

# Making headlines since 1851

*Shaw Media blends family control with professional management to stay nimble as it confronts the challenges to its industry.*

BY MARGARET STEEN

**S**HAW MEDIA, the publisher of 60 print and online titles in Illinois and Iowa, has survived the Civil War, the Great Depression and two World Wars. Now, thanks to its ownership structure, its niche in the newspaper industry and strategic decisions by its management, the company appears to be weathering both the most recent severe downturn and a major challenge to the newspaper industry's business model.

"The downturn really knocked us for a loop," says Tom Shaw, 62, president and CEO of Shaw Media. "We've adopted the old Marine adage: adapt, improvise, overcome—and added to it a nimble and feisty attitude."

Nearly 160 years after Shaw's great-great grandfather, Benjamin Flower Shaw, bought a fledgling newspaper in Dixon, Ill., in 1851, Shaw Media is refining online distribution of its news and advertising, seeking the formula that will allow it to make more money in the new media world. Effective Oct. 10, 2010, the company's name was changed from Shaw Newspapers to Shaw Media, "to more appropriately capture the company's ongoing growth—both inside

and outside of newspapers—and its strength in current and emerging forms of media," Shaw announced in a news release. The company is also consolidating its business operations to run more efficiently.

The foundations for Shaw Media's stability were laid by Tom Shaw's great-grandmother, Mabel S. Shaw. She married one of the founder's sons, who was expected to take over the company. But that son, Eustace, died in 1902, before he could do so, leaving his wife with three young sons to support. So she went to work at the company, eventually taking over its management.

Mabel Shaw incorporated the business in the 1930s and put it into a family trust. That trust, which has kept the company free of estate taxes, is one of the reasons the company is still around, Tom Shaw says.

"She was the one that ultimately really had a vision and laid the framework for the company to be here today," Shaw says. "At a time when women couldn't vote and typically did not own companies, and were not a moral voice in the community, she was."

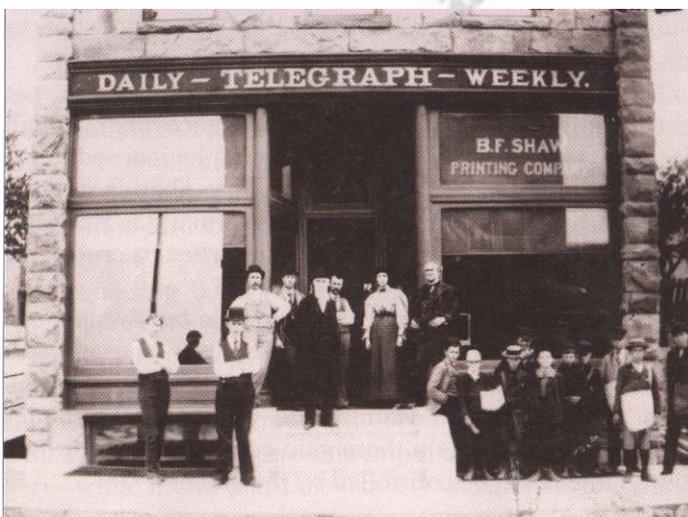
Shaw and his cousin Linda Hanson, 63, are among Mabel's great-grandchildren who met her while she was living.

"I can remember going over to visit her," says Hanson, who today is on the board of Shaw Media. "She was definitely a businesswoman—ahead of her time. She wasn't the warm, fuzzy kind of great-grandmother, but we wouldn't be where we are today if it hadn't been for her."

