

# Weathering A Recession: Effects of Size and Diversification on Newspaper Companies

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This article explores the impact of the recession of 1990–1991 on U.S. newspaper firms and seeks to determine whether the sizes of the firms or the degree of diversification affected their financial performance during the economic downturn. Using data from 15 publicly traded companies before, during, and after the recession, correlation and regression analyses were conducted to study the effects of the size and diversification variables. The authors conclude that larger firms were more affected by the recession than smaller firms and that nonnewspaper diversification reduced the effects of the recession. Larger firms were more rapidly affected by the recession, placed greater controls on expenses during the recession, and emerged from the recession more slowly than smaller newspaper firms.

In 1990 and 1991, the newspaper industry experienced a serious recession created by a slowdown in national economic activity that created a drop in real retail sales. Retail sales in constant dollars declined from a growth rate of 2.7% in 1989 to 0.7% in 1990 and finally -2% in 1991. (U.S. Bureau of Census, 1994, p. 786) This drop was compounded by bankruptcies and reorganization among major department stores and retailers that further reduced retail advertising, and it was accompanied by a significant decline in classified advertising. Because advertising accounts for

as much as 85% of some newspapers' revenues, and newspapers suffered an overall decline in advertising revenue of 6% between 1990 and 1991, the newspaper industry experienced its worst recession in 4 decades.

Characterizations such as "disastrous," "horrendous," and "brutal" were applied to 1990 and 1991 by newspaper managers and employees alike. The industry trade publication *Editor & Publisher* observed that "the newspaper industry could not close the books fast enough on 1991, one of the worst years in decades." Tony Ridder, president of Knight-Ridder Inc., called it "the worst year in the modern history of daily newspapers" (Garneau, 1992). This article closely examines the effects of the 1990–1991 recession on newspaper firms and seeks to determine whether firms were affected differently as they entered, endured, and recovered from the downturn.

The dramatic drop in revenues resulting from the economic situation led to closures and mergers of newspapers, givebacks, and reduced demands by newspaper labor unions. More than 20,000 employees lost their jobs through layoffs and buyouts between mid-1990 and the end of 1991 (Fitzgerald, 1992). Layoffs, givebacks, closures, and mergers were rampant.

The recession was so acute that corporate executives of public newspaper firms, who traditionally find some facts with which they can paint a rosy picture in their annual reports during poor times, made little effort to sugarcoat the financial performances of their companies. "After healthy earnings growth in recent years, Tribune Company experienced a difficult and disappointing 1990" (Cook & Brumback, 1991, p. 2), company Chairman Stanton R. Cook and President Charles T. Brumback told shareholders. Media General Chairman J. Steward Bryan blamed his company's 1991 performance on "the prolonged recession and anemic advertising environment" (Bryan III, 1992, p. 2) and Times Mirror's Chairman Robert F. Erburu and President David Laventhol told investors, "the decline in advertising revenues that became evident in 1990 continued to accelerate in 1991.... By year-end, the media industry had suffered the worst decline in advertising revenue since World War II" (Erburu & Laventhol, 1992, p. 4).

The views of such industry managers and observers were far from hyperbole, as shown in newspaper advertising expenditure figures for the period (see Figure 1). One can clearly observe how the increasing expenditures of the late 1980s ended abruptly at 1989, and dropped dramatically in 1991, before once again beginning their upward movement when the recession ended.

As indicated earlier, between 1990 and 1991 newspaper advertising expenditures dropped 6%. The retail/display advertising and national advertising categories experienced declines of 4.8% and the classified advertising category dropped 8% (Newspaper Association of America, 1994).

