner of the *Dallas Morning News*. Jim has been at A.H. Belo and the *Dallas Morning News* for the last 15 years.

To say that he has been in the thick of change within publishing is a big understatement. I'm really looking forward to talking to a leader who has gone through this disruptive change over the last 15 years and is still at the same organization leading it and transforming the business through this change. My guess is that he's going to have a lot of crazy, interesting insights on leading an organization through change, and he may even throw a story of crisis in as well. So from downtown Dallas, Texas, this is *Resilient*.

Mike Kearney: So, you know what, Jim, I always like starting these conversations out with a fun fact. One of the things that I had read during my research is that you were Publisher of the Year in 2003. I also read that you were a newcomer, in many respects, to publishing. What did that mean to you, being recognized so quickly coming into publishing?

Jim Moroney: Well, I was very flattered and honored to get it. I don't think I actually had it in perspective. I didn't really know about the award. When I was told that I was going to be Publisher of the Year, I thought "that has to be good." But I really didn't know … was this three people in a store pulling a name out of a hat or was it something more?

When I learned that it was *Editor & Publisher* magazine, and they go through a thorough process of nomination and review, I was very flattered. The best part was that I thought it would help us as a company attract more talent and attention. Because they said this is a more forward-looking organization than a lot of the newspaper companies that were being criticized for looking backwards and not looking forwards.

Mike Kearney: And what do you think contributed to that forward-looking element?

Jim Moroney: We had started three companies in 2003. We started a special edition for Plano, which is a very large part of the greater Dallas/Fort Worth DMA. We started a Spanish language newspaper called *Al Día* that's still being published today. And we started another company, whose name I'm not recalling at the moment. That's really what it was. That was unfortunately unusual that a newspaper company would have three brand new start-up publications in one year, and I think that's why I got chosen.

Mike Kearney: That's kind of in your DNA. We're going to talk a lot about your entrepreneurial style. Before we jump into that, let's learn a little about you. Where did you grow up?

Jim Moroney: I actually grew up in Dallas, Texas.

Mike Kearney: Give me a little background about yourself—your interests when you were younger, where you went to school.

Jim Moroney: Well, I went to a Catholic boys' school run by Hungarian monks, who actually came to the United States during two times. First during WWII, with more of the suppression of Catholicism through the Nazi occupation. They were trying to get to a place where they could practice their religion freely. And then what is known as the Hungarian Revolution, a three-day uprising by the Russians when several of them fled the Hungary and were diving into American embassies.

Some of them were killed before they could actually make it through the gates. Others did make it and got asylum in the United States, starting up in Wisconsin. They then came down to Dallas to start the University of Dallas. Their typical vocation had been secondary education, so they started a prep school out in Irving that started with the fourth grade. They call it pre-form, and it went all the way through eighth form. And I was the fifth graduating class. They started with the fourth and fifth grade and they added one after each other. I was the fifth of those classes added, and we graduated nine years later.

Mike Kearney: So I have to ask. I went to Christian Brothers High School in Northern California. My son goes there now. If you were to ask me to recite the history, I don't think I could do half as good a job as you did, so it obviously made an impression on you.

Jim Moroney: It made a real impression. The monks out at Cistercian have a lot to do with how my life was formed and so forth. They were very important to me. I have nothing but great memories. I served on their school board for more than 25 years.

Mike Kearney: Wow.

Jim Moroney: Both our sons went to Cistercian. There are Cistercian monks, an order that's over 900 years old, founded in France. They are the only Cistercian school and Cistercian full abbey in the United States. But there are plenty of them over in Europe and other parts of the world.

Mike Kearney: And then after that, you went to my neck of the woods, Stanford, right?

Jim Moroney: Yes. Yes. I did four years at Stanford. Loved every single bit of it. Met some of the most incredible people, some very good friends of mine, still today. And loved every bit of it. Fortunately, we've had two of our children go there, so it's been fun.

Mike Kearney: And then you got an MBA. One of the questions I'm curious about is, why an MBA when you went into broadcast and publishing? Did you know that you ultimately wanted to run a company?

Jim Moroney: Well, I think that I knew I wasn't planning to be on the journalism, the editorial side of the business. Even when I worked in summers, I worked on the business side of the business, maybe in promotions. I did run a board. I did some production on a radio station that we owned here. But mostly I knew that I wasn't going to be a reporter, though I loved the business, and I loved the news and the journalism. That just wasn't my calling. I figured if I was going to do this, I needed to go get more of a business side degree, and come into the business that way.

Mike Kearney: So now you're the CEO of A.H. Belo. I think people may know the companies that A.H. Belo owns. Can you give a little background on the organization?

Jim Moroney: So in fact, next year, we'll celebrate the 175th anniversary of the A.H. Belo Corporation, which is the longest continually operating business in the state of Texas. It was founded by a colonel, Alfred Horatio Belo. He started the *Galveston News* in 1842 when Texas was still a republic. He sent a guy named G.B. Dealey up to Dallas in 1885 because the railroad was coming through Dallas.

At that time, Galveston was probably the number one port city of Texas and had a neck-and-neck race with Houston until the great 1900 hurricane, which was, at the time, the greatest national disaster in the history of the United States. It basically took Galveston out of the race, and Houston became the port city of importance in Texas. But he got the *Dallas Morning News* started by sending this young man up here while he continued to run the Galveston paper.