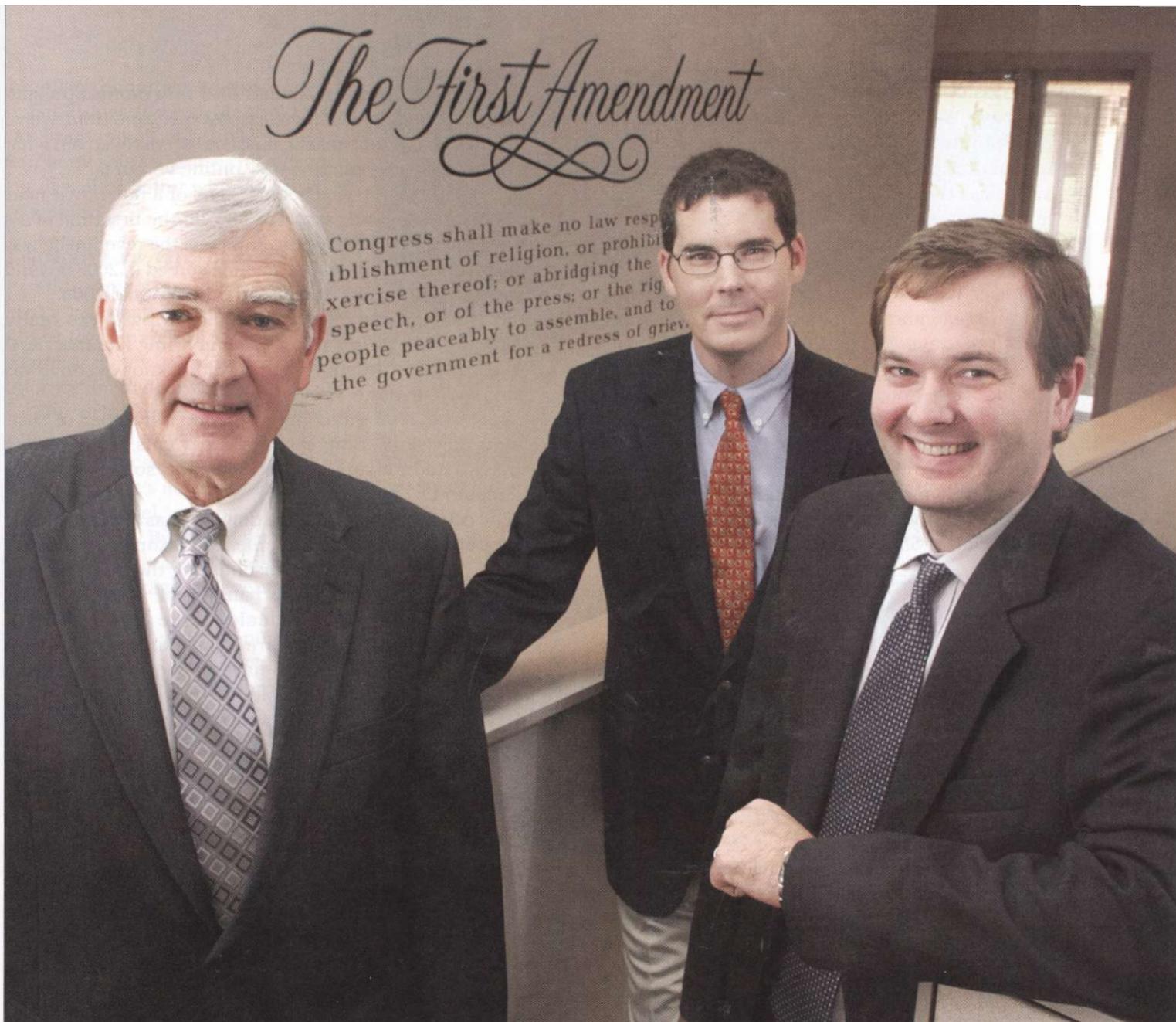
"We say kind of jokingly that she was the best businessman the family ever produced," Shaw says, even though Mabel was neither a man nor a Shaw by birth. She helped the company expand and hired an influential outsider to help her sons run the business after she died.

After Mabel Shaw's death, the company remained relatively static until another period of expansion in the 1980s.

"Our generation saw a need to expand the company to satisfy the growing needs of the beneficiaries," Tom Shaw says. "We were fortunate to be able to make some good acquisitions."



Founder Benjamin Flower Shaw with his staff in front of the Dixon Telegraph office, c. 1895. Mabel and B.F. Shaw are at right in top row.



CEO Tom Shaw with his sons, *Kane County Chronicle* publisher J. Tom Shaw (left) and chief digital officer Ben Shaw.

### **Professional management, community ties**

Tom Shaw and his generation have also moved the family-controlled company toward a professional management structure.

"We believe in outside directors providing a balance within the governance," Shaw says. When possible, the company names a family CEO along with a non-family chairman, or vice versa. "The family participates, but it's not a 'family atmosphere,'" Shaw says.

Family members are promised an opportunity to work at the company in an entry-level position, either to make a career or to gain skills that they can take elsewhere. But every job beyond that must be earned.

J. Tom Shaw, the 36-year-old son of Tom Shaw, today is publisher of the *Kane County Chronicle* in St. Charles, Ill. He worked in radio and television ad sales for several years after college before joining the company as sales manager for a group of weekly papers. "It was really important to me

that I was successful on my own with a company that my family didn't have anything to do with," he says.

The company's board of directors is a mixture of family members and outsiders.

"From a family business perspective, it's probably run as professionally as you could imagine," says Ryan McKibben, chairman of the Shaw Media board and president and CEO of Clarity Media Group in Denver. McKibben, who joined the board in 2000, was elected its first non-family chairman in 2003.

