

Tracking Strategies in the Birthplace of Canadian Tycoons

The Sherbrooke Record 1946-1976

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The strategies of the Sherbrooke Record, a small English language daily newspaper in Quebec's Eastern Townships, are tracked across three decades to draw some conclusions about strategy formation in general and about the actions of two of Canada's most prominent businessmen in particular. John Bassett Jr. and later Conrad Black managed the organization early in their careers. The newspaper experienced a long period of stable strategy in the face of accelerating change in its environment under one leader and was then turned around financially at the expense of its quality by the other leader. The conclusion is drawn that healthy organizations and a healthy society need leaders who both act and care.

The *Sherbrooke Record* is a small, English-language daily newspaper in the Eastern Townships of Quebec. This paper tracks its strategies over a thirty year period with two sets of intentions. The first is to document the history of an organization that can be viewed as something of a Canadian institution since two of the country's most prominent businessmen virtually began their careers there. John Bassett Jr., former owner of the *Toronto Telegram* and a major influence in the Canadian broadcasting industry through CFTO and the CTV network, joined the *Sherbrooke Record*, which was owned by his father, upon his return from the European theatre of World War Two. He finally sold it in 1968. One year later, a young Conrad Black, who was to rise to the apex of Canadian business at age 34 with his unexpected takeover of Argus Corporation, purchased the newspaper together with two partners and held it until 1976.

The second intention of this paper is to contribute to our understanding of how strategies form in organizations. This study is one of several carried out by a team of researchers at McGill University. Others include such Canadian organizations as Steinberg Inc. (Mintzberg and Waters, 1982), Canadelle, a manufacturer of women's undergarments (Mintzberg and Waters, 1984), the architectural firm Arcop (Mintzberg et al., 1983), Air Canada, Asbestos Corporation, the National Film Board of Canada, and

McGill University (all in preparation). This research is guided by a view of strategy as a pattern in a stream of organizational actions. This somewhat unconventional view permits a more differentiated appreciation of strategy, directing attention to a comparison of what an organization actually does – its *realized* strategy – with any plans or intentions that may have existed prior to this behavior – which can be called its *intended* strategy.

By anchoring the research in an examination of the actual strategic behavior of the organization, the process of strategy *formation* (not necessarily *formulation*) is opened up for broader consideration. As shown in Figure 1, a distinction can be made between a) *deliberate* strategies, which are realized as intended, b) *unrealized* strategies, namely intentions which for one reason or another do not get realized, and c) *emergent* strategies, which are realized in the absence of or despite intentions (Mintzberg, 1978).

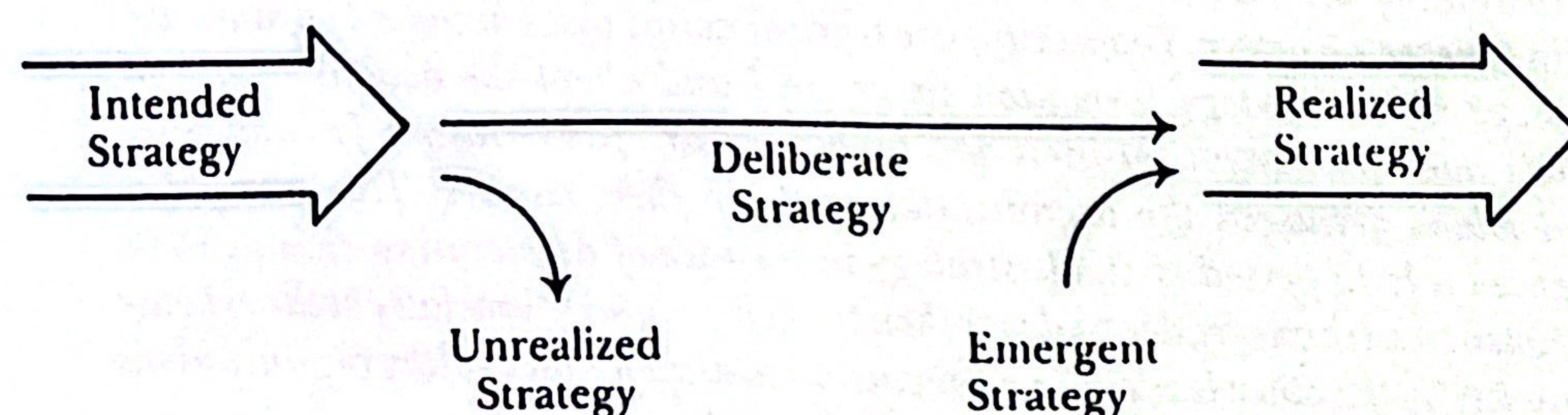


FIGURE 1 Types of strategies

Each of these studies has proceeded in a series of basic steps (outlined in more detail in Mintzberg and Waters, 1982: 466–468). First, chronologies are built up (in words or numbers plotted on graphs) of the streams of actions in all the major areas fundamental to the functioning of the organization. The sources of such data are organization records and published information, supplemented by interviews. A prime source in this study of the *Sherbrooke Record* was issues of the newspaper itself, 2,500 of which were scanned over the thirty year study period. Similar chronologies are built up of performance information (e.g., circulation, profits) and of trends and events in the organization's environment (in this case, Eastern Township demographics, changes in postal rates and newsprint prices, etc.). Strategies are then inferred as patterns in the streams of organizational actions, and by analyzing changes in all the strategies inferred, major turning points in the history of the organization are identified. Intensive interviews are then conducted to analyze and explain these key turning points. Once the strategies and periods in the organization's history have been written, the final step in the research is the generation on a conceptual level of some tentative conclusion about how strategies seem to form in organizations.

This report on the *Sherbrooke Record* begins with a brief review, largely in

diagrammatic form, of the strategies, environmental trends and events, and performance outcomes identified from 1946–1976. This is followed by a description of the roles that John Bassett Jr. and Conrad Black played in the evolution of this newspaper over that time. The final section interprets this description in conceptual terms and presents some observations about strategy formation in general and the behavior early in their careers of these two Canadian "tycoons" in particular.

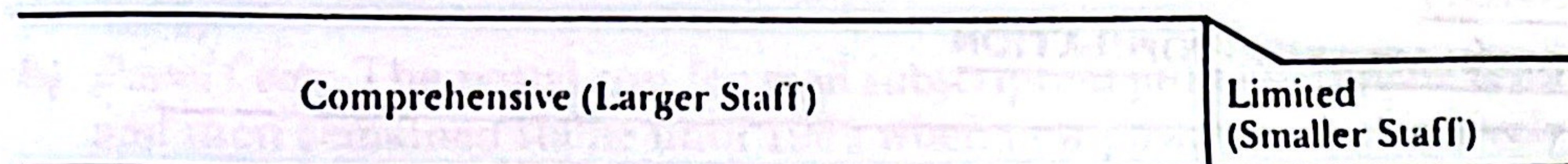
Strategies of the Sherbrooke Record, 1946–1976

Figure 2 provides a summary description, in diagram form, of all the strategies inferred as having been pursued by the *Sherbrooke Record* over the thirty year study period. All are shown on a common time scale, divided into major strategy areas. While space limitations do not permit a detailed presentation of the data on which these strategies are based, each of the strategy areas is reviewed briefly below.

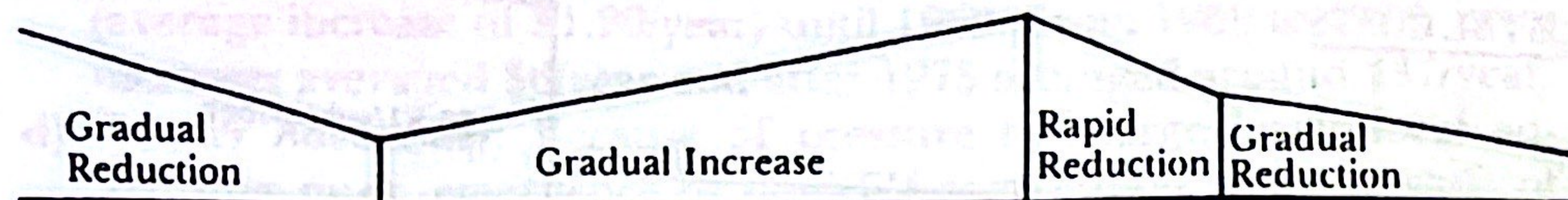
Strategies

- a) *News Coverage*: Over the years 1946 to 1969, the newspaper maintained a sufficient number of staff reporters (3–4) to cover the courts, hospitals, police activities and local meetings. This local news was presented together with world news from the wire services, major league sports and one syndicated Hollywood gossip column. In 1969–1970, staff was reduced, and from then to the end of the study period, local coverage was limited; the rule of thumb was "if in doubt, leave it out."
- b) *Local Emphasis in Editorials*: A sample of issues from the months of October over the study period indicated that the number of editorials per month on local topics trended downward until 1952 (generally remaining over 5), trended upward until 1966 (with a peak of 16), dropped rapidly over the years 1967–1969 (to 4), and then declined until there was only one editorial with local emphasis in the month of October for the three years 1974–1976.
- c) *Origin of Editorials*: Prior to mid-1971, almost all editorials were written by *Record* staff. After that time, packaged editorials (from such places as the *Winnipeg Free Press* and *Calgary Herald*) were in the majority.
- d) *Average Newspaper Length*: Again sampling from the month of October, the average length of the newspaper was below 14 pages from 1946–1950 and from 1961–1972. In the 1950s and later 1970s, it averaged above this figure. The Saturday edition was eliminated in 1968.
- e) *Features*: From 1946 to 1969, features appearing in the *Record* changed only moderately and can be characterized as focusing on Canadian politics. After 1969, there was an increased use of conservative columnists and an increased emphasis on U.S. political activity.
- f) *Average Editor Tenure*: Prior to 1969, there was relative stability in the editor position, except for 1956 to 1962, when three different editors