He eventually sold the Galveston paper and consolidated up here with G.B. Dealey, and that's always been the A.H. Belo Corporation. Over time, it grew and acquired radio stations here in Dallas and television stations eventually around the United States. In 2008, the company split into two separately traded public companies. One called Belo Corp. That was all the broadcasting stations. And one called A.H. Belo. That was the newspaper company, which is what it is today.

And there was the *Dallas Morning News*, *The Providence Journal*, and the *Riverside Press Enterprise*. We sold the Providence paper and the Riverside paper and today focus just on the *Dallas Morning News*. But I also acknowledge we have a separately owned run paper in Denton. It's just north of Dallas called the *Denton Record Chronicle.* But basically the company is the *Dallas Morning News*, and all the things that it owns and operates here in Dallas.

Mike Kearney: So Jim, one of the things I want to really focus on during this conversation is all the change that has been going on over the last—I think you've been CEO for 15 years now, right?

Jim Moroney: Yes.

Mike Kearney: Since 2001.

Jim Moroney: Well, okay, let me back up. I've been publisher and CEO of the *Dallas Morning News* since 2001. I became the chairman and CEO of A.H. Belo in 2013.

Mike Kearney: But you're still an expert on all the change that has happened over the last 15 years.

Jim Moroney: I have lived through all of it.

Mike Kearney: So one of the things I spent a lot of my time thinking about, and we focus quite a bit on this podcast, is just all of the changes that are happening in the world today. I think probably publishing is … there's no better example of an industry that is going through change right before our eyes. Could you give a firsthand account of—coming from 2001 to where we are today—just the change that you have seen and how it's changed your business model?

Jim Moroney: Well, I'll give you a little anecdote. So I was trying to put not only the decline in the revenues and the newspaper industry into perspective, but I was also trying to give all our employees a little bit of a good feeling—like, "okay, it's bad, but it's not as bad as ...." So I went and looked at the decline in revenues by percent for the newspaper industry, and I put it up against Kodak and Blockbuster, figuring "we're better than them."

Actually, our rate of decline was worse than both Blockbuster and Kodak. And I said, "Well, that's not going to work." I think this is a remarkable story for the whole newspaper industry to some degree. Eighty percent of the revenues of the newspaper industry came from print advertising in newspapers. The other 20 percent was circulation revenue. That 80 percent piece declined by 50 percent in less than six years. So if you do the math, that meant, you know, 40 percent of your total revenue just went away inside of six years.

Mike Kearney: It eviscerated.

Jim Moroney: It's pretty remarkable for an industry to continue operating in the face of that kind of rapid decline. And by the way, the total decline in revenues in the newspaper industry has not abated. It continued to go down for the four years after that. Around half or less of the total revenues of this industry are gone in less than a decade, and yet most of the industry is still operating.

Mike Kearney: What's interesting is I actually uncovered an article in 2004 when you were talking about this. When did you actually start to see this coming on? Did you see it in 2004? My guess is probably not.

Jim Moroney: No. I think that it really was in 2007 … we were down over 2006. And from my days over there in broadcast television, you might have a down year, but then you just said, "Oh, great. Easy comps, right?"

Mike Kearney: It'll come back. Right.

Jim Moroney: Yes, it's going to come back the next year, and it's going to come back big because we were even slightly down, right?

Mike Kearney: Right.

Jim Moroney: Well, '07 was down, and I think actually down a little bit over '06. And then '08 was already going down before the stock market crashed. So it's going down, and I'm thinking, "What is this all about?" And I started thinking, "Wait a minute, what if this is just going to continue? What if this is not going to bounce back, bottom out, pick your term?"

It really was the '08 market crash and the virtual depression of '09 and '10 that said, look, this is not coming back. At least we're going to plan our strategy around this not coming back. And in fact, it will at least continue to go down as much as it's been going down, or it may go down more. We have to build a strategy to be able to survive and live through that kind of permanent, secular change. And I think it was '08, even before the market went to hell, that we said, "We're in something that's different here. This isn't just cyclical."

Mike Kearney: When you look at your peers, at other organizations, did they share that same opinion at that time?

Jim Moroney: I'm sure some did. Most didn't.

Mike Kearney: Most didn't.

Jim Moroney: Most had been in the business for a lifetime. I had been in it for about six or seven years. And I didn't know nearly as much as they knew, but maybe the good part was that I looked at this and said, "This is just odd." I'll give you a fascinating statistic. I took over this job in June 2001. We had what was called an employment section in the newspaper. Every newspaper had them. Our employment section in 2000 did $120 million of revenue.

I come in June of 2001. I take the job. I'm inside the company. I didn't do a bunch of due diligence. The CEO asked me to come in and be publisher, and I didn't know why. But I said, "Well, if that's what you want me to do, I'll go do it." He wanted me to do two things: fix the accounting and finance department, and fix the sales department. And he said, "Then we'll have you do something else."

So I'm sitting here two weeks on the job, and I'm looking at the financials, and I go, "Wait a minute. We did $120 million in employment revenue last year. And at the end of June, we're forecasting to have done $30 million. So if we do that again in the second half, that's $60 million. That's a 50 percent decline in one year. What the hell is going on?"

Mike Kearney: What's going on? Wow.

