

## **The Effect of Ownership Structure on News Coverage in the United States**

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### **Abstract**

This study examined the size of newspapers and newspaper chains in the United States and the impact on content. The purpose of this study was to look at how newspapers are providing local information necessary for local communities. Are diversification practices, downsizing and economic concerns of news organizations resulting in more or less local news coverage? To address these questions, a number of key newspaper chains in the U.S. were examined to see whether or not circulation size and size of the parent company impacted the use of local sources in the coverage of key issues. Findings indicated that newspapers with smaller circulations tend to use more local sources and that the number of newspaper holdings of parent companies was also significant in predicting use of national/online sources.

Most newspapers in the U.S., including *The New York Times*, *The Los Angeles Times*, and *The Dallas Morning News*, are experiencing extreme financial difficulties (Meyer, 2008). Kuttner (2007) stated that as our youth lose the habit of reading print, it will be difficult to survive when cost structures for print media are fifty percent higher than Internet competitors. Despite decreasing circulations, newspaper layoffs, and declining revenues, however, newspapers continue to be the leading force in journalistic news reporting. The 2006 State of the News Media Report found that alternative media such as blogs contain only five percent of what would be considered journalistic reporting. Furthermore, Kuttner (2007) stated that if one were to trace the origins of non-traditional news media, about 85 percent would point toward newspapers as their main source of information. Clearly, the flow of information is dependent on our traditional media, newspapers in particular.

In light of changing economics of media industries, questions have arisen as to whether or not the organizational structure of some of our largest, most influential newspaper chains is contributing positively or negatively to sound journalistic practices in our local communities, journalistic practices necessary for thriving democracies. Are they covering news in a way that is relevant and useful for readers and in a way that relates to the local community, or have economies of scale resulted in fewer local sources and more shared information? As traditional media confront Web issues, they grapple with the structure of their organizations and ways to most effectively and efficiently create content that appeals to a wide range of people (Smolkin, 2007). Some claim that media conglomerates are far removed from local communities and that local news has gone by the wayside. Others claim that local newsrooms act independently in each community in search for news that relates to local citizens (Cunningham, 2001).

The purpose of this study was to look at how newspapers are providing local information necessary for local communities. Are diversification practices, downsizing and economic concerns of news organizations resulting in more or less local news coverage? Most agree that innovative coverage of local issues is key for news organizations' survival. This paper examines ownership characteristics of newspaper companies such as the New York Times Company and the Tribune Company to see whether or not there is an influence on local news coverage.

**Media Structure and Organizational Impact**

One key function of the press has been to keep citizens informed of government issues and the election of government officials. In the U.S., local media has provided citizens with information on how politics, including national politics, will impact local communities where their newspapers operate. Traditionally, newspaper and television stations have been family-owned entities with publishers and general managers living in the communities where their newspapers function. With increased concentration of ownership, the organization structure of large media conglomerates can be far removed from local communities. Owners may have nothing to do with local communities. Studies on the structure of these media organizations have analyzed numerous variables; however, this study focuses on variables such as circulation size, scope of the parent company and source usage...variables which potentially impact news coverage and thereby the democratic life of local communities. Variable such as size and circulation in previous studies have been related to central control over content. Diversification variables have been related to how corporations use resources across divisions. These studies are important because Stone, Stone, and Trotter (1981) found that market characteristics could be used as predictors of newspaper quality. The best performing papers had the best circulation performance. Lacy (1989) added that, in general, higher quality newspapers would be associated with more subscribers or larger newspapers. Such studies are good indicators of the relationship between structure and quality. Compaine et. al. (1983) long suspected that the structure of media organizations had an impact on content. Demers (1999) identified several structural trends in the media industry. For example, he suggested that the bigger the media conglomerates are, the less control they have over their media institution. This would, in fact, benefit local outlets by allowing autonomy at the local level to operate under the needs of the local community instead of the needs of the parent company.

Local subsidiaries within the large organization often control the flow of information in each geographical community. In a nation that has different local and state governments, information must be provided about the immediate local political and social environment. Blakenburg and Ozanich (1993) suggest that "inside control" is where owners and managers of media organizations play important roles in decision-making. Media may be owned by large conglomerates; however, decisions are still made at the local level. Often local media have been able to thrive in smaller communities because of the ability of parent companies to share cost burdens.