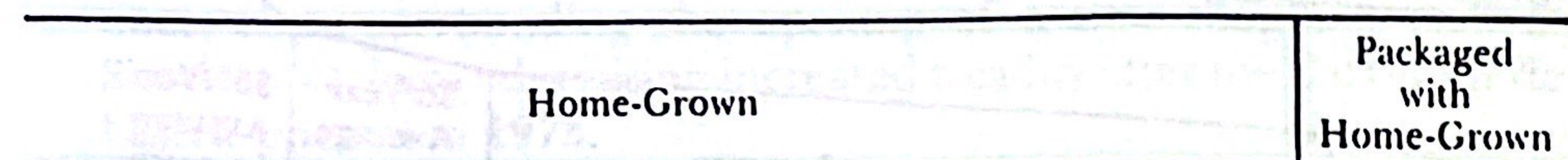
A. NEWS COVERAGE



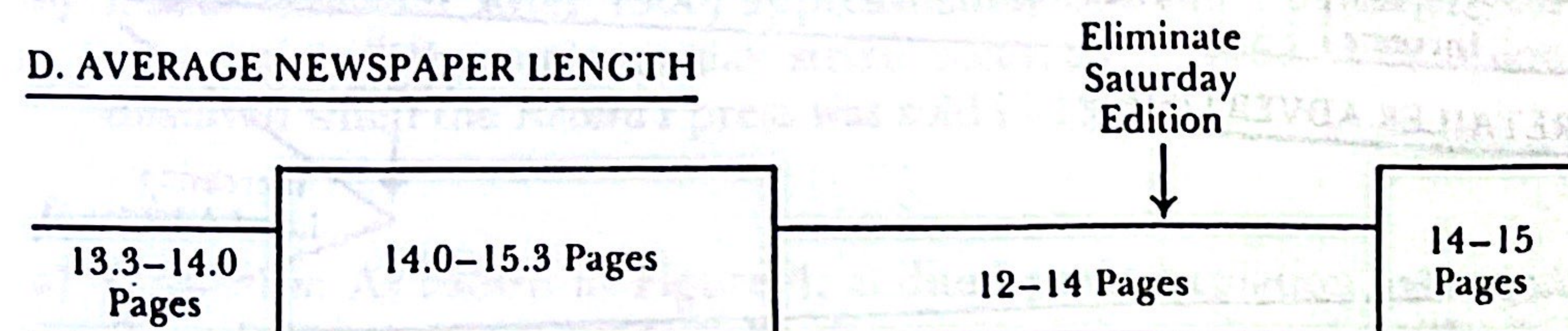
B. LOCAL EMPHASIS IN EDITORIALS



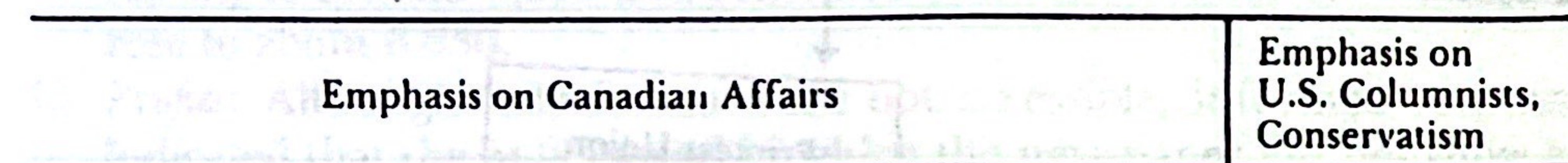
C. ORIGIN OF EDITORIALS



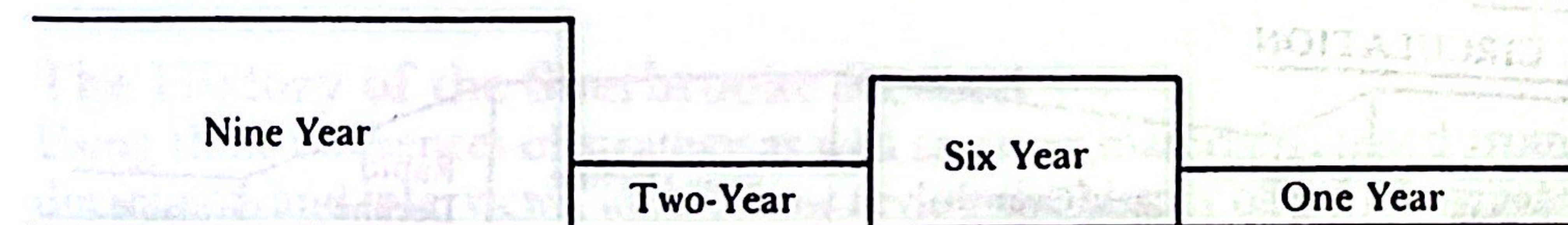
D. AVERAGE NEWSPAPER LENGTH



E. FEATURES



F. AVERAGE EDITOR TENURE



G. SCOPE OF HOME DELIVERY SERVICE

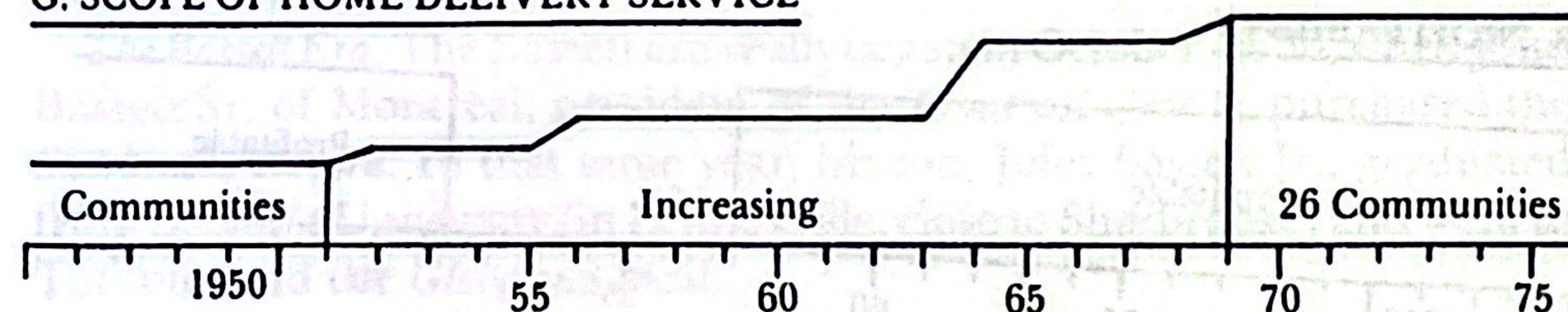
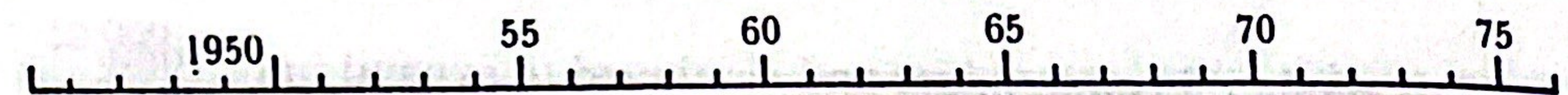
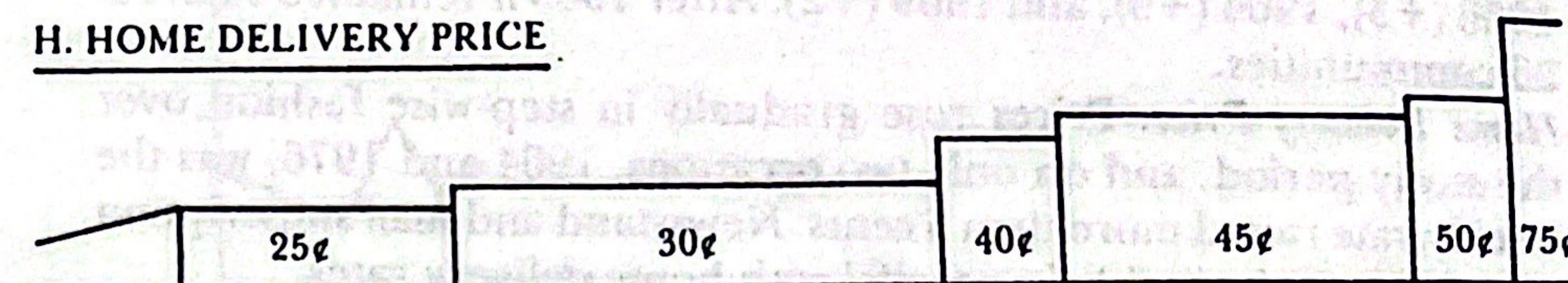


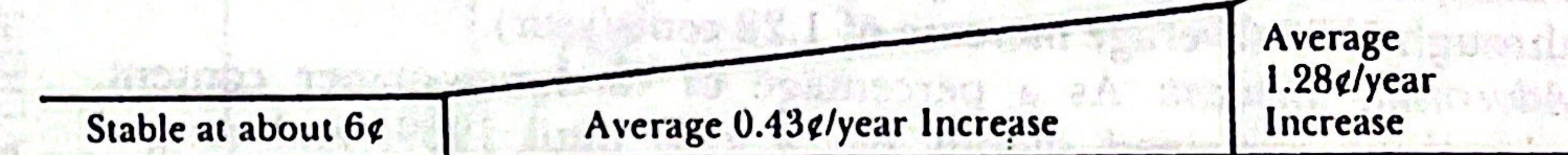
FIGURE 2 Strategies of the Sherbrooke Record