Jim Moroney: So I talked to people a lot smarter than me because I hadn't been in the business, and they said, "Oh, it's cyclical." And I'm thinking to myself, a 50 percent decline in one year is cyclical? But it was the dot-com crash of 2001. Well, really what it was, it was Monster. We had the most efficient marketplace at the time for clearing jobs. We brought the most people with the most jobs to one place, to one section, and cleared the jobs.

Monster comes in and says "I'll put a lot more people with a lot more information in a more frictionless encounter, and I'm going to charge a third of what they're charging." It completely decimated the business. But we all were still saying, "It's cyclical, it's not secular." But it was secular, and it never came back. It just kept declining.

Mike Kearney: It's interesting that you say that. Because to you, as an outsider relatively new to the organization, you could see it. It's a question I was going to ask you later. But I think there are examples, and you mentioned some of the companies before, where it's staring them right in the face, like change is coming. And I think people see it, but they don't internalize it and they don't change. Why do you think that is?

Jim Moroney: I don't know, Michael, is it optimism? Is it not wanting to acknowledge how bad something is? You don't want to face it because you know what it means you're going to have to do? Is it because you've lived through some declines before that have turned around and come back? I don't know that I have a good answer for it. But I do think there is an advantage to coming into an industry as opposed to having grown up in it when this happens.

Because for you, it's the first time, it's different. It's new. And you say, "Boy, given my experience in other industries, this is catastrophic. This is not normal.

This is not cyclical. This is something else." And we need to go figure out what it is and what it really means, instead of saying "Hey, we've lived through some declines before." It's exogenous to us. It's not our industry. It was the dot-com crash. And so a lot of jobs that got created and so forth were going away, and there was a little bit of a recession.

So I wish I knew, Michael. For all the *Star Trek* fans, there's the "Borg," and it's this one central consciousness. The longer you get into a company, the more you become part of that unified consciousness, and you can't get yourself out of it. The first month I was there, I interviewed 60 people from every single level of the organization, and I asked every one of them the same questions for 60 minutes.

I think that companies are self-diagnostic. If you ask enough people, take enough information down, you'll begin to find the problem. I still remember this one guy. I always had ended with, "What is the question or what didn't I let you say that you want to say to me?" And he looked at me, and I'll never forget it, and he said, "Don't become one of us." I think he was trying to tell me there was already a culture of collective thinking, and we're just too good.

Because the newspaper industry was in a virtual monopoly position in marketplaces, and it was creating cash hand-over-fist. And I think they figured that they just could do no wrong. I guess I can't blame them because if you look at the track record of financial growth, you know, from the mid-80s up through 2000, it was remarkable. It was incredible.

Mike Kearney: What's interesting to me, especially in today's day and age, is that things are changing for every industry so fast. The learning that I'm taking from you is that there is value in bringing people who don't have a dog in the hunt into the conversation because they may challenge some of those biases, quite frankly, that many people that are entrenched in the business have. And they may ask those questions that others aren't asking. I think that's fascinating.

Jim Moroney: Something you and I talked about when we were in Dallas is that if the CEO is open to hearing that and open to trying to test that, then that voice is going to make a difference. But if that person who comes in isn't the CEO, and they're a level or two down in the organization, probably everyone is going to say, "You know, Bob, Mary, you just don't get it. You haven't been around here long enough. You haven't been in the industry. You'll see that this will all sort of come back and work its way back." And then this person is marginalized that way.

Mike Kearney: I'm glad that you reminded me of that exchange because I had completely forgotten about it. Can you maybe explain, and now we're going off topic a little, how you would almost invite the devil's advocate or somebody that has a difference of opinion in your executive sessions? Maybe just share that with the group, because it's a great way of getting at truth.

Jim Moroney: Right over there, you can see a book with a red back to it on top of that little table.

Mike Kearney: Yep, right there.

Jim Moroney: I believe that is the most important book ever written for CEOs or anybody way up in an organization. And it's a book that was read to us, probably, as kids. It's *The Emperor's New Clothes*. Because a CEO, or anyone high up in an organization …. I always say, I can get people in this company, I can line them up around the block, and they will come up and tell me exactly what it is they think I want to hear. How do they make me feel good? Tell me something I want to hear.

And I say, you know, in *The Emperor's New Clothes*, my kingdom for one person that will come up and say, "Boss, you know that idea of yours? You're kind of buck naked on that one. I know you think this is a good idea, but can I explain to you why it's not?" And I think it is so difficult to develop a trust with your people where they feel really comfortable coming in and being brutally honest with you about what they think.

I had a boss named Ward Huey, and I think we developed that kind of trust. But before I would go into one of these, I'd say, "Ward?" And he'd say, "Yes?" And I'd go, "Permission to speak freely?" And he'd go, "Oh, god."

Mike Kearney: Here it comes.

Jim Moroney: Yes, here it comes. But then he knew I was going to tell him something that he didn't want to hear probably, or I was going to disagree with him, but he was respectful of it. And he didn't always agree with me. He didn't always say, "Well, boy, that's right." But he let me say it, and I never felt like I couldn't say it. And I even struggle today. We just spent a whole offsite day talking about how we can have really open, honest communication that has conflict in it, work through the conflict, and come up with answers, without people feeling like you're offending them or attacking them or hurting their feelings. It's hard.