Oba and Chan-Olmsted (2006) found that the larger the conglomerate, the more likely it would use more syndicated programming from within the organization. Chen, et.al (2005) discovered that the

more newspaper companies invested in their firms in terms of syndicated materials, wire services, staffing, travel budgets, etc., the more likely was their profit potential. Likewise, Oba and Chan-Olmsted found that smaller firms find new niches, provide innovation, and establish incentive for new firms to follow a similar path. Newsroom investments, as well as experimentation on the part of large media conglomerates and their local divisions often prove to be good for business.

In addition to increasingly larger newspaper companies, these companies have also diversified their holdings which may have had an impact on content. Large corporations consist of a number of independent subsidiaries, each acting as a profit source and decider of content. These companies practice diversification to ensure that performance does not depend on a single product or service (Picard, 2002). Stephan (2005) described product-diversification as expansion of activities across different media product markets. Furthermore, Stephan (p. 80) states that "diversification into related product markets is considered as a strategy to pursue efficiencies and to enhance profits by realizing economies of scope." According to Picard (2002), some companies prefer diversifying into other print media; while others offer a wide range of communication products.

Chan-Olmsted and Chang (2003) and Stephan (2005) used the resource-based view of the firm to analyze diversification. They found that the external environment shapes the strategic behavior of a firm. According to Waterman (1991), chain ownership benefited from "transaction cost savings" and "economy of scale" which was the results of "centralized management" (p.172). Gomery (1998) also suggested the main causes of media conglomeration in the United States were economies of scale, vertical integration, and corporate diversification. With economies of scale, conglomerates could receive greater returns on their investments.

Diversification is also often positive in the sense that a "heterogeneous democracy" needs a "broad spectrum of ideas and opinions" (Becker and Schoenbach (1989, p.19). Emerging media conglomerates had to address a combination of senses and use new channels of information. In this way, media diversification could promote the use of multiple platforms of media. It would become imperative for companies to diversify in order to reach mass audiences. If they only appealed to a certain group, they would lose market shares of different groups. Therefore, a "something-for-everyone" approach was essential in order to compete. Lopes (1992) also looked at popular music and found a positive relationship between diversification and innovation. There was an increase in new artists, despite the "continuing market concentration"(p.64). He suggested that "innovation" was an important

consideration in the media industry. Larger corporations were under pressure to produce new materials in accordance with the interests of the users, because they are ultimately the source of their income.

Stephan (2005) described product-diversification strategies as an expansion of activities across different media product markets. According to Gordon (2002), in converged media organizations, structural changes have taken place in budgeting, job descriptions, and organizational charts once media begin sharing content. Information gathering has also changed, and reporters are expected to gather news for multiple platforms. With more outlets involved, there would be increasing diversity of ideas. Media conglomerates have the potential to facilitate a diversity of ideas and opinions, instead of setting one agenda.

A media firm will profit from these creative and intellectual resources when it uses content to offer products that are differentiated enough to charge premium prices or when media products are less differentiated but command a lower cost than rivals. In either case, Stephan believes that content is a key asset to profit. Strategic assets underlie a media's differentiation or cost advantage and are largely content related. The advantages of diversification into different media businesses come from sharable content. According to Stephan, a corporation may reap improved returns by diversifying across media businesses because it is easier to share content. However, the potential for repurposing content depends on the generic nature of the content, which may negatively impact the coverage of issues or angles of stories pertinent to the local communities that newspapers serve.

The literature suggests that size, diversification, and other structural characteristics of newspaper companies have an impact on content. Larger companies may have more resources and may be able to sustain individual newspapers within their chain to provide increased coverage on local issues. However this possible impact on local news is unclear. Some studies suggest that large companies for purposes of economies of scale will use a similar set of sources in their news content across their holdings and thus lose the local angle. Based on Stephan's view of the firm that content is a key asset to profit, the following research questions were addressed:

R1: Will lower circulation newspapers use more or less local sources?

R2: Will newspapers of larger parent companies, those that are more diversified and own more newspapers, use more or less local sources?