The ability to gain a deeper understanding of the effects of such recessions on newspapers is limited by the dearth of studies on business cycles and economic problems in the newspaper industry and comparisons of different sectors within

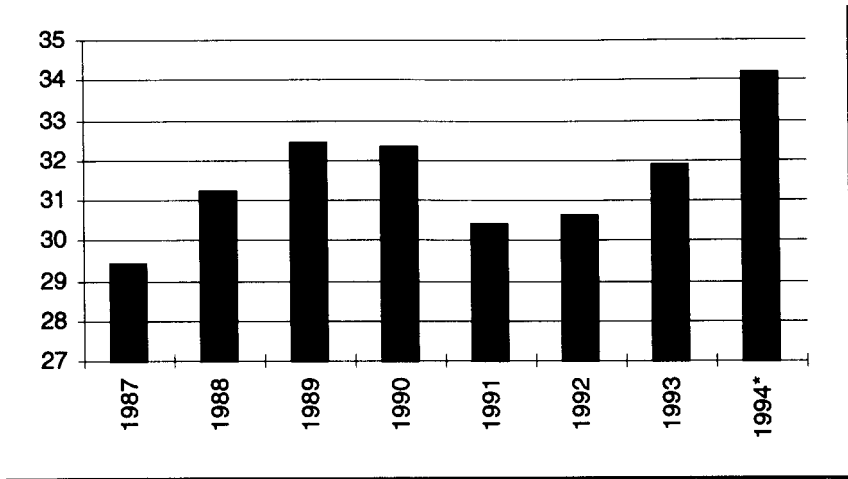


FIGURE 1 Newspaper advertising expenditures (in \$ billions).

the newspaper industry. The problems of business cycles have been recognized by economists since the 1700s and have been a topic for significant research and debate. Cycles were initially explained as the results of exogenous shocks to production or labor by Adam Smith, David Ricardo, and John Stuart Mill; by underconsumption theories in the early 1800s; by investment, cost-price, and long-wave theories in the early 20th century; and then by John Maynard Keynes' argument that investment volatility creates self-generating pressures that lead to recession and recovery (Hall, 1990, esp. chaps. 3 and 4).

In the 20th century, business cycles are theorized to develop because "the very conditions that make businesses profitable gradually evolve conditions that threaten a reduction of profits" (Mitchell, 1941, p. 61). Prosperity increases the costs of doing business because it leads to expansion and increased capacity; increases in wages and benefits; and increases in costs for items such as supplies, rents, and interest rates on short-term loans. Ultimately, output increases and demand and investment decline, which are greeted by tighter credit, declining growth, and then company reductions in production, workforces, and so on. Economists have debated whether such expansions and contractions are actually cyclical because of problems with the periodicity and magnitude of vacillations. Some scholars prefer the term *fluctuations in the economy*, but common language in business and economics still speaks of cycles to indicate these upward and downward movements of the economy (Bowers, 1985, pp. 1-4).

The lack of research on business cycles and their relationship to newspapers should not be surprising because very little literature explores the effects of the economy on newspapers, even in the broadest terms. Media management and eco-

effects of public ownership on performance (Blankenburg & Ozanich, 1993), the roles of institutional investors in newspaper firms (Picard, 1994), and the value of newspaper assets (Picard, 1995).

This article uses financial information from public companies to consider the effects of the recession on newspaper companies and whether there were differences in the ways individual newspaper firms were affected. We attempt to learn from the recession and the experiences of the newspaper companies in the recession using financial data from public companies. Our research explores the degrees to which differences in the size of company revenues, total company circulation and number of papers owned, diversification outside the newspaper industry, and geographical diversification play roles in the performance of companies during recessions.

Company size is an issue because size can both empower as well as constrain a manager's actions. Size can provide strength and economies of scale, but it can also make enterprises difficult to manage and cause inertia or slow response when change is needed. Size can create greater dependence on outside capital or vulnerability to rapid economic changes.

Diversification is considered because it is a strategy used by firms to smooth sales and profit fluctuations, to stimulate growth faster than if they concentrated on a single product or service, and to ensure that performance is not dependent on the economic cycles of one location or industry (McGlashan & Singleton, 1987, pp. 111–113). This strategy develops from the fact that, during different business cycles, "different branches of trade and different sections of the country are found to be the chief sets of activity, the chief sources of stress, and the chief sufferers" (Mitchell, 1941, pp. 166–167).

## METHOD

This study considers the performance of 15 publicly owned media companies before, during, and after the 1990–1991 recession. The companies represent a near census of publicly traded U.S. newspaper companies.<sup>1</sup> Data were collected for three periods totaling 4 years: (a) the year prior to the recession (1989), (b) the recession years (1990–1991), and (c) the year subsequent to the recession (1992).