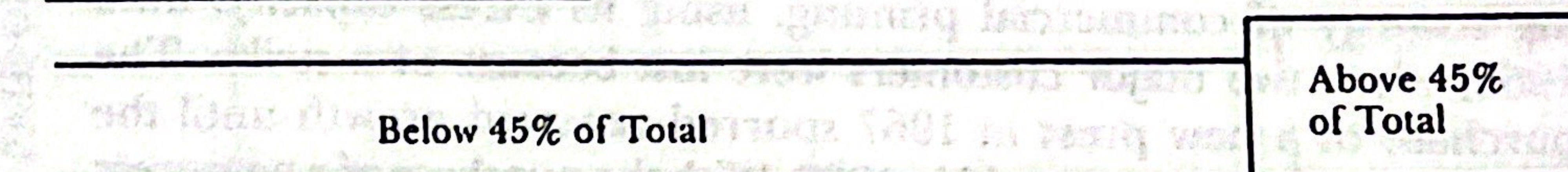
H. HOME DELIVERY PRICE



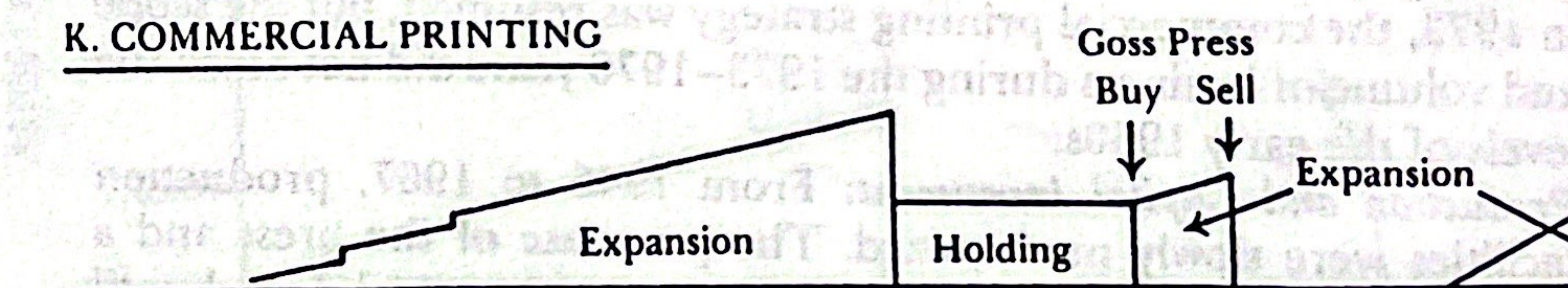
I. ADVERTISING RATES



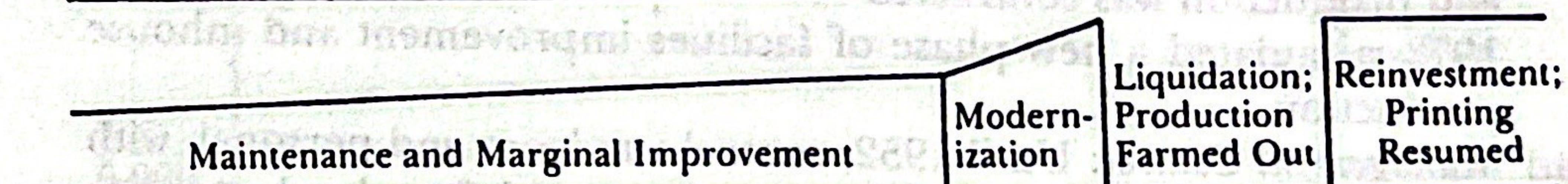
J. ADVERTISING CONTENT



K. COMMERCIAL PRINTING



L. PRODUCTION & CAPITAL INVESTMENT



M. MANAGEMENT CONTROL

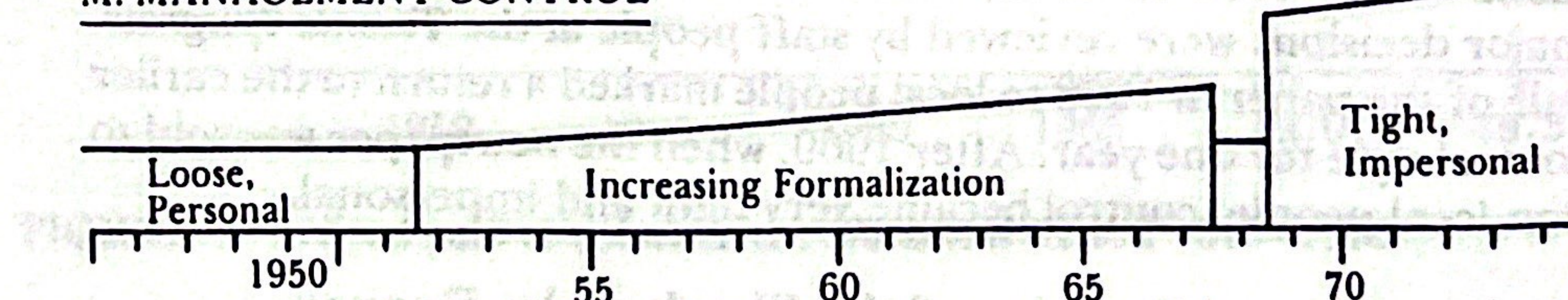


FIGURE 2 Strategies of the Sherbrooke Record (continued)

were employed. After 1969, the editorship became a "passing-through" position, with a new person hired each year (an apparent reflection of compensation limitations).

g) *Scope of Home Delivery Service:* From 1946-1951, carrier delivery service was available in 9 communities. This service was extended by

- 1952 to another 3 communities and continued to expand until 1969: 1956 (+3), 1964 (+9), and 1969 (+2). After 1969 it remained stable at 26 communities.
- Home Delivery Price:** Prices rose gradually in step-wise fashion over the study period, and on only two occasions, 1964 and 1976, was the weekly rate raised more than 5 cents. Newsstand and mail subscription rates increased roughly in parallel with home delivery rates.
 - Advertising Rate:** The flat per line rate remained around 6 cents until 1953, rose gradually in steps between 1954 and 1969 (average 0.43 cents/year increase) and then jumped dramatically after 1969 in steps through 1976 (average increase of 1.28 cents/year).
 - Advertising Content:** As a percentage of total newspaper content, advertising remained slightly below 45% until 1969, and ranged between 45% to 50% thereafter to the end of the study period.
 - Commercial Printing:** Starting in 1949, the *Record* pursued an expanding strategy of commercial printing, using its excess capacity, until 1962, when two major customers were lost because of a strike. The purchase of a new press in 1967 spurred renewed growth until the printing operations were sold in 1969. With the purchase of a new press in 1973, the commercial printing strategy was resumed, but the scope and volume of business during the 1973–1976 years did not reach the levels of the early 1960s.
 - Production and Capital Investment:** From 1946 to 1967, production facilities were slowly modernized. The purchase of the press and a building in 1967 signalled a spurt of modernization which lasted until 1969. From 1969 to 1973, the press and other facilities were sold off and production was contracted out. The purchase of the new press in 1973 stimulated a new phase of facilities improvement and inhouse production.
 - Management Control:** Until 1952, control was loose and personal, with day-to-day operations and personnel decisions left to local management. From 1952 to 1968, there was increasing formalization and major decisions were reviewed by staff people at the *Toronto Telegram*. Sale of the paper in 1968 to local people marked a return to the earlier control style for one year. After 1969, when the newspaper was sold to non-local people, control became very tight and impersonal.

Environment and Results of the Sherbrooke Record, 1946–1976

Some of the major environmental trends and performance results are presented in diagram form in Figure 3, and are described briefly as follows:

Environment

- English-Speaking Population:** While the absolute English-speaking population in the Eastern Townships remained stable or declined very slightly over the study period, its relative importance (as a percentage of

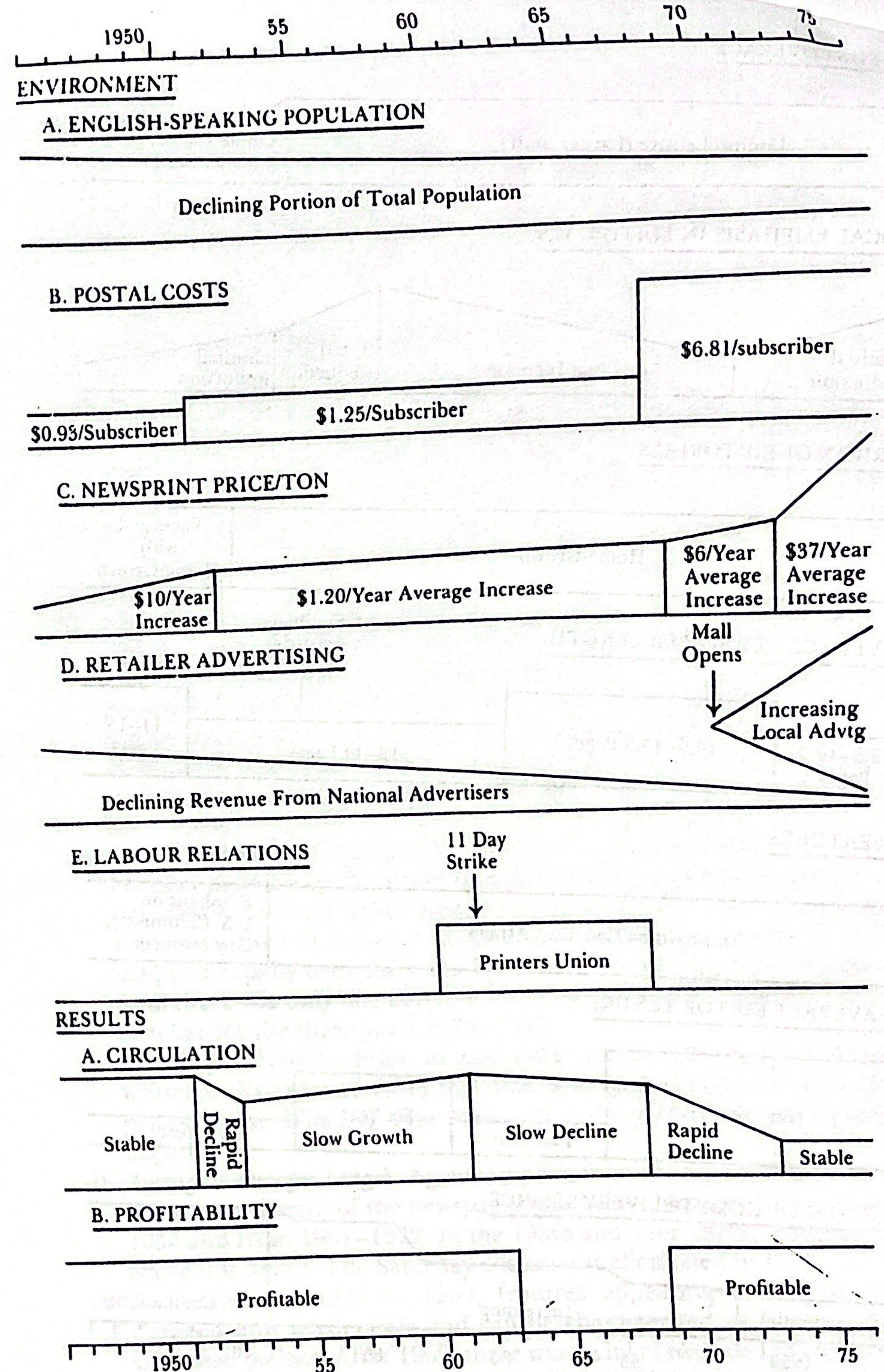


FIGURE 3 Environment and results

total population) declined from around 18% of the total in 1941 to around 11% of the total in 1976 (Caldwell, 1974; *Census of Canada*, 1976).

- b) *Postal Costs*: The postal cost for mail subscription jumped 29% in 1952 and then remained stable until 1968 when new postal rates effectively increased mailing costs by over 400% to \$6.81/subscription.
- c) *Newsprint Costs*: After a period of fairly rapid increases (averaging \$10/year) to 1952, the price per ton of newsprint rose gradually (average increase of \$1.20/year) until 1969. From 1969 to 1973, price increases averaged \$6/year and after 1973 averaged around \$37/year.
- d) *Retailer Advertising*: Because of pressure to charge lower local advertising rates, emergence of new TV competition, and the shift of increasing portions of national advertising budgets to French-language media, revenue from national advertisers declined over most of the study period. Following a period of depressed advertising, as a result of uncertainty surrounding the opening of a new shopping mall in Sherbrooke, local advertising increased steadily after the Carrefour de l'Estrie opened in 1973.
- e) *Labour Relations*: After 1960, approximately one-third of employees were unionized; an eleven-day strike occurred in 1962. The union dissolved when the *Record's* press was sold in 1969.

Results

- a) *Circulation*: As shown in Figure 4, audited paid circulation averaged about 9,350 through 1951. Following a precipitous drop in 1952 (to about 8,100), it gradually increased to about 9,200 in 1961 and declined slowly in 1968 to about 8,900. From 1969 to 1973, circulation fell rapidly to around 6,300 and remained at that level until 1976 when it rose to about 6,650.
- b) *Profits*: Although actual data were not accessible, informed sources indicated that the only period in which the newspaper did not show a profit was 1964 to 1968, when small losses were incurred followed by a substantial one in 1968.

The History of the Sherbrooke Record

Using these inferences of strategy as well as other material gleaned from documents and interviews, we can now review the history of the *Sherbrooke Record* in more detail. This is done in terms of two major eras, separated by a brief period of transition.

The Bassett Era. The Bassett era really began in October, 1936, when John Bassett Sr. of Montreal, president of the *Montreal Gazette*, purchased the *Sherbrooke Record*. In that same year, his son, John Bassett Jr., graduated from Bishop's University (in Lennoxville, close to Sherbrooke) and went to Toronto, and the *Globe and Mail*.