Members of the board are chosen "by first evaluating what skill sets and expertise could be added to this board, keeping in mind how potential candidates would ensure it's a good, intelligent decision-making group," says Peggy Campbell, secretary of Shaw Family Holdings and executive secretary of Shaw Media.

Still, even the non-family board members know that they're dealing with a business that is more than just a

profit generator. "We definitely run things through a filter that says, 'We've been in this town for over 150 years. There's a family tradition here,'" McKibben says.

The combination of professional management and family control makes the company both adaptable and patient.

"We're absolutely for profit," says Ben Shaw, 34, Shaw Media's chief digital officer and another son of CEO Tom Shaw. "But we're really part of local communities. We can take a longer, better view of what we need to do."

Non-family members can build successful careers with the company, says John Rung, vice president of Shaw Family Holdings, chief operating officer of Shaw Suburban Media Group and publisher of the *Northwest Herald*. He has been with the company 14 years. "You don't have to wait for corporate to tell you what to do. Here, anybody can have an idea," Rung says. "You don't have to be a Shaw to do well here. I'm living proof of that."

The results of the family's influence are visible today. Benjamin Flower Shaw, the founder, was "an interesting

Shaw says. The company ended 2009 with profits up slightly from 2008 after slashing costs. "At the same time, we've been true to our journalistic mission. We've rolled out what we consider some exciting new online ventures."

The company started seeing signs of a downturn near the end of 2006, Rung says. In 2007, for the first time in his career of more than 20 years, Rung saw the revenue he was responsible for decline. The decline spread in 2008 beyond classified advertising, then accelerated in mid-2008.

"In January and February [2009], things were really scary," he says. "We'd never seen anything like that. Revenue was really dropping, and we didn't know when it was going to settle out."

In March 2009 the company made a number of cost-cutting decisions. Employees took pay cuts, the company renegotiated its vendor contracts, and some jobs were eliminated.

The company also used the downturn as an opportunity to act on something management had considered in the past: consolidating the operations of the suburban papers.

"We decided the talking-about-it days are over," Rung says. "We're going to have to become as efficient as possible."

Shaw Media consolidated its suburban papers' printing operations and created one centralized circulation center. Later, in March 2010, the company went a step further and outsourced the printing to a company with more modern equipment.

Some employees lost their jobs. From 2008 to 2009, the company's total workforce dropped 15%. One advantage to the consolidation, in addition to the cost savings:

Some of the company's jobs gained responsibility, making these positions more attractive to workers.

"I don't think anything compares to what we've been through in the past few years. I've never seen anything like it, ever," says Terri Swegle, chief financial officer of Shaw Media and treasurer of Shaw Family Holdings. She started with the company in the late '80s, when workers didn't have computers at their desks.

During 2009 the revenue decline slowed, and the cuts reduced the company's expenses.

"I don't want to celebrate victory at halftime, because the game's not over. But we're seeing some improvement," says TVEvis Mayfield, vice president of Shaw Family Holdings, chief operating officer of Shaw Community Media Group and publisher of Sauk Valley Newspapers. Mayfield has been with the company about five years.

Rung and others at Shaw point out that the overall problems in the newspaper industry affected major metropolitan papers more than suburban and rural titles like theirs. Big-city papers face more competition and often have more debt, they point out.

"We still dominate the media landscape in our markets:



Mabel Shaw with (from left) non-family general manager Arnold Lund and sons Robert, George and Benjamin, c. 1945. Mabel 'laid the framework for the company to be here today,' says her great-grandson Tom Shaw.

guy historically," Tom Shaw says. He was part of a group of newspaper editors in Illinois who called for a political party to oppose slavery. Their legal adviser was Abraham Lincoln.

The company's Republican roots are still in evidence. In the 2008 election, all of Shaw Media's publications endorsed John McCain for president, with an editorial saying the endorsement came from the office of the company CEO, Tom Shaw. Some critics contended that the endorsement should have been made by each individual paper's editorial board.

Tom Shaw says editorials on local issues are written by the local editors, but his office will sometimes write the editorials on national issues. "We believe the editorial page is the owner's page," Shaw says. The McCain endorsement reflected "a generally pro-business, right-leaning world view that is reflective of the communities we live in," he says.

## Surviving the downturn

One of the company's biggest challenges has come in the past few years, with both a recession in the overall economy and an upheaval in the newspaper business.

"We're very pleased with where we've ended up," Tom

We have the largest newsrooms and outside sales forces," Mayfield says. "As long as you continue to be the dominant source of news in your market, it will be better when the market rebounds."

### Looking to the future

In addition to cutting costs, Shaw Media has weathered the storm—and hopes to prepare for the future—by adapting to new ways of distributing information and advertising.