The companies included in the study are A. H. Belo Corp., Central Newspapers Inc., Dow Jones & Co., Gannett Co., Knight-Ridder Inc., Lee Enterprises Inc., McClatchy Newspapers Inc., Media General Inc., Multimedia Inc., The New York

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<sup>1</sup>Excluded from this study were two firms that kept it from being a census: Capital Cities/ABC Inc. and Park Communications, Inc. The two were not included because the database from which we collected financial data did not include full information for the 4-year period under study.

Times Co., Pulitzer Publishing Co., E. W. Scripps Co., Times Mirror Co., Tribune Co., and Washington Post Co.

Independent variables included in the study are revenue size of company, total company circulation, number of papers owned, average circulation per paper, nonnewspaper diversification, and geographical distribution of newspapers. Dependent variables in this study are the growth rates of net operating revenue, total operating expense, operating income, net income, and return on sales.

### Independent Variables

The independent variables in this study are size of the newspaper company and diversification of the company. Because there is no single measure of the two concepts that has been agreed on, this study employs six different available measures (four indicators of size differences and two indicators of differences in diversification) that have been used in other studies involving size and diversification. To ensure comparability between dependent variables, and because the authors wished to keep the size and diversification concepts constant, a single year's data (1990) was utilized to measure independent variables.

*Size variables.* One of the four independent variables related to company size is operating income (revenue). Company size, based on revenue, ranged from \$288 million to \$3.6 billion. Total daily circulation of all newspapers owned by a company (a traditional measure of company size in industry publications and research) was also utilized. This variable ranged from 322,000 to 5.9 million. Another standard indicator of company size is the number of daily newspapers owned by a newspaper firm. In this study, this variable ranged from 1 to 82.

The separate use of the last two variables, total circulation and number of papers, can be misleading when a firm has one paper with very high circulation or many papers with very low circulation. To compensate for this potential problem, the authors standardized these data by calculating the average circulation per paper as a final indicator of size. This variable ranged from 23,000 to 418,000.

*Diversification variables.* To determine whether diversification outside newspaper publishing affects ability to weather recessions, the extent to which the firms are diversified was considered. Because newspapers' financial performance is directly tied to advertising sales that account for up to 85% of revenue, newspapers are especially vulnerable to recessions. Since the 1970s, large newspaper companies have diversified into other media such as cable television, book and magazine publishing, broadcasting, and multimedia that are not as dependent on advertising or not as affected by recessions as the newspaper industry.

The extent of diversification was measured by calculating the percentage of revenue each firm received from newspaper operations, with higher percentages

indicating less diversification. The average revenue received from newspaper operations was 65%.

To determine whether geographic diversification of daily newspaper properties affects ability to weather recessions, the number of states in which firms operated daily newspapers was considered. Geographic diversification is an issue because different states or regions respond differently to economic changes. Companies in this study ranged in geographic diversification from 1 to 33.

### Dependent Variables

Data on net operating income (NOI), total operating expenses, operating income (OI), net income (NI), and return on sales (ROS) were gathered for each of the 15 companies from their annual reports and 10-K forms. A database was created from which growth rates for the first four measures were computed for each company from 1989 to 1992. Growth rates expressed as percentages, rather than actual financial figures, were utilized to remove financial size as a variable and to make the performance comparable. Because ROS was reported as a percentage, there was no need to adjust it to compensate for financial size.