During the war years, while John Bassett Jr. was in the Army, the *Record* continued to be operated by individuals appointed by Bassett Sr. When

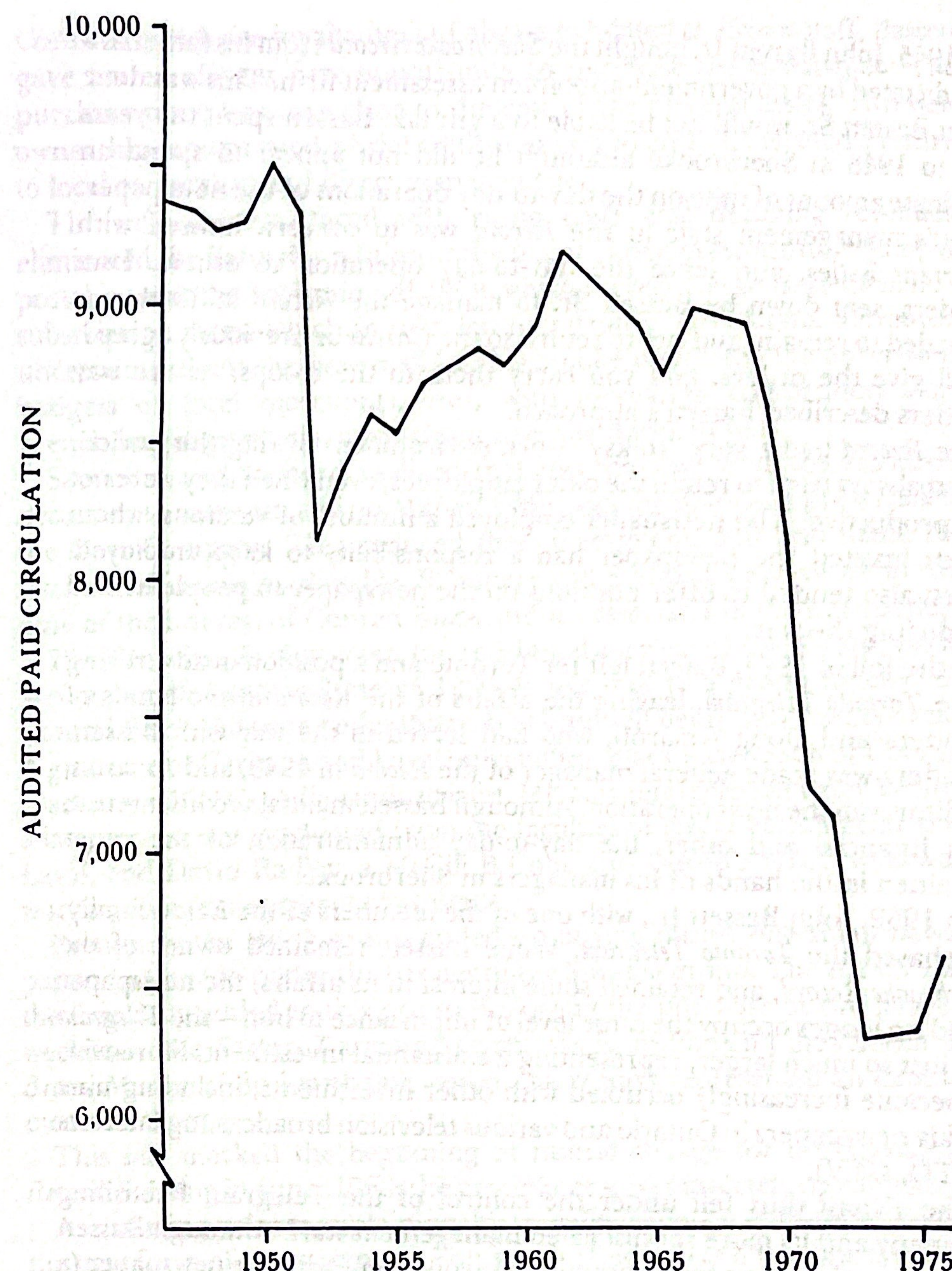


FIGURE 4 Audited paid circulation, the *Sherbrooke Record*, 1946–1976

the war ended in 1945, Bassett Jr. was brought home early to run as the Progressive Conservative candidate in Sherbrooke in the June, 1945 federal election. Although he lost the election by 3,394 votes (as Maggie Siggins [1979: 60] wrote in her biography of Bassett, campaigning in kilts was not the best way to win the hearts of the French-speaking voters of Sherbrooke, who were rather anticonscriptionist), Bassett carried himself well during the campaign, and made ample use of the *Record* as a vehicle to get his message across.

In 1945, John Bassett Jr. bought the *Sherbrooke Record* from his father at a price dictated by a government-appointed assessment firm. This was done so that Bassett Sr. would not be liable to a gift tax. Bassett spent the years 1945 to 1948 in Sherbrooke although he did not appear to spend an inordinate amount of time on the day-to-day operations of the newspaper. Bassett's management style at the *Record* was to concern himself with important issues, and leave the day-to-day operation to others. Ivan Saunders, sent down by Bassett Sr. to manage the *Record* in 1944, was persuaded to remain, and not to return to the *Gazette* as previously agreed. "I will give the orders, and you carry them to the troops," is the way Saunders described Bassett's approach.

The *Record* had a very "folksy" work environment during this period. Bassett always tried to retain the older employees, even when they were not very productive. The newspaper employed a number of veterans, whom Bassett insisted the newspaper had a responsibility to keep employed. Bassett also tended to offer positions on the newspaper to people he had met during the war.

In the fall of 1948, Bassett left for Toronto and a position in advertising at the *Toronto Telegram*, leaving the affairs of the *Record* in the hands of Saunders and Doug Amaron, who had served in the war with Bassett. Saunders was made general manager of the *Record* in 1948, and Amaron, as editor, ran the news operation. Although Bassett maintained his interest, both financial and other, the day-to-day administration of the paper remained in the hands of his managers in Sherbrooke.

In 1952, John Bassett Jr., with one of the members of the Eaton family, purchased the *Toronto Telegram*. While Bassett remained owner of the *Sherbrooke Record*, and retained some interest in its affairs, the newspaper could no longer occupy the same level of importance to him – the *Telegram* was just so much larger, representing a substantial investment. Moreover, he became increasingly occupied with other investments, including nine weekly newspapers in Ontario and various television broadcasting interests (CFTO, CTV).

The *Record* thus fell under the control of the Telegram Publishing Company and its more sophisticated management staff. Although Bassett had personal reasons for a continuing involvement with the newspaper (a Sherbrooke background as well as a wife from the Townships), the staff specialists in Toronto put increasing pressure on him to reconsider his ownership of the *Record*, given its rather low return on invested capital. A number of these specialists were accountants, and they forced the *Record* to justify its existence financially, relative to other parts of the growing Bassett empire. Thus, from 1952 on, although the day-to-day management of the *Record* remained in the hands of local Sherbrooke managers, major decisions had to be reviewed by accountants and other staff people in Toronto.

Bassett remained, nevertheless, committed to quality news coverage at the *Record* and insisted that the courts, the hospitals, police activities, and

local council meetings be properly covered. This meant that the newspaper always had an adequate number of staff reporters, usually three or four. At his insistence, for example, the *Record* opened and maintained a news bureau in Cowansville.

In addition, until about 1962, the *Record* was able to employ editors of a quality beyond what might have been expected for its size. Amaron, who remained for a decade, was one example. While in Sherbrooke, he profited by an arrangement whereby the Canadian Press and the *Montreal Gazette* paid an individual in Sherbrooke to be a stringer. Thus, Amaron added both of these salaries to supplement the one as editor of the *Record*, and this helped him stay in the Sherbrooke area.

In 1956, Amaron left the newspaper when Bassett would not pay him more money. (Eventually he became general superintendent of the Canadian Press.) For the next six years or so, Bassett filled the position by sending three different editors from Toronto, who, while lacking small town newspaper experience, were competent and enthusiastic about making names for themselves. Their salaries were subsidized by the Telegram Publishing Company.

In many ways, the ambition of these individuals was a luxury for the *Record*. One young editor, for example, always insisted on substantial, and costly, photo coverage. Although Ivan Saunders was responsible for the overall profit of the newspaper, the fact that these editors were appointed from Toronto gave them significant influence in its day-to-day operations.

With the strike in 1962 by twenty of the *Record's* employees seeking higher wages, a reduced work week, and other employment security concessions, John Bassett's interests with affairs of the *Record* began to decline more quickly. This continued until 1968 when he sold the newspaper.

Unfortunately, the major effects of the strike were not limited to higher labour costs; the *Record* lost two major clients for its printing services. The *Town of Mount Royal Post* and some of the circular accounts (United Stores) were forced to sign five year contracts with other printers during the strike period. This strike was also significant in that it marked the first instance of a direct effect of the Quiet Revolution – in the form of growing labor militancy – on the *Record*.

The *Record* took many years to recover from the permanent loss of revenue resulting from the strike, and this loss did nothing to sustain Bassett's interest in the newspaper. From 1964 to 1968, the *Record* lost money, apparently for the first time, albeit in small amounts, reported to be about \$5,000 per year. These losses, no doubt, provided ammunition for the financial staff at the *Telegram*, who advocated divestment of the Sherbrooke operation.

These years were also notable for the lack of evidence of major actions taken to recapture the *Record's* former financial health. In fact, around 1963, Ivan Saunders advised Bassett that the newspaper did not have a bright financial future and should be sold. Bassett's reply was that the

Sherbrooke Record would go on forever. Yet he made no observable effort to ensure that future.

Saunders's recommendation was likely based on the realization that the future for an English-language newspaper in Sherbrooke was at best uncertain. Many of the environment forces that affected the *Record* in these years were not, in fact, new, but rather were a continuation, and intensification, of the problems of the 1950's. The anglophone market in the Sherbrooke area continued to grow at a very slow rate and the structure of national advertising continued to shift power to large retailers and national agencies, and to favor the electronic media increasingly. Adding to these forces was the Quiet Revolution, which brought a certain pessimism to the English-speaking population of Quebec. As nationalism grew, many anglophones in the Eastern Townships began to question their future in the area. By 1965 it was evident that the market for an English-language daily in Sherbrooke would remain limited.

In 1967, a decision was taken by Bassett and the *Telegram* board to purchase a new Goss offset press. On the surface, this decision seems to break the ongoing pattern of declining interest. But the details suggest another interpretation – that the decision (which seemed to have no economic justification) was only made because Bassett was unwilling to give the newspaper any serious attention. The new press was designed with the possibility of an eventual transfer to Toronto: the superintendent of the *Telegram* participated in decisions on its specification and the press was built to meet both Ontario and Quebec wiring regulations.

In any event, the day this decision was announced, Bassett also announced that he was divorcing his wife, so that he could marry another woman. Bassett's first wife, a native of the Eastern Townships, had always provided him with a strong link to the Sherbrooke area. As Ivan Saunders noted, the announcement of Bassett's divorce was very significant for the paper.

What we didn't know at the time was that the *Telegram* was losing money. The day at the annual meeting that we voted to buy the new press was [also] the day he [Bassett] announced that he was going to divorce his first wife. That was the clue ... his interest was finished ... he only came down once after that ...

Had Bassett used a strictly business approach, he might very well have sold the *Record* in the mid-1950's. Given his other enterprises (e.g., CFTO – CTV), it is difficult to imagine that he could not have found more lucrative places for the money tied up there. Sentiment seems to explain his behavior – at least until the mid 1960s.

Less than a year and a half after the press was bought (as the *Telegram* itself began to lose money – it closed in September, 1971), Bassett and the Telegram Publishing Company abruptly sold the *Record*.

Transition. The *Record* was sold in August 1968 to Ivan Saunders, its president at the time, and R. Stafford, a local chartered accountant.

Consistent with the loyalty he had always exhibited to *Record* staff, Bassett gave his employees first opportunity to purchase the newspaper. The purchase price was very close to the cost of the physical assets. This new ownership inaugurated a brief transition period and represented a return to local ownership and direct management.

The new owners, faced with rising costs and declining revenues, eliminated the Saturday edition of the paper. Then came the huge jump in postal rates at the beginning of 1969, which forced a large increase in mail subscription rates, which in turn led to a drop in circulation. Moreover, uncertainty about the new mall in Sherbrooke depressed the advertising budgets of local merchants, and, with increasing competition from French-language media, advertising revenue declined too.

Saunders and Stafford realized that they did not have the resources necessary to carry on, and, in March, 1969, sold the new Goss press back to the Goss Company. This reduced their investment, and also made the *Record* itself more marketable. Saunders and Stafford were aware at this time of the interest of Conrad Black and his associates in the newspaper.