Mike Kearney: I don't know if you think about this, but do you think about how you inculcate risk taking in your culture? Is that something that, as a CEO, you can do?

Jim Moroney: I once went to hear my dad talk to a group of MBAs, yet to be graduated MBAs. And he said "I'm going to go make this talk. You might want to come listen."

His talk could be boiled down to one thing. He said, "All of you out there are more than likely one of two kinds of people. You're an organization person or you're an entrepreneur. If you're an entrepreneur, and you go to work for an organization, it's going to drive you crazy. And if you're an organization person trying to be an entrepreneur, you're probably going to fail. So try to figure out which one of these people you are, and then align yourself accordingly."

Well, I probably didn't take his advice because I think I'm probably more entrepreneurial, but I've always worked in an organization. And it has been frustrating at times. But I think what you do then is you have to bring in some other entrepreneurial people. You have to convince some entrepreneurial person that, inside an organization, they can still practice some of the entrepreneurial instincts that they have.

Because the natural, really natural entrepreneurs are not going to come work for an organization. They don't want a boss. They want to go do their own thing. And yet I think you can find people with entrepreneurial instincts by looking at what they've done in their career. Not just they experience they've had, but by asking them, "So did you ever get involved in starting a new product in your company? Did you ever do anything to improve a product that you already had? Did you ever do M&A?" Things that might allow them to express their creativity? And you try to find some of those people. I don't think you could have them—you can't have a whole group of them as your direct reports as a CEO because …

Mike Kearney: You need to have some organization.

Jim Moroney: Yes. Yes. You need to have some people that are keeping the train on the tracks and not trying to get too far off. And I think then if you're me, you have a very good CEO, who you respect and you listen to. And in this case, she says this is not a good risk—you know, this is not a good use of our capital. You probably should really think long and hard before you go do that.

The same thing with a good general counsel who says, "Hey, it's not necessarily the risk, per se, in the business. But let me tell you some things that, from a legal standpoint, you may be opening yourselves up to that you might not want to do and may make this thing look worse." So I think you really put yourself with some people who are probably not so entrepreneurial, but they're very smart. They care very much about the welfare of the company. They want it to grow, but they want it to grow smartly, and they act as a good counterweight. And you have to respect them. Because if you don't, they'll leave, and then you'll fill your place up with cowboys.

And I don't think that's good—unless you're an entrepreneurial company. You're a bunch of wildcatters that are going to drill oil wells to see if they hit one. But it's not good for an organization like this.

Mike Kearney: You know what you're bringing up is there is so much focus, I think, when you're hiring people, especially for executive-level roles. We look at those hard skills. "Is he the best finance person or strategy person?" But what you're getting at is there's almost a layer beneath that, and that relates more to their disposition as a person.

Are they a risk taker? Are they more about organizing? Are they an integrator? Whatever it may be, but it's almost, in some respects, as important to look at those underlying kind of traits of who they are.

Jim Moroney: Yes, and my first question when I hire anybody at this level is: "Why do you want to come work for the newspaper industry? Are you crazy? Do you know how bad things are? Do you know how hard this is?"

Mike Kearney: So what do they say? They're like, "What?"

Jim Moroney: No, they look at me, and then the answer I get from the ones that I'm interested in hiring is, "You know what, I know how bad it is, and I like fixing things. I like being the one that overcame a challenge." It doesn't mean they're not necessarily entrepreneurial, but they don't want to come be a run manager. They want to be a change manager.

They want to participate and they want to say, "I took the team that finished at the bottom of the league and took them to the top," as opposed to "I came in, and they were already at the top. I got to celebrate being at the top." There are people that want that great feeling that comes from doing something that's hard as opposed to easy. And so that's the first question I ask.

And I've hired a CFO, who was never in the publishing business. My CMO and also chief digital officer came from Nokia. She had a great job there. I asked her, "Do you know how many people would probably rather not be in this industry?" If they could get out, they'd go out. But they said, "Oh, I know. I know what I'm in for."

Mike Kearney: You know what it is? We did research. I had mentioned this on the podcast before, but it's probably one of my favorite projects I've ever been involved with. We had a simple question that we asked, where we said, "How do you make good projects great?" So we went out and we studied some of the most iconic projects ever, so the iPhone, Jon Landau and *Avatar*, the folks that revolutionized NASCAR pit crews. All these crazy, different projects. And the only one thing cut across all of them.

Jim Moroney: What?

Mike Kearney: Cause. Purpose.

And so I think what you're tapping into is, you're finding people that have a greater cause. It's not just about earning a paycheck. It's about making an impact by turning this around.

Jim Moroney: Yes, you know, and I'll say this, and I can't tell you that each of them said this at the time. But one of the great privileges of running a news organization is that you can make a real difference in the life of the community you live in. And that begins to seep into the soul of people here. The news people come at it, that's the reason they're doing what they're doing.

But then Katy Murray, my CFO, begins to say, "Wow, I'm doing something more than making widgets and even making really good widgets." So when a shooting happens here, like on July 7^{th}, and five police officers are shot and killed, we're the ones explaining to the city what's happening, and then eventually how it happened, and finally why it happened, and what it means going forward.

We all have a sense of sharing and helping to bring order to chaos in people's mind, and in the city, bringing it together, convening it to go through the catharsis of getting rid of this terrible tragedy. People really appreciate that. But that's often more once they're here, unless it's a newsperson and then that's why they come here.