Three of the five measures are calculated from the performance of two others, so there is a relationship between them from their inception. Net operating income is the most independent of the others and indicates the revenue received from sales of products and services. Operating expense (OE) is also somewhat independent from the other measures and indicates the expenses incurred in producing the products and services sold. It is independent in that it is not calculated using the other measures, but OE is influenced by managers' estimates of what NOI will be and their responses to economic conditions during a year. The final three measures result from combining the NOI and OE measures. Operating income is the profit or loss from operations that results from subtracting OE from NOI. Net income is the result of subtracting or adding to OI any nonoperating expenses or income, such as

TABLE 1  
Average Performance of Newspaper Companies Studied

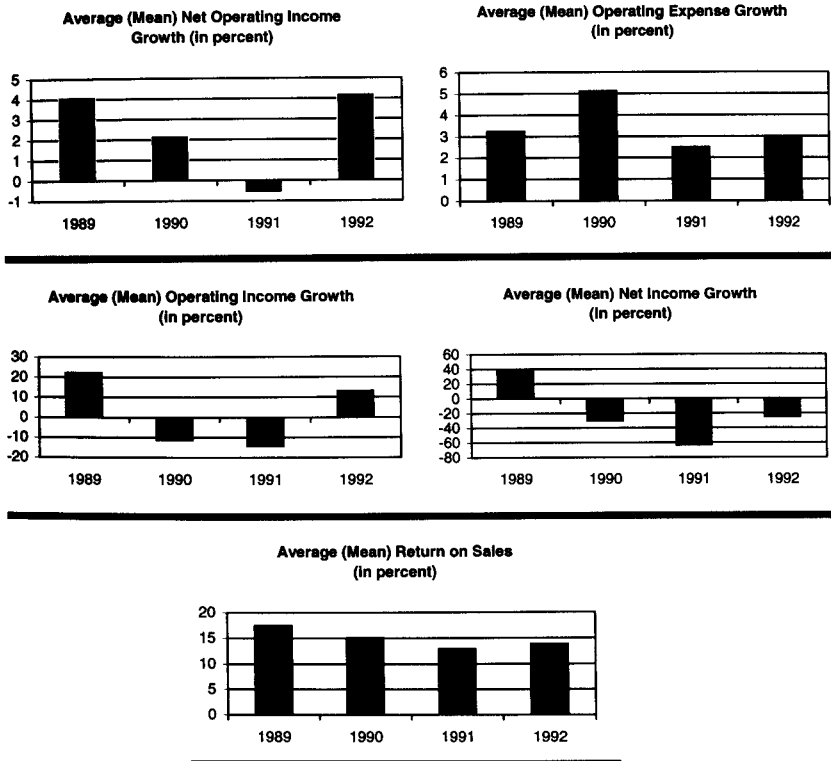
	1989	1990	1991	1992
Growth of net operating income (%)	4.12	2.19	-0.59	4.25
Growth of operating expense (%)	3.24	5.11	2.49	2.90
Growth of operating income (%)	22.09	-11.23	-14.22	13.05
Growth of net income (%)	39.02	-30.06	-63.18	-25.27
Return on sales (%)	17.5	15.1	12.9	13.8

*Note.* Source: Calculations provided by the authors.

interest expenses, taxes, extraordinary income, and other nonoperating items. Return on sales is calculated by dividing OI by NOI.

The development of the recession can be clearly seen in average growth of NOI, or revenue, for the companies in this study (see Table 1) and in the graphic display of that information (see Figure 2). The growth rate of average NOI dropped significantly in 1990 and then declined into negative figures during the depth of the recession in 1991, before rising again in 1992. The effect of the recession can further be seen in the strongly negative average growth rates for OI (the result of subtracting OE from NOI) during the recession years of 1990 and 1991.

Despite the fact that growth rates were significantly affected by the recession, the average firm continued to make operating profits (evidenced by ROS) during this period. This was accomplished primarily by reducing expenses through significant cost-control measures and employee reductions. Although these measures helped



Source: Tables created by the authors.

FIGURE 2 Changes in average performance of companies.

ensure profitability, the average ROS dropped from 17.5% in the year prior to the recession to 12.9% at its depth.

Two interesting phenomena are observed in Table 1 and Figure 2. First, the average growth rate for OE rose in 1990, the year the recession began. Second, huge declines in average growth rate for NI occurred in the 1990 and 1991 recession years and again in the recovery year of 1992.