The Black Era. At this point, the continued survival of the *Record* was at best uncertain, and in June of 1969, it was sold to a group headed by Conrad Black. All were under thirty, Black himself being only twenty-four. A graduate of Carleton and Laval universities, Black was the son of George Black, a wealthy Canadian industrialist. His partners included Peter White, a lawyer who was graduated from the faculties of law at both McGill and Laval, and David Radler, a McGill B.Com. and Queen's MBA, who was working as a management consultant.

Eventually the Black group ended up buying twenty-one small newspapers in Canada under the banner of the Sterling group. The *Record* was the first daily added to this group (following the purchase of two nearby weeklies – the *Eastern Township Advertiser* in Knowlton and the *l'Avenir de Brome-Missisquoi* in Farnham), and in many ways represented an experiment for them.

This sale marked the beginning of radical change for the *Sherbrooke Record*. Starting in June, 1969, the newspaper was completely transformed.

As a starting point in explaining this transformation, it is useful to look at the new form of management. Coming to Sherbrooke a few hours a day, the new owners took turns creating new administrative controls which would transform the newspaper into the type of organization they wanted it to be. Tight financial controls, lean budgets, low cost labour, and the dominance of advertising over editorial content were the cornerstones of the system they installed. Profitability was the paramount goal. Black himself has characterized these actions as an attempt to rebuild the financial strength of the enterprise and suggests that in such a policy, there is no place for sentiment.¹

¹Personal correspondence from Conrad Black.

Thus, while the newspaper remained relatively small, the "folksy" operating atmosphere was eliminated. The abrupt change in approach was described by Saunders as follows:

Bassett's theory was that if you have people with an organization for a number of years you have to keep these people ... keep them until death. Younger people like Black had no mercy for these people – they just came in and wiped them out ... J—, D—, the part-time truck driver since 1937 P—, and they chopped others.

At one time, I had 12 "vets" who came back from the war ... some were not all that productive, but we carried them. One lives in X—, and is a bit of a mental case. We carried him, they let him go the next day. It is not that we were after brownie points. but it was just the decent thing to do. That's not the way business is done today.

Black expected all of the people at the *Record* to do their jobs. The three young owners had bragged when they purchased the newspaper that they would make money out of Sherbrooke, but they would never live there. Their approach after the first few months of their ownership was to take turns coming to Sherbrooke from Montreal, Radler being at the paper on a more permanent basis than the others. Later, when the newspaper was functioning according to the Sterling system, important instructions were telephoned in, mainly from Black, as was the occasional editorial piece. These calls, twice monthly on average, seemed to terrify the employees on the receiving end.

A young reporter who worked for the *Record* in 1973 and 1974 recalled that seldom, if ever, did he receive any real training to become a reporter – the reason for which he had taken the position at such a low salary. The *Record* was so understaffed that the editor and senior staff reporter just did not have the time, or the energy, to train young reporters. Budgets were extremely tight, so that, for example, reporters were discouraged from taking taxis, or even making long distance telephone calls, when pursuing a story. And salaries were extremely low.

Indicative of the administrative structure of the Black era was the pattern by which disputes were settled. While the editorial staff always had been well respected and had considerable influence during the Bassett and Saunders periods, production and advertising now became the major forces in the organization. Internal disputes between editorial and advertising were consistently settled on the basis of the effects on advertising revenue. At the end of 1973, the advertising manager was promoted to the position of publisher, apparently to free Black of certain troublesome tasks, such as dealing with complaints.

The new group lacked the emotional attachment to the newspaper that had characterized its earlier history. Bassett had his family and personal ties with the Townships, and Saunders and Stafford were local residents concerned about the continued existence of an English-language institution. While the Black group exhibited a certain interest in the politics of the area (White ran as a Union Nationale candidate), its members did little to promote the English speaking community of the Townships – their interests were perhaps too spread across Canada.

This new orientation had a marked effect on quality, as indicated by a variety of factors. Young, inexperienced editors were hired. Being overworked and underpaid, they left the newspaper once they had gained sufficient experience, about one each year. Fewer staff reporters were allowed, thus reducing local coverage. National and international news coverage was reduced, while packaged editorials were used in increasing numbers. As a result, some important local issues – an important element in any regional newspaper – were not discussed. In contradiction to its self proclaimed role, the *Record* ceased to be "the voice of the Eastern Townships". The sports page became very inconsistent, with poor coverage of local events and spotty coverage of major national and international events. Attention seems to have been paid to local editorials and sports only when the staff had the time – and they seldom did. The average daily size of the newspaper was small, but the proportion of advertising was up.

A not surprising consequence was a decline in demand. Circulation dropped from 8,633 in 1969 to 8,063 in 1970, and then to 7,240 in 1971. This trend continued until 1973, when it bottomed out at 6,327. The magnitude of this drop cannot be explained by increases in subscription rates, nor by the decline of the English-speaking population, which was moderate between 1969 and 1973. No concerted effort seems to have been made to reverse the decline, suggesting that the Black group was consciously prepared to trade off quality and circulation for profits. What made this tradeoff possible was the small size of the newspaper, which made advertising rates rather insensitive to the decline in circulation. Moreover, the organization marketed its advertising space more aggressively, and benefited from the contacts the new owners (Black in particular) had in Toronto and Montreal. In addition, the *Record* also began to benefit from the increased advertising activity of both the provincial and federal governments. Within a few months of the purchase, the *Sherbrooke Record* returned to profitability.

In late 1972, a new press was purchased, both to reduce the expense and inconvenience of printing the newspaper outside of Sherbrooke and to supply outside printing revenue. By this time, the Black group had acquired a number of local weekly newspapers which could also be printed on the press. But the absence of a press for three years had two important effects: first it kept the investment of Black and his associates to a minimum, and second, the *Record's* union disappeared, never to return.

By 1973, the Sherbrooke retail market had improved considerably, mainly because of the long awaited opening of the Carrefour de l'Estrie – a 110 store mall. Other retail establishments also opened around this time, so that the *Record* could now draw on Eatons, Sears, Pascals, Steinberg, and Canadian Tire either for the first time or now more extensively. This helped the financial picture considerably.

Thus the *Record* became quite profitable, reportedly to the tune of \$100,000 per year late in the period. Yet, as indicated by interviews with *Record* employees and even by the editorials of departing editors, the

Record lost, to a considerable degree, the confidence of the English speaking population of the region. The general lowering of quality and the lack (or inaccuracy) of reporting of local events reduced the *Record's* credibility significantly in the Townships. Only a substantially increased allocation of resources to the editorial side could have helped it regain some of its lost prestige, but Black and his associates made no such moves. Instead, in 1976, they sold the *Sherbrooke Record* to George MacLaren, a Sherbrooke lawyer, for a price approximately forty times what they had initially paid for it. (MacLaren has successfully operated the paper to the present time.)

A Conceptual Interpretation of Strategy Formation at the Sherbrooke Record

We have now traced the strategies of the *Sherbrooke Record* from 1946 to 1976, and have described in three periods the history of this organization – a Canadian institution of sorts, since it was the starting place for two of the country's best known businessmen. At this point, however, we put aside the *Record's* own particular role, and view its history from the perspective of strategy formation.

After reinterpreting the three periods from a conceptual perspective, we focus on three particular themes that have emerged as central in our research – the pattern of strategic change over time, the contrast between deliberate and emergent strategies, and the interplay of environment, leadership, and organization in the process of strategy formation.

Periods of Strategy Formation

From a relatively stable set of post-war strategies, there began around 1951 a gradual decline in the fortunes of the *Sherbrooke Record*, which accelerated in the 1960s to the point of crisis near the end of the decade. Essentially, the environment dealt a set of increasingly severe shocks to the organization, which were not responded to. A first attempt at adaptation finally took place in the late 1960s, when the newspaper was first sold, but this was defeated by the most severe shocks of all and by an absence of the resources needed to deal with them. The resolution of the newspaper's existing financial problems (to be replaced by new problems) began in 1969, the second time it was sold.

Below, this sequence is reviewed in more detail, accompanied by diagrams which show the strategies down the middle (in circles), the results to their left (in rectangles), with ownership factors on the right and environmental ones on the left.

As shown in Figure 5, from the end of World War Two, after a few corrections to the long-established strategy, there followed a period of relative stability to 1951. This is the first part of the Bassett era. The English speaking population of the Eastern Townships in fact increased in absolute numbers (although not in proportion to the total population) from 1941 to 1951, and the *Sherbrooke Record's* circulation held steady. This is, then, a

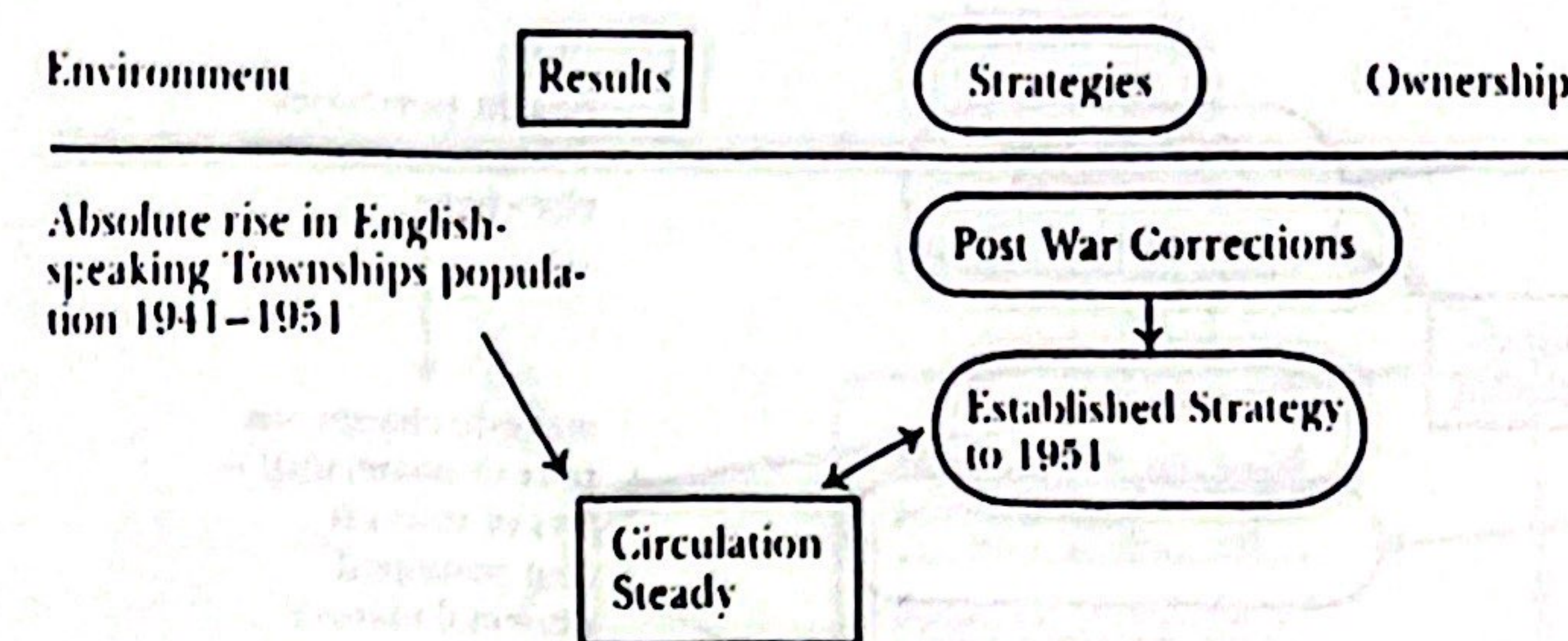


FIGURE 5 Period of stable strategy

period of "stable strategy", integrated around a traditional set of values – small community, local orientation, personal involvement, and so on. The different strategies pursued by the organization appear to be rather deliberate, although probably implicit, and they were generally conservative in nature.