## Method

To determine how local news coverage may vary in relation to characteristics of companies, we examined newspaper coverage on presidential bids by U.S. Senators Hillary Clinton and Barak Obama. Local newspapers were chosen for analysis because they are traditional media and are the lifeblood of journalism and the U.S. While radio and television impact local communities, newspapers and their websites usually have larger news staffs than other media outlets. For example, Linn (2008) found the *The New York Times* news site had stronger influence on the individual agenda of CNN.com than CNN.com did on the newspaper site. Also, Benoit et. al. (2005), found that newspapers were the most important source of information about presidential campaigns.

Stories from January 15 to February 17, one week before Hillary Clinton's announcement and a week after Barak Obama's, were targeted. Hillary Clinton announced her candidacy on January 20, 2007 and Barak Obama on February 10, 2007. The national political events were chosen to see how newspapers covered the presidential primary with different local angles and to what extent local perspectives were associated with ownership structure of newspapers. Even though the presidential primary was a national story, results of the election have a strong impact on local communities. Since the U.S. is such a large country, national politics uniquely impact local communities and regions and thus call for individualized, local coverage. According to Meyer (2008), newspapers have the potential for success as long as they can provide local community influence. To quantify the use of local perspectives, we measured frequency of citing local/regional sources, such as interviews of local residents, office-holders or opinion leaders.

To locate newspaper stories, Lexis Nexis Academic Universe was searched using the keywords "Hillary Clinton or Barak Obama and presidential campaign" during the five week period. LexisNexis Academic provides access to full-text news, business, and legal publications, using flexible search options. "One of the most heavily used databases in higher education in the U.S., LexisNexis Academic is available at over 1,500 libraries serving over 8 million students and faculty" (<http://academic.lexisnexis.com>). News coverage includes deep backfiles and up-to-the-minute stories in national and regional newspapers, wire services, broadcast transcripts, international news, and non-English language sources.

The size of the newspaper was operationalized by circulation figures. The size of the parent company was operationalized by the number of newspapers owned and the SIC codes that indicated how many areas of business they were involved in. Length was measured by the number of words of each article. Authorship was dummy-coded either as staff writers or others. Others included contributing writers,

wire news services, or correspondents who were not part of the local community. Each news story was examined to determine the extent to which local, regional, national, or online sources were cited. Local sources were defined as sources within the city or surrounding areas of the newspaper. Regional sources were operationally defined as sources within the state but not surrounding areas of publication or within states that border the state of the publication. National sources were defined as sources anywhere in the U.S. that were not bordering the state of the publication. Whenever information came from web sites, we defined it as online sources.

Since counting frequencies of local/regional/national/online sources was relatively objective and straightforward, high inter-coder reliability was obtained. Based on a sample of 25 stories that were not included in the final analysis, two coders agreed 92% of the time on national sources, 96% of the time on the online sources, and 88% of the time on the local and regional sources. Since most disagreements came from distinguishing sources between local and regional, and both sources pertain to local perspectives, final analysis was done by combining local and regional sources. Adhering to the operational definitions described above, one undergraduate student majoring in journalism analyzed all stories.

In addition to the content analysis, financial information for each newspaper company was collected, including circulation, parent company's newspaper holdings, and number of different divisions that the parent company is affiliated with. To find 2006 daily circulations, "2006 Top 100 Daily Newspapers in the U.S. by Circulation," by *Burrelles Luce*, information from *Audit Bureau of Circulations*, and company websites were utilized. Regarding number of different divisions, "Million Dollar Directory: America's Leading Public & Private Companies" was used to identify Standard Industrial Classification (SIC) codes for each parent company.

The final data-set contained content analysis of news stories, as well as financial information of the company, as well as that of the parent company. The unit of analysis was the news story. Because some newspapers were private companies, some of their financial information was not publicly available, leading to a final sample size of 82.

## **Results**

### **Descriptive Statistics**

A total of 37 newspapers were analyzed, with 24 different ownerships. Table 2 addresses information about length, circulation, number of newspapers owned by parent companies, number of different

divisions, and authorship. Average length of stories was 732 words, with a maximum of 2046 words written by the *Chicago Tribune* and a minimum of 41 words by the *Seattle Times*. Average daily circulation was 447,077, with the largest circulation of 1,142,464 by the *New York Times* and the smallest circulation of 15,224 by the *Herald News*.