Mike Kearney: Right. That's why they stay. So I'm going to this quote based on what you just said. You said, and hopefully I got it right, "As an industry, we've got barrels of whoop ass left."

Did you say that?

Jim Moroney: Yes.

Mike Kearney: I love that quote, by the way. I had to use it.

Jim Moroney: There's a tradition that the outgoing chairman of the Newspaper Association of America gives a talk. And our industry felt like there were so many parts our industry that we couldn't do right. And everything is going against us. And woe is me and, you know, life's hard, and it's awful, and so forth. And I just wanted to say, "Hey, you all, we've got barrels of whoop ass left. I mean we aren't nearly out of this fight yet. We've got a lot that we can bring to the table." And so I wanted to put it in a little Texas colloquialism.

Mike Kearney: So what was your reaction?

Jim Moroney: Oh, I got—oh, for the next three days …

Mike Kearney: A standing ovation?

Jim Moroney: Well, they give you a standing ovation whether you're boring or not because you're the outgoing chairman. But in the elevator, in the bathroom, in the hallway, "Hey, get out some more whoop ass." And it—I literally—I received an award two weeks ago and the guy said, "Yes, I'm giving the award to that guy that said we still have a lot of whoop ass left." And I thought it's all I'm ever going to be known for is "whoop ass." But I guess that's okay.

Mike Kearney: Evocative language.

Jim Moroney: Yes, exactly. You say something and—yes, so anyway.

Mike Kearney: So talk about that transformation because I think that's one thing you have taken a lot of risks on. You're bullish on. It goes back to that quote—why are you so bullish on the future of publishing? What are you doing as an organization? And one of the things I read, too, is that you're not even sure where it's going to end up. I think that is fascinating to not know the result, but you're still willing to ride the wave.

Jim Moroney: We've been riding the wave into the beach for about a decade. In three years, our advertising revenues were down 7 percent, 17 percent, and 25 percent. Just try that on for a moment. I thought, we've made it through that. Now that took a massive amount of restructuring to do that, just to get through it, to stay profitable.

But if we can get through that, what is it that we can't get through? I know you don't add percentages, but you're talking about 40 percent of your biggest revenue bucket going away in three years. People would put flags up, surrender, we're out of business ….

So if we can do that, we can do it almost anything. And so I said, "Our number one assumption is it's going to continue to go down. Now what are we going to do about it? Because everything we do has to be about raising new and incremental revenue." Don't talk to me about anything else, just new and incremental revenue. Our next biggest bucket of revenue was circulation, people paying us for newspaper.

We had an elasticity study and it said there was a tremendous amount of elasticity in the price of the newspaper because they never raised the price of the newspaper because it was all about the advertising. The more copies you could get out there, the lower you priced them, the more you could raise your [advertising prices]—well, that all broke in about '08 and '09. So on May 1st of 2009, we raised the price of the newspaper by 40 percent to every single person that took the newspaper, and more to people that lived more than a hundred miles out that we delivered the paper to.

And all my colleagues said, "Call me in a couple of months and tell me how that went." And even some people in here were like "Are you crazy?" And I said, well, wait a minute. It's 2009. We're heading into a depression. We just finished a year when our ad revenues were down 17 percent. They look like they're going to be down 25 percent. Exactly what do we have to lose? I mean really at this point, this was desperation as much as anything else, and yet we had data.

I had a study done by Bain or McKinsey from about three years ago that I pulled out, and it said that we had all this elasticity. We could raise the price of our newspaper. So I went and looked at it, and it said if we raise the price by 40 percent, we lose 12 percent of the volume.

Mike Kearney: So you just do the math.

Jim Moroney: So do the math. Rate multiplied by volume, you know, 40 up, 12 down, big total revenue increase. And sure enough, we lost, I think, 14 percent of our volume. We took the rate up by 40 percent. In 2005, we had $42 million of circulation revenue and we produced 500,000 copies on average.

Ten years later, say 2015, we had $80 million of revenue for 250,000 copies. Twice the revenue, half the copies. Do the math on the revenue increase and the expense decrease of making twice as much money for half the amount of copies. I'm selling half the product, and I'm making twice as much money.

That turned out to be a good bet, but there wasn't anybody else in the industry interested in doing it until we went on the road and said, "Here are the results." I just want to talk to the industry and say this is something you can do.

Mike Kearney: This is a simple strategy that works.

Jim Moroney: Simple strategy that works, and you all have it because none of us raised the price of our newspaper. And we did a conjoint study …. At what price would you quit reading your newspaper—you'd cancel it? At that time, we were charging $18 a month. We had people in the study, like 2,000 subscribers, willing to pay $100 a month, five times what they would have been paying at that time, saying, "I still won't give up the paper."

And I thought, oh my god, you know, these people are going to die with this newspaper in their cold dead hand. They're not going to give it up for anything, so we can raise the price. And we did.

Mike Kearney: So talk about the transformation into digital, and where your mind's at with that right now.

Jim Moroney: Well, I was fortunate to get the opportunity to start a digital company for our company in 1998 called Belo Interactive. We took all of our newspapers and all of our TV stations, and we put them online, and we controlled the operations online. Now the *Dallas Morning News* already had a somewhat, for that time, active website. But most of the TV stations for instance, they had PDFs of their anchor people up. You went to WFA dot-com, you got a PDF.