Figure 6 indicates the increase in postal rates of 1951 as the signal of change – the first clear sign of an environment that was to deteriorate at an accelerating rate. This deterioration manifested itself in two ways. One was as a series of shocks, the other, steadily worsening trends. As can be seen in Figure 6, and especially in Figure 7 below, these shocks were few at first but became more frequent and severe – the postal rate increase in 1951, the strike of 1962, and in the late 1960s the sharper increases in postal rates, newsprint, etc. and the problems created by the development of the Sherbrooke mall. The trends included the decline of the anglophone population of the Townships together with the rise of the Quiet Revolution and the problems associated with national advertising.

The organization could have responded strategically – that is, by making permanent, significant changes in its posture – to these events and trends, especially to the former whose signals were unequivocal. But for sixteen years, it made few strategic changes, instead reacting in an occasional ad hoc manner to specific stimuli (such as increasing mail subscription rates in response to the postal increase). Essentially, the strategies in 1967 were much like those in 1951 – traditional, conservative, and largely implicit – although the environment had changed significantly.

Hence we view the years 1951 to 1967 as a period of "accelerating deterioration in condition" – a period characterized more by what happened in the environment than in the organization. Three interacting factors seem to explain the lack of response to the deterioration in condition. First, traditional strategies that have long been successful have a habit of perpetuating themselves, even after conditions change (Mintzberg, 1978). The members of the organization get used to doing things in a certain way, feel comfortable with the old patterns (strategies). Second, the environment did not change suddenly so much as gradually – the deterioration, in other words, was characterized more by trends than by events, at least for most of the period. Yet events did occur – the postal rate increase of 1951 and especially the strike of 1962 – and the trends, as

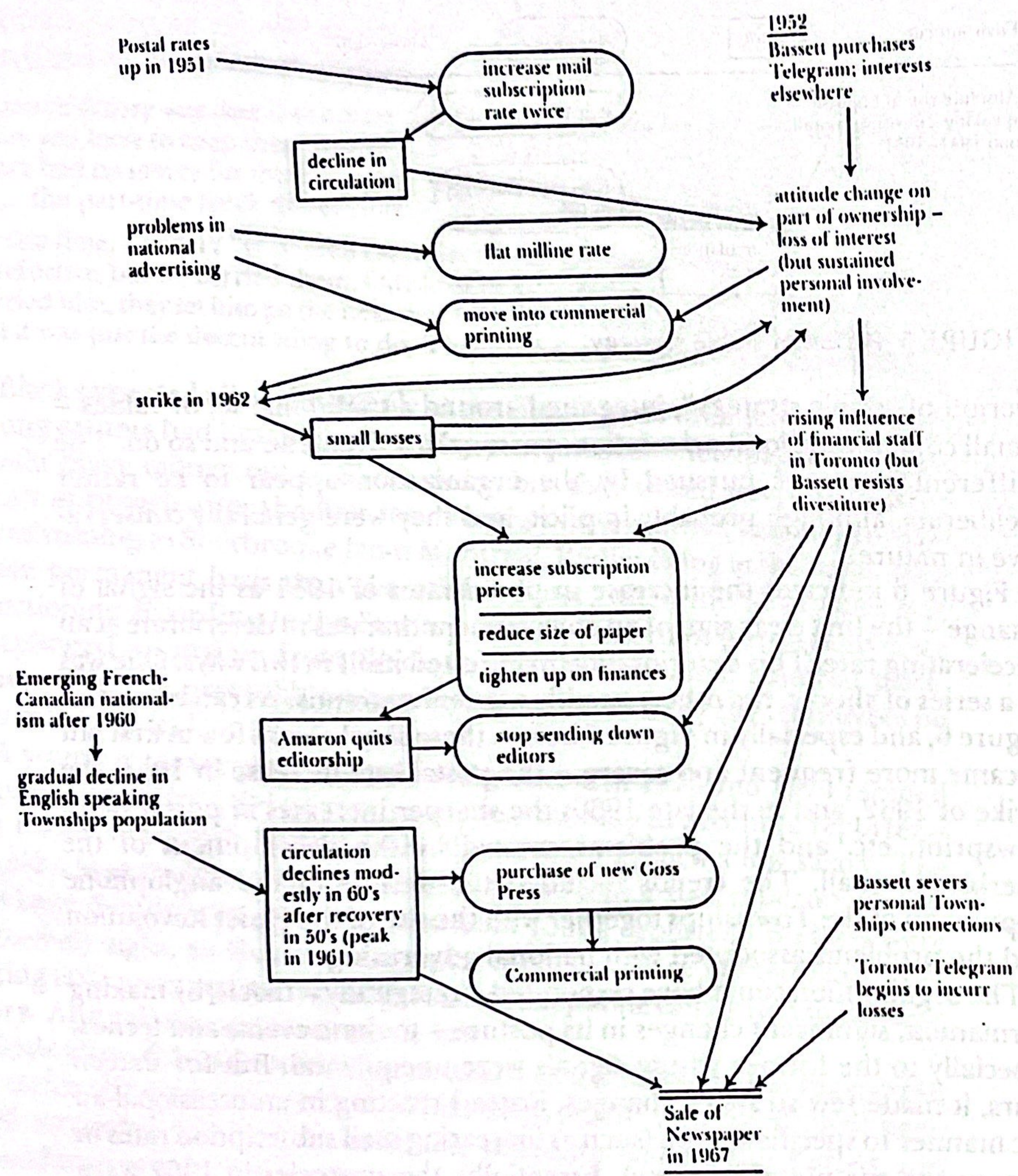


FIGURE 6 Period of accelerating deterioration in condition

already noted, were accelerating. But here the third factor comes in. Bassett retained a personal link to the organization, yet lost interest in the administration of it. And that had the effect of locking in the existing strategies. A little like the spoiled rich child, this organization was looked after materially but ignored emotionally, and so it lost touch with its environment. In contrast to Hedberg's (1974) description of Facet, which seemed to turn itself around by virtue of the enthusiasm of its new ownership (without that ownership really having to act), the *Record* languished because of disinterest. A kind of dry rot set in. Even in the face of the losses – albeit they small – the situation did not change. Only when Bassett's personal situation changed – when he finally severed his personal

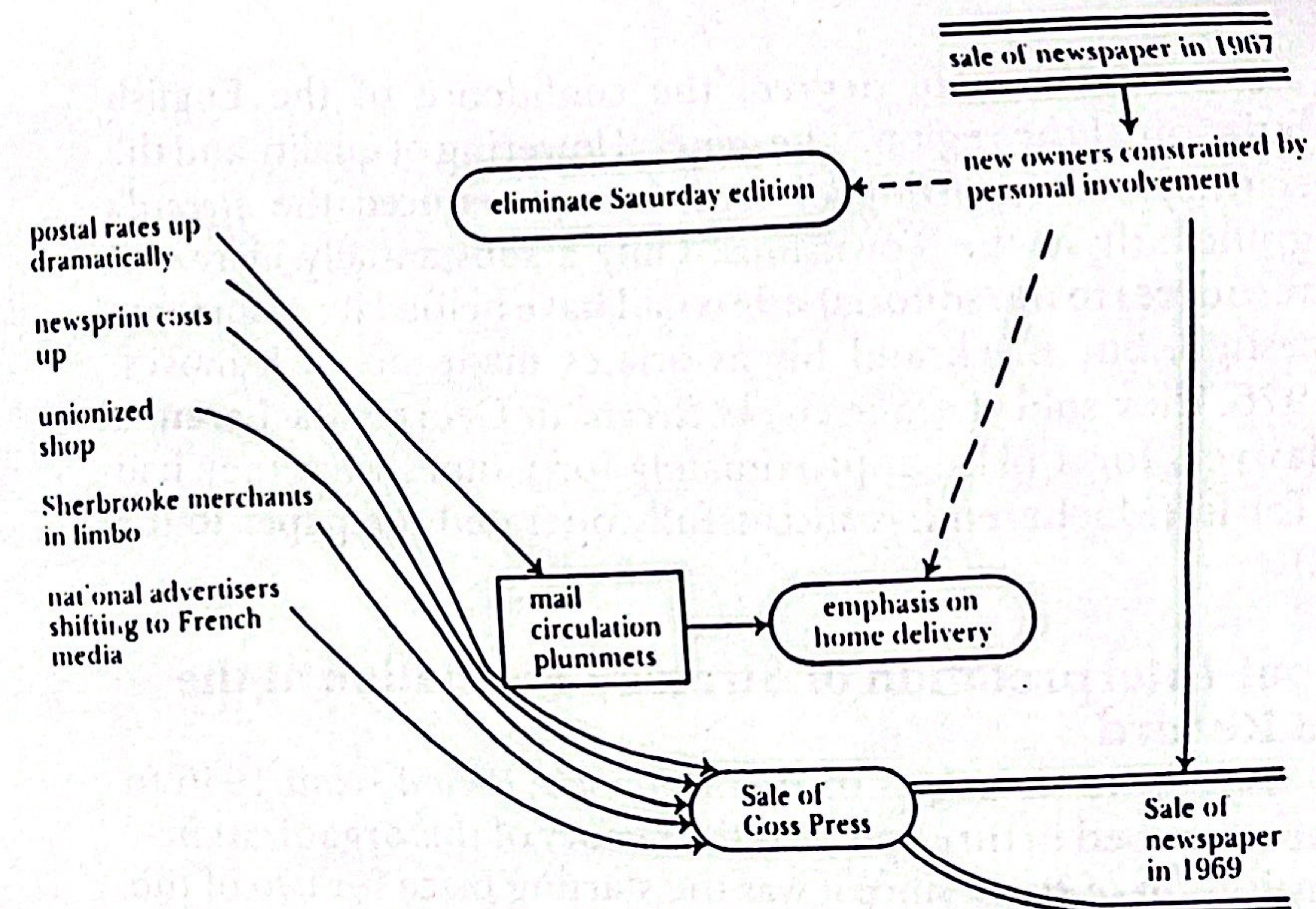


FIGURE 7 Interim period

links with the Townships – did he finally act. And then, rather than changing its strategies, he sold the organization.

The new owners of 1967 did not make any major changes in strategy. Their one immediate change, piecemeal in nature, was the dropping of the Saturday edition. The new owners were also personally involved with the traditional strategy, and so apparently unable to make the type of changes necessary. And then, just as they settled in, the environment underwent what might be called quantum change – dramatic and pervasive, as shown in Figure 7. The new owners were hit with a number of sharp and concurrent price increases, notably a four-fold rise in postal rates, together with a drop in advertising due to the problems of the Sherbrooke mall. Whether because of commitment to the traditional strategies or simply because they lacked resources, their responses were only marginal – emphasizing home delivery, selling the Goss press. Finally, they were forced to sell the newspaper.

Because these few months represent renewed owner interest in the newspaper without any real strategic change, we view this not so much as a period in its own right but rather as an "interim" period, an *indication* of transition without the manifestation of it. Piecemeal changes were made, but the overall traditional strategy did not change. Piecemeal changes to an integrated strategy, however, signal *disintegration*.