The average number of newspapers owned by parent companies was about 12, with a maximum of 56 and a minimum of 1. *Lee enterprises*, owner of the *St. Louis Post-Dispatch*, owned 56 daily newspapers. Based on the SIC codes, the average number of businesses that each parent company was affiliated with was 3.2, with a maximum of seven and a minimum of 1. For example, *News Corp.*, owner of the *New York Post*, was highly diversified with seven different businesses: Newspapers (2711), periodicals (2721), book publishing (2731), television broadcasting stations (4833), cable and other pay TV services (4841), motion picture and video production (7812), and theatrical producers and services (7922). Among the 82 stories, 61% were written by staff writers, while 39% were written by others, as shown in Table 1.

**Table 1: Descriptive Statistics on Independent Variables**

	Mean	SD	Max	Min
Length	732.3	415.3	2046	41
Circulation	447,077	371,492	1,142,464	15,224
Number of Newspapers Owned	12.4	12	56	1
Number of Different Divisions	3.2	2.2	7	1
Authorship		Staff writer 61%		Others 39%

N=82

Table 2 presents the numbers of local, regional, national and online sources used for stories. The average number of local sources was .40, with a maximum of 5. Regional sources were cited .22 on average. National sources were more frequently cited, with an average of 2.8. The average for online



sources was .57, with a maximum of 21. One story by *the State Journal-Register* was extensively based on 21 websites. Regression analyses were conducted without the story; however, the results remained the same. Therefore, the story was included for all the analyses.

**Table 2: Descriptive Statistics on Dependent Variables**

	Mean	SD	Max	Min
Local Sources	.40	1.0	5	0
National Sources	2.8	2.4	9	0
Regional Sources	.22	.9	7	0
Online Sources	.57	2.9	21	0

N=82

Numbers of sources are measured per story.

### Regression Results

R1 asks whether or not smaller newspapers will use more or less local sources. As shown in Table 3, circulation was a significant factor predicting use of local sources. That is, stories published in newspapers with small circulations tended to use more local sources than stories in large newspapers ( $\beta = -.33, p = .042$ ). Authorship was marginally significant ( $\beta = -.25, p = .055$ ). Staff writers were likely to cite local sources more frequently than others. However, characteristics of parent companies were not significant factors affecting use of local sources. Similarly, stories written by staff writers tended to use more regional sources than stories by others ( $\beta = -.28, p = .036$ ) as shown in Table 4. Other ownership variables did not turn out to be significant.

**Table 3: Regression on Local Sources**

Predictors	$\beta$	t
Length	-.16	-1.27
Authorship	-.25	-1.95#
Circulation	-.33	-2.07*
Daily Newspaper Owned by Parent Company	.08	.66
Different Divisions of Parent Company	.16	1.08
	$R^2 = .08$	

N=82

 $\beta$  values are standardized coefficients.

Authorship was measured as 1 (staff writer) or 2 (other).

#  $p < .10$ , \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$ **Table 4: Regression on Regional Sources**

Predictors	$\beta$	t
Length	.01	.04
Authorship	-.28	-2.14*
Circulation	-.11	-.69
Daily Newspaper Owned by Parent Company	-.09	-.80
Different Divisions of Parent Company	-.11	-.72
	$R^2 = .08$	

N=82

 $\beta$  values are standardized coefficients.

Authorship was measured as 1 (staff writer) or 2 (others).

#  $p < .10$ , \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$ 

Table 5 indicates that the longer news stories were, the more frequently national sources were used ( $\beta = .62$ ,  $p = .001$ ). The number of daily newspapers owned by parent companies was marginally significant ( $\beta = .17$ ,  $p = .055$ ). That is, newspapers whose parent companies owned a large number of daily newspapers tended to use national sources more frequently. Likewise, newspapers whose parent

companies owned a large number of daily newspapers tended to use online sources more frequently than those with a small number of daily newspapers ( $\beta=.22, p=.045$ ), as shown in Table 6. Also lengthy stories tended to use more online sources ( $\beta=.28, p=.019$ ).