During 1990, the growth rate of OE for 7 of the 15 firms increased, with OE growth rates for three firms—Dow Jones & Co., McClatchy Newspapers, and Times Mirror Co.—rising above 10%. Part of that increase can be attributed to inflation, which reached a 6.7% rate for the year, but part occurred because of management choices. It should be noted that the emergence of the recession was not evident until mid-1990, by which time managers had spent half the year implementing strategies and plans that did not take into account the dawning of a recession. Times Mirror's expenses, for example, rose because of large circulation growth at *Los Angeles Times* and *Newsday*, which boosted production, marketing, and distribution costs.

In 1991, however, significant cost controls began as the recession became evident throughout the companies. During this time, the average growth rate plummeted to 2.49%, even in the face of 5.5% inflation for the year.

The strongly negative growth rates in NI in 1990 and 1991 occurred in most companies because of increased interest expenses caused by higher debt loads and nonrecurring charges resulting from downsizing and divestments. The negative growth rate of NI in 1992 is not related to the recession, but is rather the result of changes in accounting standards that required most firms to make adjustments to nonoperating expenses because of changes in the reporting of deferred taxes and retirement benefits.

In the analysis of the dependent variables, the entire database of company performance—rather than merely the average performance indicated here—was employed.

## RESULTS

The data were subjected to both bivariate and multivariate analysis using correlation and regression. Correlation analysis was performed to seek bivariate relations, and a correlation matrix containing the results was produced. Interpretation of the coefficients was made using the five-level interpretive guide suggested by Guilford (1956): (a)  $< .20$  = slight correlation, almost negligible relation, (b)  $.20$  to  $.40$  = low correlation, definite but small relation, (c)  $.40$  to  $.70$  = moderate correlation, substantial relation, (d)  $.70$  to  $.90$  = high correlation, marked relation, and (e)  $> .90$  = very high correlation, very dependable relation.



Although a great number of low correlations (indicating that small relations exist among variables) appeared in the correlation matrix for this study, the authors set a minimum of .40 (moderate correlation, substantial relation) as the threshold for accepting correlation. This conservative approach was taken because this study involves only 15 firms and because the robustness of variables employed has not been previously established for this type of research.

### Correlation Between Independent Variables

Because there is no single agreed-on measure of size or diversification used in newspaper firm research, this study employed several possible variables. As part of the correlation analysis, the relations between these independent variables were explored. It was expected that correlations would be found among the independent variables, particularly among those for size and between the two diversification measures.

Size of firm indicated by revenue was highly correlated with size indicated by total circulation ( $r = .99, p = .001$ ) and moderately correlated with size indicated by number of papers and diversification indicated by number of states in which the firm owns papers ( $r = .60, p = .009$ ). This indicates that firms with larger revenue tend to have higher total circulations, a larger number of papers, and own papers in more states than those with smaller revenues. The nature of these correlations might be expected to introduce problems of multicollinearity in the regression analyses to be discussed later.

Size of firm as indicated by total circulation was highly correlated with size of firm as indicated by revenue ( $r = .88, p = .001$ ) and number of papers ( $r = .84, p = .001$ ). It was also correlated with diversification as indicated by the number of states in which the firm owns papers ( $r = .86, p = .001$ ). Firms with larger total circulations, then, tend to have higher revenues, more papers, and operate papers in more states than smaller firms.

Size of firm as indicated by number of papers was highly correlated with total circulation ( $r = .84, p = .001$ ) and number of states in which papers are owned ( $r = .97, p = .001$ ), and moderately correlated with size indicated by revenue ( $r = .57, p = .014$ ). Size of firm indicated by number of papers showed a moderate negative correlation with average circulation per paper of the firm ( $r = -.45, p = .047$ ). This indicates that companies with larger numbers of papers tend to possess higher revenues, have larger total circulations, and own papers in more states, but have papers with smaller average circulations than firms with a smaller number of papers.

Size of firm as indicated by average circulation had a negative moderate correlation with number of papers ( $r = -.45, p = .047$ ) and number of states in which papers were owned ( $r = -.44, p = .051$ ). This indicates that, among the papers and

firms studied, the larger the average paper's circulation, the lower the number of papers owned and number of states in which papers are operated by its parent firm.