So we were able to really start learning about putting things out on the Web, how people would interact with them, and what made a difference. And so it gave me a little bit of a learning curve that was pretty steep that way. So flash forward to today, you know three or four things: Facebook rules the world. They have the most data, and they get the best results for advertisers because they have such incredible data. When you're looking for the redheaded, lefthander golfer who likes to play only in Florida and California in the warm months, they know who those people are. Because they've got that data and they can pinpoint and make your advertising work. Now, we've used Facebook for our customers to get them results too. Today I bet you most of your media companies that are aggressive are getting 20 percent to 30 percent of their traffic through what's called the side door, through social, and particularly through Facebook.

So Facebook could be contributing as much as 30 percent of your audience. It's coming through Facebook to you and linking back to your site through Facebook. They are an incredible force, and it is a little bit scary because they should and do, I guess, operate in their own self-interest. I mean they're a publicly traded company. And so you get so beholden to them, in some ways, you worry a little bit about what if—which they do—change their algorithm? And suddenly your posts aren't as important as what your uncle and aunt are posting on your site.

And we have to sit back and just watch that happen and then try to adapt to it. So in our industry today, I think there [are] several raging debates. One is, how far do you go in making yourself beholden to the platforms: the Googles, the Snapchats, the Instagrams, the Facebooks? How much do you get in bed with them and become dependent upon them? You can see the *Washington Post* for instant articles on Facebook, went all in. Put everything on there.

Mike Kearney: Put everything out there. Yep.

Jim Moroney: And *The New York Times* said we'll put in 10-12, 14 articles a day. We're going to walk before we run on this. So that's one debate, and we're still debating it here. I'm concerned about it. We are experimenting with it, but we did not go all in.

The next thing, of course, it's all mobile. I mean the desktop traffic hasn't just gone down as mobile has gone up, but mobile has surpassed it. Most websites, you're going to be doing more than 50 percent of your traffic that maybe five years ago was 80 percent desktop. And the desktop, I think, will begin to fall back even further in terms of at least percentage because it's all going to go mobile. So you've got to be doing what you need to do mobile. I think that the *Washington Post* is proving that how fast you load is incredibly important. And they just keep trying to get faster and faster to where, you know, they're below a second in load time. I don't know how much faster you can go. But I think that's it.

And then maybe the biggest thing and the most important thing is people used to come to us, or we'd put the news on their doorstep or in their driveway, and we took that to them. We gave them one package a day of what we thought they should read, and we delivered it to them when we wanted to deliver it to them, and they just had to accept that.

Today, they want the news to come to them. They want the news to be personalized for them. They don't want just what everybody else gets. They want it on their phone at noon. They want it on their tablet at nine o'clock at night. They want it to all form fit—some of them want to get more of their stuff through Twitter. Some of them want to get it through Facebook. You really have to go where the consumer is and give them the right content through the right channels at the right time. And there are so many channels, so many platforms. When you're a single media company like ours—one big property as opposed to either a huge big company or a company with lots of other media properties—it's hard to serve all of those channels, all of those platforms, and do it with the right content at the right time. We're trying hard, but that's where it is, and that's where it's going to continue to go.

Mike Kearney: Is there a challenge of diluting that? Do the platforms dilute your brand?

Jim Moroney: Well, this is the big question. Yes. So how visible is your brand within these platforms? A lot of them are walled garden, where you don't link back out, like instant articles. You don't link back out. You read it there. Now, you can have your logo there, but is the consumer saying, well, this is really Facebook giving me this information, or is it the *Dallas Morning News*, or kind of both.

And I do think one of the reasons that we're alive today in this industry, after all the disruption, is because we still have strong brands. And I think we have to be real careful, Michael, that things that we may do that are building traffic may be also diminishing our brand. And that might not be a good tradeoff.

Mike Kearney: You know what, I'm going to pivot a little. Given the fact that you have taken so many bold risks, one of the things that always interests me about organizations when they're looking at kind of that next big acquisition or divestiture, or new strategy, is that they oftentimes look at what are the risks associated with making that decision. But what I find very few CEOs talk about is the risk of not making that decision. Is that something that you ever contemplate? Meaning, "I understand that the choice that's before me is fraught with risks. But if I don't do this, there is all of these other risks that potentially are out there."

Jim Moroney: Yes, but I also would say we are in a little different situation. We've been in an industry with declining total revenues for a decade. The choice of not doing something is a lot less attractive because if we don't do anything, it's just going to continue to go the way it's going. So, yes, I still think we look at it and just say how big a risk is this? What's the probability of succeeding, and maybe most importantly, if we do this, is it going to move the needle?

Because I do think one of the traps you can get into is doing a whole bunch of little things, and you could succeed at all of them. But when you add them up, it doesn't really move the needle. So if you're going to go take a big risk, do something that's going to move the needle, versus you do five things, you don't succeed at any of them. And whether you succeed or not, it wouldn't have mattered. So I think that's important.

I'll tell you this is the trap, and I would love—I'm sure there's a book written about this somewhere—but I'd love to explore this more. I think there's this trap that happens to disruptive industries and companies. And it's this one. We've got to cut our expenses in order to maintain our profitability. And we know we have to do that, so we go do that, and it's painful and it's hurtful, and nobody likes it. And then someone says, now we've cut the expenses we had to cut to just maintain our profitability.