**Table 5: Regression on National Sources**

Predictors	$\beta$	t
Length	.62	6.52***
Authorship	-.09	-.92
Circulation	.02	.13
Daily Newspaper Owned by Parent Company	.17	1.95#
Different Divisions of Parent Company	-.05	-.38
		$R^2=.43$

N=82  
 $\beta$  values are standardized coefficients.  
 Authorship was measured as 1 (staff writer) or 2 (others).  
 #  $p < .10$ , \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$

**Table 6: Regression on Online Sources**

Predictors	$\beta$	t
Length	.28	2.39*
Authorship	.16	1.25
Circulation	-.04	-.28
Daily Newspaper Owned by Parent Company	.22	2.04*
Different Divisions of Parent Company	-.12	-.82
		$R^2=.15$

N=82  
 $\beta$  values are standardized coefficients.  
 Authorship was measured as 1 (staff writer) or 2 (others).  
 #  $p < .10$ , \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$

**Discussion**

Newspapers have moved in the direction of tight control by a handful of diversified corporations. Early on, Bagdikian (1997) suggested that media expansions are encouraged by two "ancient" motives: money and influence. Market dominant firms at the national level are predicted to make higher profits on every dollar than less dominant firms; however, at what cost?

Previous research has indicated that the number and type of news outlets have increased, despite the fact that many are owned by the same company, and that media diversification has the potential to allow for a multiplicity of voices especially in media-poor communities (Powers, 2002). However, this study is a follow-up look at the content offerings of some of these outlets and whether or not individual communities have benefited.

Results indicate that larger companies, despite the fact of having more resources, are using fewer local sources in their stories. This supports Stephan's theory that companies will make content more generic so that it can be repurposed more easily. Newspapers with large circulations are less likely to localize a national story because they can publish the same story across regional boundaries and not have to expend resources to gather additional information. This does not bode well for local communities. Even national stories have local implications.

Results on use of national or online sources also suggest that companies whose parent companies own increased numbers of newspapers tend to use more national or online sources. While online sources can be valuable, reliance on them, instead of local opinion leaders, could erode the democratic process, squelching the multiplicity of voices within local communities. This is in line with the study of Oba and Chan-Olmsted (2006), where large conglomerates tended to use more syndicated programming from within the organization; those newspapers with many sister newspapers may share certain sources. Whether and to what extent those companies use the same national/online sources awaits further investigation.

Another finding is that stories written by staff writers, as opposed to contributing writers or wire services, tend to use more local sources. This is to be expected. Staff reporters are likely to use their contacts to gather information and to localize the story. These localized stories will benefit communities, leading them to make informed decisions. Future study with a larger sample can examine whether ownership characteristics are associated with having more or less staff writers. But at this stage, it appears that the smaller newspaper are the most concerned with gathering the local voice in news.

The struggle of larger, metropolitan newspapers in the U.S. that have been hardest hit economically may be becoming more apparent in their decreasing use of local sources.

Limitations of the study include sample size. It is suggested that future studies, for purposes of statistical analysis and for purposes of greater generalization, increase the sample size. It will also be important to include additional variables in the analysis such as more specific information on newsroom investments such as staff size and syndication resources. Another suggestion would be to expand the scope of issues analyzed to include a variety of stories on local politics or governmental issues that impact the local community. This study on the coverage of national politics on local communities helps lay the groundwork for such future work.

Economically, a diversified media firm can benefit from repurposing content. However, a major function of news media is to provide a market place of ideas. Society relies heavily on the local views in each market to aid in the formulation of opinions, particularly on news involving politics. Thus media conglomerates will better contribute to the free flow of ideas by diversifying their media holdings and encouraging news gatherers to obtain a multitude of voices, including local voices in their storytelling. Without the resources of parent companies, many smaller media outlets might be forced out of existence. Therefore, it is hoped that news divisions of large media corporations continue to exist in local communities and these news divisions are given the resources to gather local opinions. As long as the subsidiaries are able to maintain their local focus and autonomy, media may reap benefits from expansion and diversification in terms of content and in profits.

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