Diversification as evidenced by the percentage of newspaper revenues was not correlated with any other independent variable. This lack of correlation may be due to the fact that diversification strategies and abilities are not limited by the size of public firms or the number of locations in which they operate newspapers. This diversification measure stands alone in this regard among the independent variables.

Geographical diversification as evidenced by the number of states in which a company owns papers was strongly correlated with total circulation ( $r = .86, p = .001$ ) and number of papers ( $r = .97, p = .001$ ), moderately correlated with size as indicated by revenue ( $r = .60, p = .009$ ), and had a moderate negative correlation with average circulation per paper ( $r = -.44, p = .051$ ). This geographical diversification measure's correlation with the four measures of size is possibly due to the fact that the number of states in which a firm operates could also be an indicator of size.

### Correlation Between Independent and Dependent Variables

When the relations between the independent and dependent variables were considered, a variety of significant correlations were discovered. The correlations are reviewed here by considering relations associated with each independent variable.

The size of firm as indicated by its total revenues was found to be related to a number of growth rates and all the correlations were negative. Larger size was moderately associated with lower levels of NOI growth during the recession years and lower levels of OE growth during 1991 when the recession was at its depth (see Table 2). Larger firms were also moderately associated with lower levels of OI growth during the first year of the recession and the recovery year and with lower levels of NI growth in the year prior to the recession.

*Size of firm (total circulation).* The size of the firm as indicated by total circulation had a moderate negative correlation ( $r = -.44, p = .052$ ) with NOI growth in 1990, the year the recession began, indicating the larger the firm (evidenced by total circulation), the lower the growth of NOI in 1990.

TABLE 2  
Correlations Between Company Size (Revenue) and Growth Rate

NOI 1990	NOI 1991	OE 1991	OI 1990	OI 1992	NI 1989
-.43	-.42	-.41	-.47	-.65	-.41
$p = .054$	$p = .058$	$p = .065$	$p = .039$	$p = .005$	$p = .067$

The size of firm as indicated by the number of papers owned was not correlated with any of the dependent measures of financial performance. The failure of this commonly used measure of size may be due to its inherent vagueness in explanation because it does not in itself account for the size of the individual papers. A firm with one very large newspaper, for example, may be larger than a firm with a dozen smaller papers because the former firm may in fact have a larger circulation, turnover, staff, and other measures of size than the combined newspapers of the latter firm.

The size of firm as indicated by the average circulation (mean) of its papers was negatively correlated with NOI growth in 1991 ( $r = -.52, p = .024$ ), the year in which the recession was at its depth. The larger the firm, the lower the NOI growth rate.

Diversification was found to be negatively correlated with the ROS for all 4 years under study (see Table 3). The higher the reliance on newspaper operations (evidenced by higher percentage of newspaper revenue), the lower the ROS before, during, and after the recession.

Geographical diversification, as evidenced by the number of states in which a firm owned newspapers, was not correlated with any of the measures of financial performance. The reasons for this result are not clear. Perhaps the recession was broad enough throughout the country that geographical diversification could not protect firms with greater geographical diversification. It could also be the result of the mere number of states in which papers are located not being a clear enough measure of diversification and that some regional measure or combination of geographical diversification and size measure may be needed to reveal correlation.

## Regression

In order to look for more complex relations, regressions were run. None produced significant results. However, four regressions resulting from stepwise regression, in which one variable was introduced while the others were held constant, produced significant results.

In the first significant regression, average circulation per paper ( $b = -52; t = -2.189, p = .047$ ) resulted in a multiple  $R$  of .52 and explained 21.3% of the variance in NOI growth in 1991, the year the recession was at its depth.

TABLE 3  
Correlations Between Diversification  
(Percentage of Newspaper Revenues) and Return on Sales

1989	1990	1991	1992
-.55	-.56	-.48	-.43
$p = .017$	$p = .015$	$p = .035$	$p = .055$

The second significant regression found that company size indicated by revenue ( $b = -.65$ ;  $t = -3.053$ ,  $p = .009$ ) produced a multiple  $R$  of .65 and explained 37.3% of OI growth in 1992, the year after the recession.