But if we want to go and do some organic growth, we're going to need some more—not external capital but expenses that you can push through the income statement. I've got to go cut more to have that excess cash to go invest in something and still hit my EBITA target from last year if I was cutting. And there is no will. People say, "I've just gone through all the cutting. I just can't go cut more on the hope that I would invest in something or build something that's going to start returning."

And so they go, "Okay, you're right. We just can't—let's hunker down. Next year we'll start investing in these new products." And the same thing happens. Revenues are projected to be down again. We've got to take another $10 million out of the business.

Mike Kearney: So it's just a spiral.

Jim Moroney: Yes, it spirals. But the spiral part is then with that extra two million, you need to go build a new product. No one wants to go cut two million more dollars in people, in other things, to fund that organic growth. They don't want to do it and they also keep thinking it's going to get better, right? It's going to bottom out. It's going to get better.

And then five years later, all they've done is cut. They've invested not a dollar in any new organic growth, or any sustaining innovation, or improving products, because they keep thinking it's going to end. And then they wake up and it's game over. They haven't built anything new. Now, they can go to their balance sheet if they have a good balance sheet, and buy something, and that's perfectly acceptable. But if they're not buying something, and they're not building something ….

And I've watched it with my team. They have no appetite to say, "Okay, now if we can just do two more million dollars of expense cuts, that will be available to build a new product, or two new products."

"Jim, we've already taken out X number of people. We've taken out this and that. We've cut our T&E budget. We've cut all this stuff. I don't have two more million dollar I can cut." Well, you know what, the next year when you've got to cut five million more dollars just to maintain your EBITA, you go find it.

Mike Kearney: You're going to wish you had gone back to the drawing board.

Jim Moroney: But you also wish you would have put something into growing something. I think if you talk to a lot of disrupted businesses, and why they ended up going out of business, it may be that they just are unwilling to make the additional cuts necessary to create, if you will, investment capital into your income statement.

Mike Kearney: So last time we were together, you shared an unbelievable story. It was about circulation and advertising revenue, and another newspaper indicated or was found out that they were overcharging for advertisements. Can you share the story? Because it's a good one?

Jim Moroney: I still remember I was in New York at an investment conference, and I had heard that a newspaper in the United States had apparently deliberately overstated their circulation. And as I mentioned earlier, the amount of your circulation had a lot to do with what you could charge for your advertising. Cost per thousand, so the more thousands you had, and so forth.

Mike Kearney: Vested interest in overstating circulation.

Jim Moroney: That's exactly what it would be, because you're not collecting the money for the circulation, but it's the advertising. So I remember calling up the person, head of our circulation, and saying, "Hey, we're not doing any of this. And if we are or anything close to it, we need to know because this is like, wow." He put out a message to all of our contractors. We didn't have employees; we have contractors that deliver the newspaper.

Well, the next thing you know, single copy sales start declining on really like 10 percent or 12 percent this week, and 10 percent the next week, and I'm like, "Holy crap, what's going on?" And it turns out that we had no reconciliation between the contractors who delivered the papers and how many copies they said they sold. They would buy the copies from us and then sell them to a store and make the margin.

Well, there were copies being given to contractors at a penny a piece. So they're going to drive to way out places, and this is how they're going to be able to make a profit because they're keeping most of the money themselves, and therefore the distribution costs are covered. Well, we had a contest going on for who could sell the most single copy papers. And I went into the guy that was running it, and I did some back of the envelope math.

You could buy a hundred papers for a dollar, report them as this, and get a trip to Hawaii for about 50 bucks. Just buy the papers and throw them away. Well, isn't it possible that that's why you put this edict out? We're going to start trying to reconcile sold and returned papers and maybe they've been buying these papers, recording them as sales for the contest, but just pitching them in the dumpster. Well, there is no way we're able to say who did it because there was no paper trail.

Mike Kearney: Interesting.

Jim Moroney: There was no piece of paper saying, "I took a hundred papers. I returned 50 papers." It was just "I took a hundred papers. I paid you whatever it cost. And then I did not do returns." So, anyway, this was a huge deal. This was news all over the United States and certainly in the newspaper industry.

Mike Kearney: But, Jim, before you get into next steps, you weren't implicated initially?

Jim Moroney: Me?

Mike Kearney: No, no, no, not you, I mean the *Dallas Morning*—I mean this was …

Jim Moroney: No. Oh, no, no, no. This was the one paper that had already been implicated, and that's when I was in New York, and I called the person and I said, "Hey, did you see this? We're not doing this, are we?" And he said, "No, we're not doing this." And I said, "Well, we better be damn certain, and you better get all these guys together, and you better tell them that if anybody is caught doing this, it's the end of their job and the end of everything else."

Mike Kearney: The reason why I just wanted to point that out is this was not a—this was a crisis maybe in industry, but you had not been implicated. Yet you were proactive in starting to try and understand whether this was not an issue.

Jim Moroney: Yes, but it had only been one paper so far.

Mike Kearney: It wasn't even an industry issue. It was just one.

Jim Moroney: It wasn't industry. And so then we had to start dealing with the fallout, and I think the thing that we did that was so smart, and I'm not taking credit for it. The CEO at the time really led the charge on our whole company, our chairman of our board. He said, "Look, we're going to calculate what our advertisers would have paid us over about a six-month period of time or a year." I think we did one year. We don't know how long this is going on.

