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Murdoch: Dow Now; What Next?

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Michael Curtin

News coverage of the recent sale of *The Wall Street Journal* featured breathless speculation about Rupert Murdoch's ambitions. What does the world's leading press baron see in a company that has been badly managed for more than a decade and now is buffeted by the plummeting fortunes of the newspaper industry? The most popular explanation is that Murdoch aims to use the *Journal* to burnish the reputation of the fledgling Fox Business Channel, a cable TV service that will soon

premiere in the United States. This seems a reasonable presumption except for the fact it grossly overlooks the global implications of the sale.

Among its peers, News Corp is the most global media conglomerate in its perspective, operations, and history. During the 1960s, the company grew from a small Australian daily to a collection of media properties across the continent. Murdoch then extended his reach to the United Kingdom during the 1970s where he revived the *Sun*, which would become his most beloved newspaper enterprise. The *Sun*'s raging success during the Thatcher years made it possible for Murdoch to borrow huge sums to finance his acquisition of the flagging Fox media empire and to establish a stake in European satellite TV. Then in the 1990s, News Corp borrowed heavily again to make a play for Star TV in Asia.

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Fox, based in the U.S., is today the jewel in the News Corp crown. Yet nearly half of News Corp's revenue (47%) comes from overseas and, most importantly, from markets that are growing rapidly. Customers in India and China pay far less for News Corp products, but the company anticipates that prices, revenues, and profits will rise with the economic fortunes of Asian countries.

One of the great shortcomings of the *Journal* during the 1980s and 1990s was its failure to expand internationally while the company coffers were full. Dow Jones established an Asian edition in 1976 and a European edition in 1983. Yet both publications foundered in large part because their overseas bureaus were undernourished, often recycling copy from the U.S. edition. Murdoch says he intends to build up the reporting staffs in Europe and Asia. Given past performance, he will likely improve delivery logistics, advertising sales, and online services.

News Corp is one of the few media giants that have learned to operate regional production centers and relatively efficient delivery systems in diverse social and cultural contexts. This demands more than financial or technological capacity. It requires recruitment and training of local professionals in hundreds of markets around the world. Yet the company wasn't always so globally aware.

In 1993, shortly after News Corp spent more than a billion dollars on Star TV, Murdoch opined that the pan-continental satellite system would overcome the tyranny of distance and other forms of tyranny as well. He imagined hyperbolically that Hollywood content raining down across Asia would usher eager viewers into the global village and that they in turn would rise up against authoritarian regimes and in favor of Western consumer culture.

Like others at the time, Murdoch sensed an urgent rush of events, an epochal turn in human history. What he soon learned at great expense was that Star would only survive if it were to put in place staffing, programming, and infrastructure that were sensitive to cultural, political, and economic contexts on the ground. Today Star distributes 19 branded services on more than 60 satellite channels. Rather than a singular pan-Asian juggernaut, it offers a diverse range of programming - most of it produced in Asia - to a broad spectrum of viewers, and the sum of the parts still does not add up to a consistently profitable whole.

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Murdoch has taken enormous risks throughout his career and has made some remarkable blunders, but he has also demonstrated an ability to turn around failing enterprises, develop new markets, and learn from his mistakes. And despite his conservative inclinations, he has also proven ideologically flexible when necessary, keeping his hands off of editorial content at such respected papers as *The Australian* and *The Times* of London, both of which took more than two decades to turn a profit. Murdoch not only proved to be a patient and committed owner, but a relatively benevolent one as well, in the latter case expanding the reporting staff significantly and almost tripling the number of overseas news bureaus. One anticipates that he will treat the *Journal* - and especially the reporting staff - with similar respect if only because he realizes that the premium value of the brand has always resided with its reputation as a relatively impartial news source.

One also imagines that Murdoch appreciates the global potential of the *Journal* and that's no doubt why he was willing to pay such a high premium for the company. Thus, pundits shouldn't look at this deal from a U.S. perspective, but should instead, like Murdoch, be thinking of China and India, Russia and Brazil, Mexico and Lebanon. They should think of all the aspiring capitalists in these countries searching for reliable information and of all the global corporations seeking intelligence about

investment and market opportunities in these rapidly growing - but volatile - markets. This isn't breathless speculation. It's cold calculation. Whatever reversals the future may have in store for these societies, economists anticipate they will exert a powerful influence on the world economy for the rest of this century.

Few media conglomerates are positioned to take advantage of this shift. Murdoch is. What's more, Murdoch actually *believes* in globalization and the transformative power of capitalism. He has the enthusiasm of an evangelist and an army of foot soldiers on the ground in countries around the world, and now he has the *Journal*. Don't expect him to sully it with the taint of Fox News. Instead, expect him to exploit the global potential of a valuable news brand.

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Michael Curtin is Professor of Media & Cultural Studies and Director of Global Studies at the University of Wisconsin-Madison.

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