The third and fourth significant regressions produced explanations regarding entry into the recession. Diversification evidenced by the percentage of newspaper revenue ( $b = -.55$ ;  $t = -2.379$ ,  $p = .033$ ) explained 25% of the variance in ROS in 1989 (multiple  $R = .55$ ) and 25.8% of the variance in ROS in 1990 ( $b = -.56$ ;  $t = -2.423$ ,  $p = .031$ , multiple  $R = .56$ ).

## DISCUSSION

The results of the correlation analysis indicate that, as the size of firm increased, lower growth rates in NOI (revenue) appeared in the recession years. This development was revealed by correlations in three measures of company size. The larger companies, then, had a more difficult time gaining additional revenue during the recession than smaller firms, which tended to have larger positive growth rates during 1990 and 1991.

The analysis also indicates that the same negative relationship exists between size as evidenced by revenue and growth in OE in the first year of the recession. This would seem to indicate that the larger the company, the more cost cutting in which it engaged, keeping growth in expenses low or moving growth into negative figures. A negative relationship was also found between size evidenced by revenue and the growth of OI in the first year of the recession (1990) and the recovery year (1992), indicating that larger firms were more affected by the development of the recession and recovered more slowly than smaller firms.

Size was also negatively correlated with growth rates for OE in the recession year of 1991, indicating that larger firms made deeper cuts in the second year of the recession. The reasons that larger firms made more significant cuts than smaller firms is not evident from the data collected in this study.

Diversification, as measured by newspaper revenues' contributions to company revenues, was found to be correlated with returns on sales. The lower the diversification (evidenced by newspaper operations providing higher percentages of revenue), the lower the returns on sales before, during, and after the recession. Diversification, then, would seem to provide some protection against recession if this is an adequate measure of the concept.

The results of the regression analysis underscore these findings. Size as evidenced by revenue was the single significant explanation of NOI during the year in which the recession was at its depth and for OI the recovery year. Diversification evidenced by percentage of newspaper revenue also provided the significant explanations of ROS in the year prior to the recession and the year in which the recession began.

Also revealed were intercorrelations between various measures of newspaper firm size. Although all appear useful, size as indicated by number of papers owned obtained the most moderate-to-high correlations with other variables regarding size. Furthermore, the measure of the firms' average circulation per paper resulted in the fewest moderate-to-high correlations with the other size variables.

## CONCLUSIONS

Several conclusions emerge from this study of the 1990–1991 recession. First, larger newspaper firms were more affected by the recession than smaller firms. Second, nonnewspaper diversification is helpful during recessions.

The data and analyses in the study revealed that larger newspaper firms were more rapidly affected by the recession than smaller firms, that larger newspaper firms made larger cuts in OE—or controlled the growth of expenses more—than smaller firms in the midst of the recession, and that larger firms recovered from the recession more slowly than smaller newspaper firms. The reasons for these results and behavior are not fully apparent from this study, but several possible answers exist why large firms were more rapidly affected.

The 1990–1991 recession had the greatest affect on regions with large metropolitan areas and the newspaper firms owning large papers in those areas tend to be among the largest firms. The large firms might thus be more dependent on the performance of those large newspapers. It should also be noted that larger metropolitan papers tend to have more zoned edition, larger staffs, and more adjunct ventures. It is possible that the revenue portions of these activities were more affected by the recession and were unable to cover costs to their operations.

One also recognizes that firms with larger number of papers tend to have more layers of managers and incur additional costs for corporate management of the enterprise. These additional cost structures may have been a factor in the performance as well. It is also possible that the larger firms were stretched thinner, were more dependent upon cash flow, and held few reserves on which to draw than their smaller counterparts.

Although this study does not provide evidence to answer the question, one must ask whether the larger firms overreacted to the recession and why. Is it possible that they felt more pressure from Wall Street than the smaller public newspaper firms, which typically have lower percentages of shares owned by institutional investors (Picard, 1994)? Did that pressure make them less willing to experience poor financial results in the short term?