"The print products continue to generate good returns and we expect that to be the case for the foreseeable future, so there's no real thought to altering that model," says board member Sammy Papert. But he says it's critical for the company to continue increasing the percentage of revenue that comes from untraditional areas.

"The days of one giant newspaper reaching the whole market are long gone," says J. Tom Shaw. "The value that newspapers bring is the information. How that information is distributed really doesn't matter."

A key challenge: making online and other digital means of distributing information work as well for advertising as they do for content.

"Digital advertising is one of the areas where we have grown and have to keep growing," Mayfield says.

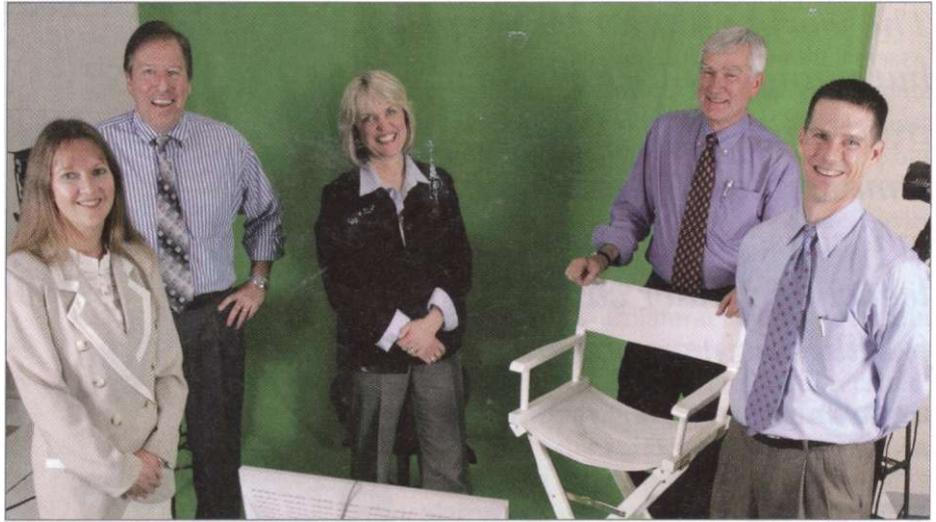
One way the company is looking to meet that challenge is with an award-winning website called Planit Northwest, a shopping site that allows local merchants to make special offers and provide coupons.

"We're trying to be the marketing arm of what the newspaper used to be in print," Rung says. "Instead of just banner ads all over the place, we can have video. Users can print a gift certificate to a local restaurant, download the menu and click to see local water parks. I think it's a good start to being a better online provider of marketing."

The company recently adopted a content management system that allows articles to be written and edited once, then published in print or online. "We've gotten rid of a lot of extraneous workflow" that used to be necessary to publish a print story online, Ben Shaw says.

Shaw Media seems to have regained its footing, at least for now.

"The amount of profitability the firm was able to maintain despite a tremendously challenging decline in sales was quite impressive," says Justin Shaw, 41, a board member who works for an investment group and is the nephew



Tom Shaw (second from right) with company officers (from left) Peggy Campbell, John Rung, Terri Swegel and Trevis Mayfield. 'You don't have to be a Shaw to do well here. I'm livina proof of that.' Runa says.

of CEO Tom Shaw. "We're optimistic that if and when the economy starts to improve we'll see some improvement in our business."

However, no newspaper company has yet figured out exactly how to replace all that lost classified revenue—which experts doubt will return.

"After every previous recession, the newspaper industry was always able to recapture what it had lost," says John Morton, a veteran newspaper analyst and president of Morton Research Inc. "It's not clear that that's going to be the case this time."

"I don't think [the company has] hit on the solution yet—I'm not sure anybody has," Justin Shaw says. "I do think they're being creative and challenging themselves to push and experiment. I'm hopeful that we'll collectively figure it out over the next few years."

Smaller papers are in a better position than larger ones, for the most part, Morton says, because they were less dependent on classified ads. "Most of the smaller dailies are doing OK," Morton notes, "and they'll probably participate more generously in the recovery as it moves forward."

Publishers are under great pressure to figure out how to make money on the Internet, Morton says. "It's going to take a while, and it's going to be very bumpy."

Mayfield points out that being in smaller markets doesn't mean the papers are blind to the ways in which technology is changing society. "We have to be very flexible and innovative in how we deliver our product," Mayfield says. "As long as we are the dominant provider of information—both objective news content and advertising and marketing services—then I think in our markets we have a really strong business model."

*Margaret Steen is a freelance writer based in Los Altos, Calif.*



Ryan McKibben, president and CEO of Clarity Media Group, is Shaw Media's first non-family board chairman.