It was in 1969 that a new period is clearly indicated, one of *global* change, when almost all of the strategies changed suddenly. A glance down the 1969 column of Figure 2, which depicted all of the strategies, gives some idea of the pervasiveness of the change. Likewise, our flow diagram shown for this period in Figure 8 indicates for the first time a large number of

concurrent strategic changes. Yet, ironically, also for the first time, there were relatively few environmental changes, and these tended to be favorable (the return of national advertising and the opening of the shopping mall), although the unfavorable demographic trends did continue. Was the Black group simply lucky, or was its timing good?

An interesting characteristic of the deliberate changes was that they focussed on administrative matters, not on the content of the newspaper itself. Elsewhere we have referred to this as a "process strategy" (Mintzberg and Waters, 1983a) – the management of the processes by which things happen in an organization (hiring, structure, etc.), but not of those things themselves. Such a process strategy is partly deliberate and partly emergent, or, if you will, deliberately emergent; process matters are dictated while content ones are allowed to emerge. The new owners – involved in the management of the organization but not in its traditions, or its community – imposed severe financial constraints, cut the staff, lowered salaries, favored the advertising department over editorial, and increased the proportion of advertising. (This last strategy was of a content nature, as were those of emphasizing national advertising and printing the newspaper in the United States. But these did not apply to editorial content per se.)

These strategic changes affected the staff of the newspaper significantly: turnover among editors increased dramatically and much less experienced personnel were hired. It also led to the use of many more packaged editorials. The overall result was a sharp decline in quality, which was certainly a realized strategy (a clear pattern in the organization's actions), although probably not a deliberate one. In other words, we cannot conclude that the Black group intended to reduce quality; we can only argue that this was the natural consequence of the other strategies they pursued (in contrast, say, to a newspaper owner who deliberately turns a quality publication into a "yellow" journal to gain market share). On the other hand, the Black group certainly made little effort to maintain quality; they seemed to have little concern about it.

In any event, the new overall strategy – tightening the administration to squeeze whatever profit potential remained in the newspaper – worked. Enough of a market remained to make money, even after the circulation dropped significantly. At least for a time. Whether this strategy could have been sustained, we shall never know. What we do know is that once the new owners turned the organization around, and began to lose interest in its direct management, they did not repeat Bassett's mistake: they promptly sold it.

Thus, we see this as a period of global or quantum change – a kind of strategic revolution (Miller and Friesen, 1980) – with deliberate strategies in process and emergent ones in content (at least editorial content). The dominant element in the new set of strategies was cost reduction, supported by an emphasis on advertising. The new strategies were aggressive and tightly integrated. But they were not innovative. These were

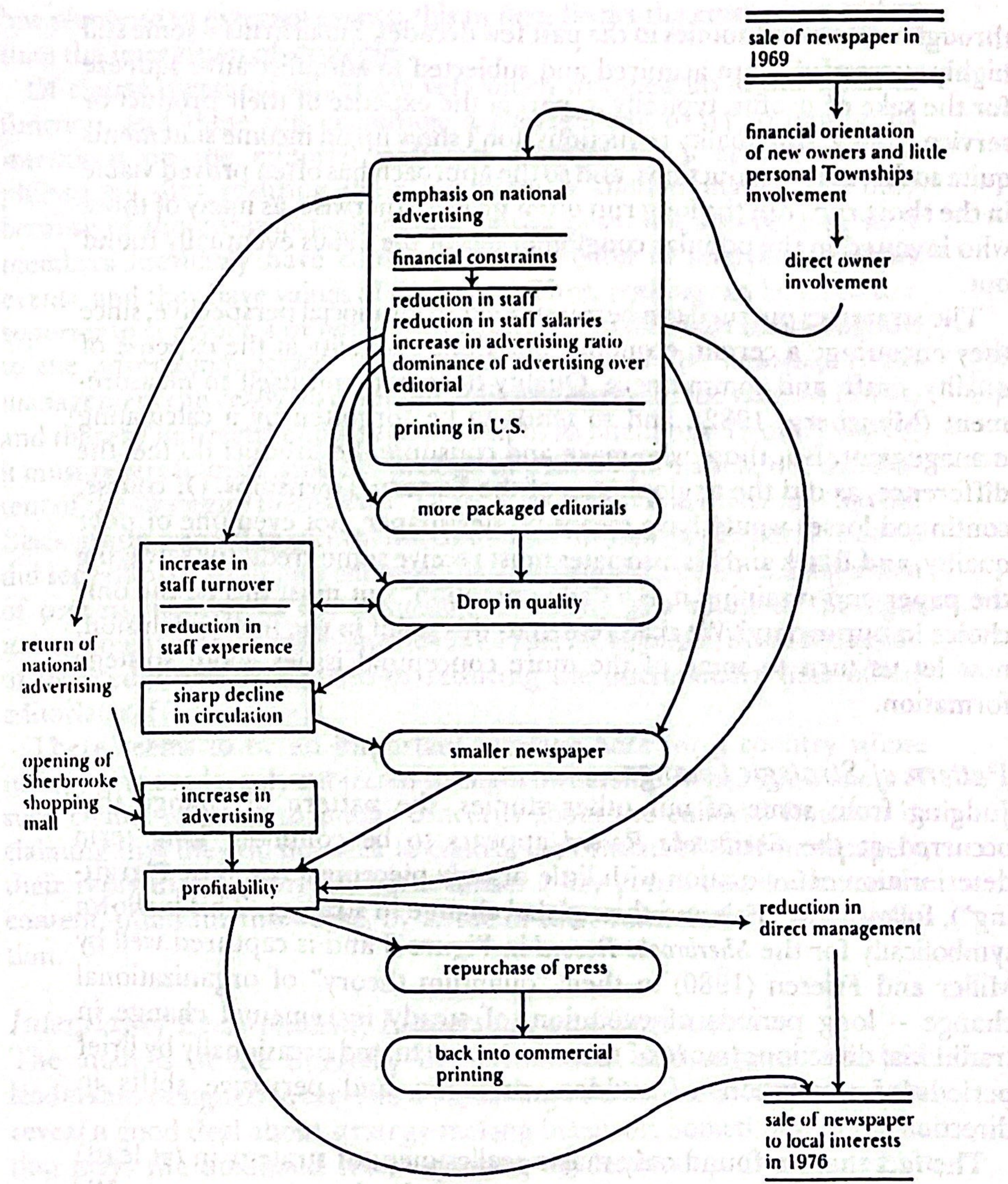


FIGURE 8 A period of global strategic change

the most conventional of strategies, available to anyone with the requisite financial and administrative knowledge, not to mention the hardness to see them through. The new owners simply imported their strategies into the organization, "ready-made".

The set of ready-made strategies pursued by this group is so common that it has received a couple of generic labels – "harvesting" or "milking" – popularized in the work of the Boston Consulting Group (1972). This has been a common approach, not only to turn around moribund organizations, but also to squeeze more profits out of healthy ones. Such an approach lies behind many of the conglomerate takeovers that have swept

through western economies in the past few decades. Small firms – some still highly successful – are acquired and subjected to administrative squeeze for the sake of profits, typically in part at the expense of their product or service quality. But quality reductions don't show up on income statements quite so fast as cost reductions, and so the approach has often proved viable in the short run. But the long run often proves otherwise, as many of those who invested in the popular conglomerates of the 1960s eventually found out.

The strategies pursued can be questioned from a social perspective, since they encourage a certain economic one-dimensionality at the expense of quality, craft, and commitment. Quality does not lend itself to measurement (Mintzberg, 1982), and so tends to be forgotten by a calculating management. But those who make and consume the product do feel the difference, as did the anglophones of the Eastern Townships. Of course, continued losses would have meant no newspaper, not even one of poor quality, and Black and his associates must receive some credit for salvaging the paper and retaining it as a daily operation. But must this be the only choice in our society? We shall return to this point in the final conclusion; now let us turn to some of the more conceptual issues about strategy formation.

Pattern of Strategic Change

Judging from some of our other studies, the pattern of change that occurred at the *Sherbrooke Record* appears to be common: long term deterioration of a situation with little or only piecemeal response ("grafting"), followed by crisis and then global change in strategy. This is shown symbolically for the *Sherbrooke Record* in Figure 9 and is captured well by Miller and Friesen (1980) in their "quantum theory" of organizational change – long periods of evolution, of steady incremental change in traditional directions (more of the same), punctuated occasionally by brief periods of revolution, of sudden, dramatic, and pervasive shifts in direction.

The fact that we found only major realignment of strategy in (at least) thirty years of the history of the *Sherbrooke Record* is also not uncommon. We saw only two such realignments in sixty years of history at Steinberg Inc. (Mintzberg and Waters, 1982), and only one in Volkswagen across almost the same years as the *Sherbrooke Record* (Mintzberg, 1978). Five year planning prescriptions notwithstanding, organizations (even ones with active owners) seem to realign their strategies only very rarely. (In fact, as we argue in forthcoming work, formal planning seems to be a force for extrapolation of given strategies, not realignment).

What distinguishes this study from our others is the nature of the revolutionary change in strategy. In the other studies, that change came from within. It may have been stimulated by people new to positions of strategic influence, but not new to the organization. Moreover, in the other studies, these revolutionary changes entailed the design of new strategies,