The data and analyses also indicate that nonnewspaper diversification (evidenced by lower percentages of newspaper revenue) was linked to higher returns on sales both in and out of the recession. Firms with lower levels of diversification had lower returns on sales. These results lend credence to earlier research on the value of diversification to firms as a whole and to newspaper finance literature that

indicates performance is closely linked to retail advertising sales, which are highly responsive to changes in the local and national economies. Firms with lower diversification are more dependent on newspaper operations whose financial support is strongly affected by economic fluctuations.

These results raise several interesting research questions that are not answerable from the data and analysis in this study:

- Did the tighter cost controls and cost cutting by larger newspaper firms evident in 1991 make it more difficult for them to recover from the recession in 1992?

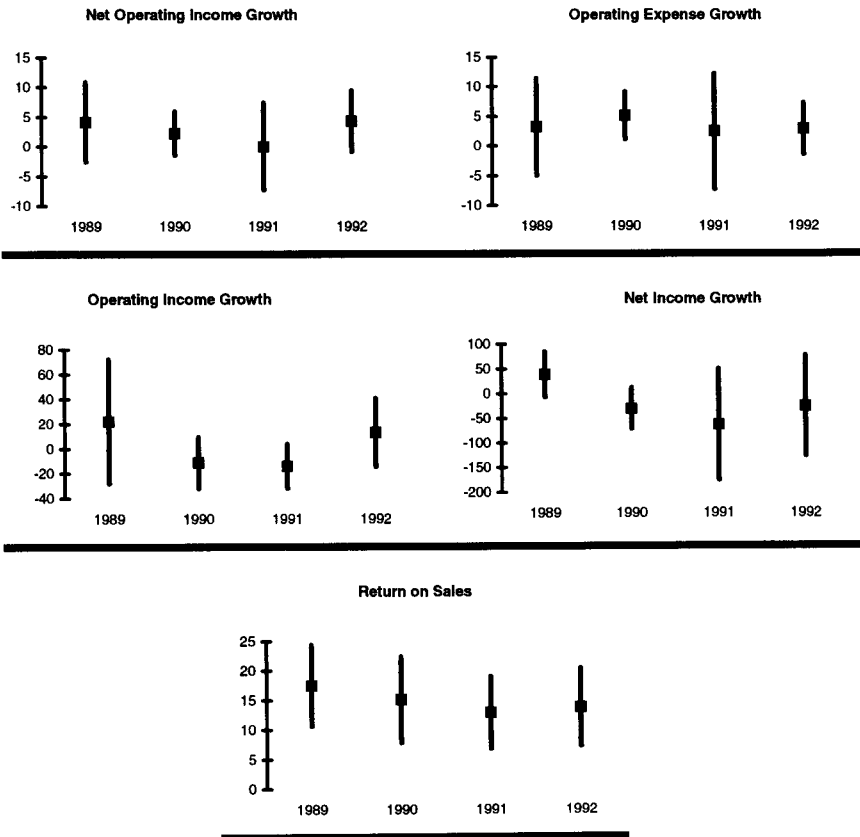


FIGURE 3 Range of plus/minus one standard deviation from the mean for performance variables.

- Was the behavior and performance of newspaper firms in the 1990–1991 recession similar to behavior and performance in previous recessions?
- Would the performance difficulties evidenced by larger newspaper firms in this recession be expected to be repeated in future recessions?
- Were there differences in decisions and choices made by managers of the larger or smaller newspaper firms that led to the differences in performance during the recession and its recovery?

The correlation analysis used in this study sought bivariate linear relations among the variables. Future research might provide additional insight by exploring whether nonlinear relations exist and by examining relations among size, diversification, and company performance.

This study also raises some intriguing questions about company behavior and performance when one looks beyond the average performance of firms. When the range of plus or minus one standard deviation from the mean is plotted across the time period (see Figure 3), the contraction and expansion of the range raises two questions:

- Why did the ranges in NOI growth and OE growth contract during the first year of the recession, expand during the second year of the recession, and then contract once again during the recovery year?
- Why was there an expansion of the range in NI growth during the depth of the recession (1991) and the recovery year (1992) compared to the year prior to the recession (1989) and the year in which the recession began (1990)?

As with the previous questions, the data and analysis in this study do not provide answers, but the questions provide the bases of an agenda for future research.

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