But we said, "If this circulation has now all come out, had been the base instead of the base that was reported, how much less would they have paid us for the advertising?" And we calculated it for every advertiser. And we said, "Here's the amount of advertising you've spent with us based on this rate base. Here's what it would have been had the rate base been lower, where it really should have been, because we think these copies were not real copies being sold. Here's the difference, and here is a check."

"And by the way, you don't have to sign anything saying you still can't sue us." And I think that that last part, not only giving them the check with no strings attached.

Mike Kearney: No strings attached.

Jim Moroney: If they said "not enough," sue us. If they said, "That's great, that's enough, but I'm still going to sue you." We said you can do anything you want. But here's money. And if you cash the check, you are obligating yourself to nothing. It's yours, and you can do whatever you want after that in terms of coming after us.

And so we came through it not unscathed because it hurt the company, it hurt our pride, it hurt our sense of integrity. You hate to be a story that you have to report on about yourself. By the way, in fact, to be sure that we really were objective with the story, we brought a reporter in from one of our other newspapers and had him come in here and report the story.

Mike Kearney: Wow.

Jim Moroney: So it couldn't look like we were trying to do home cooking.

Mike Kearney: Or covering it up.

Jim Moroney: Yes, covering our own story, and not really telling the whole story. And so that person came in, had carte blanche to do the reporting and report it, and publish it in our newspaper. And I think those kind of things helped us get over something that the other two newspapers, and another newspaper eventually had—went on for a lot longer and took a lot more damage that they had to work their way out of for a longer period of time.

Mike Kearney: If you could go back in time, and you were to go back in time when you were first CEO, and you were to give yourself just one piece of advice, what would it be?

Jim Moroney: I would have said, "Don't become one of them." Stay enough outside that you can see secular change for what it is when it happens, and not get bought into "it's cyclical." And I didn't do that. I didn't stay enough as an outsider. I don't think I even recognized how I was becoming part of the culture of "we're great, and we had a great run, and we can't do things wrong, and it'll all come back." And I wish I could have that back so badly.

Mike Kearney: Do you remember the guy that gave you that advice, or answered the question when you did all of those interviews? Because it sounds like he, in some respects, had a pretty profound impact on you.

Jim Moroney: No, he did, and he was the head of our north plant at the time, and probably one of the guys I would have least expected to hear this from. Because he was, you know, an old printing guy, you know, but, boy, did he … he was right. And if you're ever in a disruptive industry, I just can't tell you how important that is.

Mike Kearney: Last question. We named this podcast "Resilient" because we're very interested in what makes a resilient leader. And I think the whole notion of resilience in today's day and age with all the change, the volatile world we live in, it's probably more important than ever. So when I say that word "resilient" leader, it may sound like a consulting word, but what are the characteristics of a resilient leader in your mind, or the one characteristic?

Jim Moroney: I think that for me, my resiliency comes in two parts. I feel like I have a group of people that I can't let down, and I have to get back up off the mat every time and come back to bat for them because I'm the CEO. Now, if they take me out, then that's fine. But as long as I'm here, I owe something to the rest of them to keep fighting as long as I can. And the second part is, I really do believe that the journalism that we produce at scale, greater than any other news organization in the town by far, is such an important part of a durable democracy.

I think that the watchdog journalism we do, the way that we try to keep our elected officials, you know, honest and serving the citizens. The fact that the forefathers said, hey, we're going to give you this First Amendment right not to be overly interfered with by the government. That's a pretty sacred thing. And we have a mission statement actually carved on our wall there, and it's all about giving the people both sides of every story, and it's about integrity, and it's about trustworthiness.

And I think that's a huge trust, and I think it's the reason G.B. Dealey started this paper, and I think it's kept the paper going ever since the early institution. And I feel a real sense of responsibility to that, so that keeps me getting back off the mat every day too.

Mike Kearney: Awesome. Jim, thank you so much. This was incredible.

Jim Moroney: Thank you.

Mike Kearney: Wow. What an incredible conversation on leading through disruptive change. I still can't get over the fact that Jim has been at A.H. Belo for the last 15 years leading the organization through all this change. I have got some great nuggets, some great quotes that we also heard through that podcast. This has been an incredible journey for me, and I want to thank everybody out there for continuing to listen to *Resilient*, a podcast that is from Deloitte and produced by our friends at Rivet Radio.

And as we've talked about before, you can go to our Deloitte dot-com site to listen to it, but you can also go to a variety of different pod catchers. Keyword: Resilient. And I'd ask if you like this episode, go check out some of our previous episodes. We've got some great interviews with CEOs, board members, and leaders. And what's incredible about this is we've been at this for about six months now, and we're starting to get a treasure trove of great conversations. So go check them out.

Also, social media is the way to connect with me. So hit me up on LinkedIn or even Twitter with any comments or recommendations for future guests. What has been great is I, weekly, get some incredible guest recommendations, and I'm pursuing them. This is what makes the podcast great is getting incredible leaders who define "resilient" to tell their authentic stories. If you want to catch me on Twitter or LinkedIn, my profile is under Michael Kearney. Last name is spelled K-E-A-R-N-E-Y. And remember, leaders who embrace risk improve performance and are more prepared to lead confidently in the volatile world we live in.