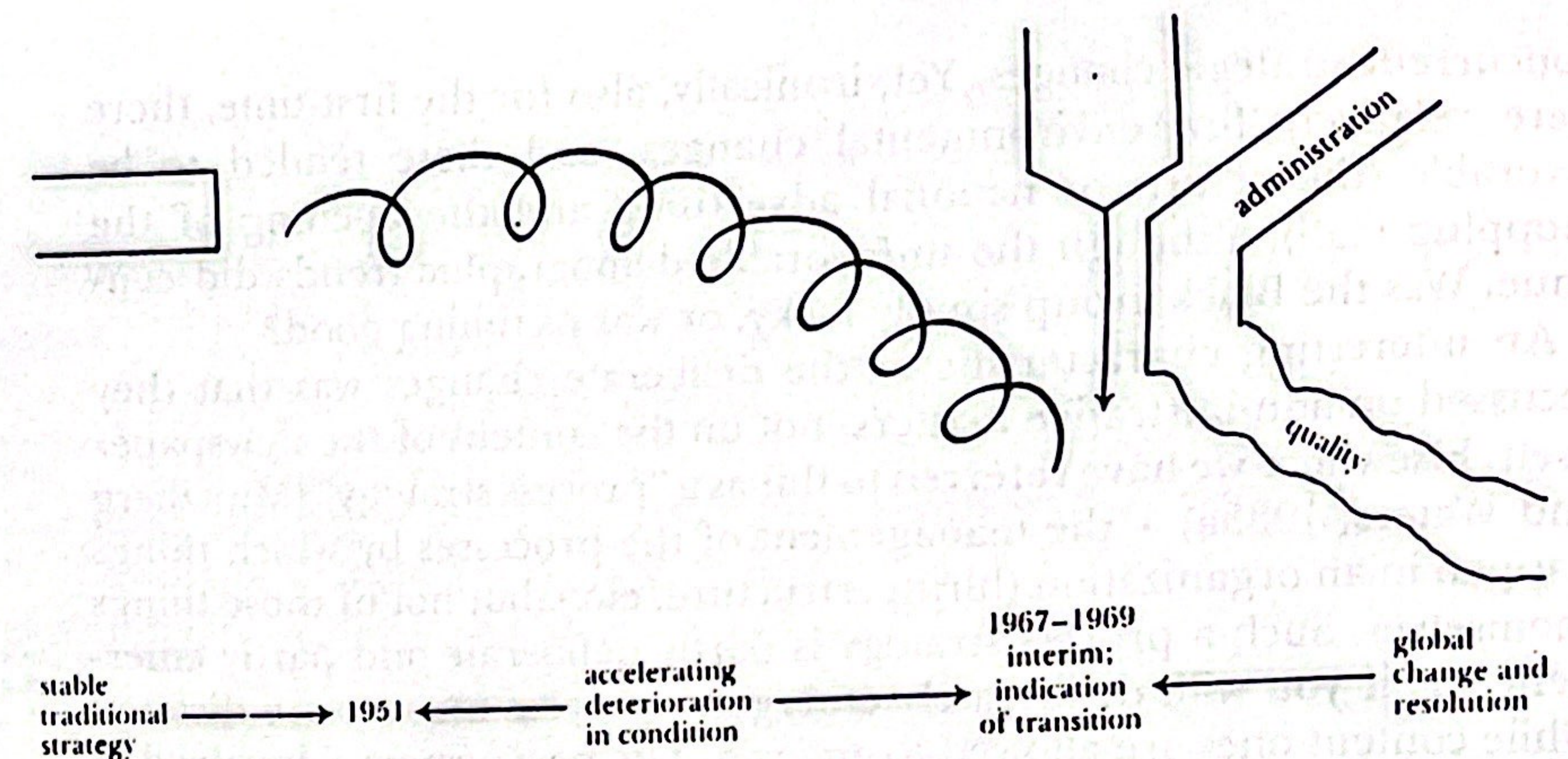


FIGURE 9 Pattern of strategic change in the *Sherbrooke Record*

notably the creation of new products, new ways to produce products, and new ways to serve customers. The management had to comprehend new or changed environments and to create new strategies that would use their organizations' distinctive competencies in those environments.

The *Sherbrooke Record*, in contrast, presumably because it was small and lacked the capacity to correct itself, required outside help after Bassett's departure. Thus, its strategic revolution was imported, so to speak, but at the price not only of its independence but also of its integrity as a unique institution with standards of quality. And so too were its new strategies imported, ready-made. Far from taking into consideration the *Record's* distinctive competencies, these strategies tended to destroy them. Thus, the *Record's* strategic revolution – unlike the others we have studied – required no period of groping, learning, or testing. It happened almost instantly.

Deliberate and Emergent Strategies

Another way to put the above conclusion is that the Black group came into the organization with a set of clearly specified intended strategies and then realized them as such: the strategies pursued by this organization in this last period were, in other words, deliberate. To take the clearest example of this, Radler gave the advertising person at the *Record* a chart to determine the number of newspaper pages as a function of the number of lines of advertising.

Strategy is usually defined in terms of intention and thought to be made correctly only when it is deliberate. Yet even when the *Record* was being turned around, there were clear examples of emergent strategy too – namely those related to the editorial function. In other words, the pattern or consistency in the behavior of the organization with respect to editorial content, news gathering, and reporting appeared without the apparent intervention of the leadership; it was just the natural consequence of other

intentions of that leadership, namely with respect to budgets, advertising policy and personnel. To generalize, deliberate strategies can produce emergent ones, inadvertently.

Our research has indicated that some organizations (such as a Steinberg or a Volkswagenwerk or an Air Canada) appropriately pursue mostly deliberate strategies, while others (such as a National Film Board or an Arcop) appropriately pursue mostly emergent ones. The *Record* is much closer to the former group. Most of its strategies were rather deliberate, even before the Black era. Some of these were necessitated by the phenomena in question: for example, the use of syndicated columnists or the setting of advertising rates requires the making of specific decisions to establish patterns of activity. (Advertising prices can hardly be negotiated each time someone wishes to buy space in a newspaper.) Likewise, the commercial printing strategy had to be deliberate because of the financial commitments involved. When an organization makes a major capital investment, it must usually make conscious decisions – that is, assess the consequences and plan for them – before it acts. Hence its strategies tend to be deliberate.

Other, more general factors also contributed to the deliberate nature of the strategies. Our studies indicate that strategies sometimes go through an emergent phase before becoming deliberate. As in the case of the first expansion in new stores at Steinberg, this sometimes reflects the need for experimentation – for learning. It may also reflect the fact that once emergent patterns clearly establish themselves, they become recognized, then accepted as such, and so become deliberate. Because until 1967 many of the *Record's* strategies were long established (before the beginning of the study period), they had become deliberate (even if they may have once been emergent). And as noted earlier, the strategies brought in by the Black group were ready-made – pre-tested elsewhere – and so deliberate at the *Sherbrooke Record*.

The nature of the organization itself also contributed to the deliberateness of the strategies. When the power for making important decisions must be shared – as in an organization such as the National Film Board, in need of technical expertise and creativity – then the central management cannot impose specific intentions, and strategies therefore tend to emerge. The fact that the *Sherbrooke Record* was a small, simple, and integrated organization meant that its management could maintain central control, and so impose its intentions (when it had them), particularly in the functions of administration, advertising, and printing.

The editorial function is somewhat different, and so it is not surprising that here is where the clearest example of emergent strategy was found. No expensive technology drives this function, and no a priori decisions are necessarily required to guide subsequent pattern of action (as in the setting of advertising rates). Indeed, the very nature of this function – deciding which unpredictable news breaks to report on, and how – encourages ad

hoc response to external events; this in turn favors the emergence rather than the imposition of strategies.

Of course, personal values are very much wrapped up in the editorial function, and these can encourage a management to try to impose its intentions on the editorial staff, say support for a certain political philosophy. But realizing these intentions is another matter, not only because of the unpredictable nature of the news, but also because staff members inevitably have considerable discretion in interpreting news events, and they have values of their own. Thus, nothing can be given to a reporter to control his or her stories equivalent to the chart that was given to the advertising person to calculate the size of the newspaper. All management can really do is appoint editorial staff with the values it favors, and thereby indirectly encourage pursuit of its intentions. In other words, it must revert to managing the process of strategy formation, not the content of the strategies themselves. There is no evidence in this study that the Black group wanted to control the content of the newspaper per se, but we did see editorial strategies emerging as a consequence of the management of process, notably in the reduction of quality as a result of the tight management of the bottom line (to take a specific example, in the reduction of local editorials as a result of reducing the discretionary time of the editorial staff).

There seems to be an important message here for a country whose newspapers are largely subjected to chain ownership. When the owners of such chains respond to public concerns about the editorial function by claiming that they do not seek to control the content of their newspapers, their reply may be correct, but it misses a key point: they influence the content, often for the worse, by virtue of their control of the administration.

Interplay of Environment, Leadership, and Organization

The analysis of the interplay of environment and organization, with leadership designed to serve in a mediating role between the two, can also reveal a good deal about strategy making behavior. Sometimes, organization plays the dominant role, capturing the leadership (and sometimes even the environment as well for a time), as we saw in our studies of U.S. strategy in Vietnam, from 1965 to 1968, and Volkswagenwerk, in the 1960s (Mintzberg, 1978). Sometimes environment dictates strategies to the organization and its leadership, as in Arcop with respect to its "choices" of markets and locations (Mintzberg et al., 1983). And sometimes leadership can be pre-eminent, dictating to a malleable organization and carrying it to a safe niche in the environment, as in Steinberg until the organization grew large and the environment more demanding. (Mintzberg and Waters, 1982; for an elaboration of all three approaches, see Mintzberg and Waters, 1983b).

The *Sherbrooke Record* is the story of a small and malleable organization,

but with its own traditions; an environment that gnawed away at the organization, at first slowly and imperceptibly but later much more overtly; and three leaderships, one that could have acted but didn't, a second that couldn't act, and a third that did, with a vengeance.

If ever there was an organization in which leadership could have acted, this was it. The organization was small and easy to change, while the environment, for all but a few years in the later 1960s, was not imposing even though it seemed to be deteriorating. Indeed a study of this organization together with three other small anglophone ones in the Eastern Townships (Taylor, 1983) found that the quality of the leadership and the attitudes of the employees (the organizational culture) explained success and failure far more than did deterioration in demographic conditions (namely decline of the anglophone community). In other words, each organization could find a relevant niche, and make it work, so long as it possessed enthusiasm and energy. The message may be a profound one, not only for anglophone business people in the province of Quebec, but for Canadian managers in general.

Unfortunately, until the late 1960s, the *Sherbrooke Record* was saddled with a leadership that was detached administratively even if it was involved sentimentally. That leadership would not act, but neither would it let go. So long as an organization's strategy is appropriate, that is not a bad kind of leadership to have: the organization is protected, yet not bothered; the employees can get on with pursuing the given strategy. But a time always comes when strategic change is necessary, and then that kind of leadership stymies it: those who can take the initiative won't, while those who may want to cannot. Thus, despite its small size and malleable nature, in the absence of leadership during these years of environmental change, the *Record* exhibited a surprising amount of strategic inertia.

The leadership did change in the late 1960s, to one that was involved both administratively and sentimentally. But by this time the environment had emerged as the dominant force, and proved too much for that leadership. So it gave way to a more powerful leadership, but one less personally involved – and one smart or lucky enough to have entered the scene just as the environment settled down somewhat. Thus, while the forces of organization dominated (passively) in the 1951–1967 period (in the face of disinterested leadership and a gradually deteriorating environment), and those of the environment dominated in the 1967–1969 period (in the face of a vulnerable organization and its leadership), resisted neither by environment nor by organization. Even sharp declines in the circulation did not deter the new leadership in pursuing its given strategies. And other aspects of the environment became more supportive – the worst postal rate increases had passed, and the new shopping center was finally opening. Although demographic trends continued to deteriorate, enough of a market remained to be exploited profitably.

The organization was now more malleable than ever, ripe for the picking, or – in the metaphor of strategic management – harvesting. The

new "external" management, free of sentimental involvement, could make the internal changes necessary to exploit the market that remained and render the organization profitable. The existing organization was in fact reduced to almost nothing. It was truncated at the top (with management becoming external) and at the bottom (with its printing contracted out), while its editorial function in between was curtailed substantially. The *Sherbrooke Record* was almost literally harvested!

Thus our tale of two Canadian tycoons is one of sharp contrasts in leadership. One was detached administratively but involved sentimentally; the other was detached sentimentally but involved administratively. One served the organization well so long as it didn't have to adapt; the other served it well only while it was forced to adapt. The failings of the first brought in the second. In that sense they complemented each other, at least over time. But we are left wondering, in conclusion, if either (or both, in sequence) is what we really want in our society. Perhaps the message of the *Sherbrooke Record* is that healthy organizations and a healthy society needs leaders who both act and care.

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Résumé

On a reconstitué les stratégies adoptées, au cours d'une période de trente ans, par le *Sherbrooke Record*, un petit quotidien québécois de langue anglaise qui dessert

l'Estrie. L'objectif était de tirer quelques enseignement au sujet des choix de stratégie en général et des décisions prises par deux des hommes d'affaires canadiens les plus éminents en particulier. John Bassett Jr. et, par la suite, Conrad Black ont administré cette entreprise au début de leurs carrières. Sous un leader, elle a connu une longue période de stratégie constante, alors que son environnement se modifiant rapidement, sous l'autre; elle s'est rétablie financièrement, au détriment de sa qualité. On conclut que des organisations et une société saines ont besoin de chefs qui, simultanément, agissent et préservent les acquis.