

# Challenges and Opportunities for the Media in a Market Economy

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## SUMMARY

*The main characteristic of the media in a market economy is constant change, which must be taken into account by the editorial, journalistic and managerial staff. The role of the media in helping to create opinion needs to be seen together with the need to answer the challenges of the market. Cooperation and partnership are the best ways of handling this changing environment. In international media investment, good management and clear and independent ownership not linked to strong economic or political interests is the chief attraction, in addition to the media's market position and capacity for growth.*

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I guess I'm one of the very few people here who is not a journalist. I am more in administration. I'm more commercial than many of you: What I'm trying to talk about how we can combine the commercial interest and profit orientation with editorial integrity.

And my answer to this question if it can be combined, is a definite – yes, provided that certain very specific conditions are met. Let me start to talk a bit about what is the pure nature of the market economy, how we view it. The advantage of the market economy is that, it is a system that it is constantly under discussion. It is constantly being questioned, which means that it is an open system. Why do journalists have such huge responsibility? Because this system must be questioned. If people say that this is a wonderful system, I would say that I've lived in it all my life and it is not a wonderful system. But it has definite advantages in comparison with other possible

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systems. And the unfortunate thing is that there is no wonderful global system, and we must live with this fact. And the question is: how should we live with it?

The market economy means one thing – that you live under constant pressure, and constant change. In totalitarian systems, totalitarian regimes want stability. They do not want change because then they can lose their positions. In a market economy, you are challenged every day by the competitors, if you have a good position, which would like to take your position. And that really is a challenge. That is why I say that in the market economy the management of companies has a huge responsibility to protect their company and to be aggressive. But this means also that these managers must accept that they need to change.

This is one of the conflicts that always happen in a media company. The conflict is between the editorial interest in protecting the existing positions and the company management who may want to introduce changes because the environment is changing. If we are not part of the change, – we jeopardise all the jobs. Because, who is paying the bill? The readers and the advisers are paying it. There are no good gods to foot the bill in the market economy. I know and that in Croatia some media interests is protected by governmental interests. I think this will be the part of the transition period, but very soon all media will have to stand on their own legs. And this is really new form of protection.

Let me also say something about the readers and the advertisers. The readers are loyal as long as you fulfil their needs. As societies are changing, journalists also need to change and adapt to this new situation. As we heard from previous speakers, there is also the need for training. Regardless of whether they live in a transition period or in a market economy that has existed for decades, like Sweden, people need to be trained. We must understand what are the needs of our readers. And that is a challenge. Some journalists are perhaps more keen to write what they about the topics that interest them. And there can be a tendency to forget the readers. Is this interesting enough for the readers? Do I present the different aspects of the subject in other to challenge my readers? Is this good enough? These are important questions in a market economy.

Coming to the media in relation to the market economy, – we support plurality (and I know that this is one of the topics today, how to support plurality). Even in a rather advanced market economy like Swedish, and also Norwegian, there are state subsidies to the media, to newspapers. And can you avoid political influence when you have subsidies? Well, that's the question. Subsidies are handled in such a way that only number two or three can get a state subsidy, not number one. They have to run it the way they could because No.1 takes such a big share of the advertising cake that it can easily protect their own interests. But this is just one way of doing it. Another way of doing it is by the owner's commitment. I am fortunate to work in the largest Media Company in the Nordic states. It is a family company that has been run as such for six generations. And I can tell you that the family is more conscientious publishers than most journalists are. They love journalists, and they understand that they should leave the editorial departments alone and not interfere with their work. This is accepted, and you would be surprised sometimes to read what a journalist can say about the family.

The family is in no way protected in its own media. We try to encourage an open debate where even God can be questioned.

Another way of protecting plurality is through cooperation. In most transition countries, the distribution network is very poorly developed. If you take the kiosks, do we think that those kiosks are built in order to serve its customers or mainly for the benefit of those sitting behind the curtain. I would say that this is done in order to be aggressive, in order to demonstrate what kind of offer we get from the media?

The same goes for home distribution. I'm coming directly from Latvia, where we own 68% of the shares in a newspaper called "Diena". What the companies has been doing successfully is building up a whole distribution network, which means that you can have a newspaper when you have your morning coffee, and that really creates a habit. And if you subscribe and you can have your newspaper this way, you develop the need to have this newspaper every day as part of your daily routine.

And if you can do that by cooperation I think that's fine. In advertising, in Sweden and elsewhere there are advertisement packages, where bitter competitors have joint packages because that's one way of competing with television. And especially now in Croatia, where more than 60% of advertising goes to television, I think that you should cooperate, send offer advertisers a better package, with a better coverage than you can offer as an individual newspaper. That's one way of doing it.

Not the least important ingredient plurality is journalism. The editors of newspapers must open the pages of their newspapers even for voices that they don't like or intensely dislike, because this enables readers to form an opinion on their own. I think that this is one of the strengths of newspapers – helping the reader to form an independent opinion about how are things really. Not telling him how it is. This is the fundamental function of newspapers in a democracy: helping people to be sound democrats and build their opinions. I know that you are on the way of doing it, but that is a very, very tough struggle. I also understand that you have taken the initiative with your coalition government that you would like to have free and independent press, not being controlled by the government. I think that you will be successful, but this may take some time.

So, to conclude about the market economy. In the market economy you must learn to live with the conflict in interests. I'm strongly in favour of union interests. Because, especially in the transition period, owners can be pretty greedy and should be balanced by strong unions. However, you have a strong responsibility to communicate. And also, the editorial people must accept that there are changes that need to be made. Often, unfortunately, you have overstaffing in your organisations, which has historical reasons.

It takes time to develop the market economy. It takes time to develop political stability. The time immediately after independence is a period of joy, but then comes the reality that you are facing. The level of corruption is a problem in all transition economies. We heard earlier about that problem in Latvia and Poland. It is a problem, and it takes time and requires new legislation. We had a free newspaper in Sankt Petersburg. Unfortunately, we had to abandon it because of legislation. We did not know from one day to another what were the conditions to be in the business. You

know much more about this – the rule of the former nomenclature. Each system that it is changing leaves behind survivors and they may say: I'm a democrat. But, are you a true democrat, a supporter of the market economy from your heart? That's the difference, and this takes time to develop.

This is more general, and is true of Croatia and almost every other country. Safeguard the editorial integrity. I believe that you should have a commercial general manager and an editorial manager on the same level. They must be as important in the company. However, you are very dependent on the ability of these two individuals to cooperate.

In the editorial department they should have their own budget responsibility, but there must be a common understanding regarding the commercial as against the editorial objectives. That is something that we all have a responsibility to develop.

This is from my experience. If you would like to co-operate with a foreign investor, you must decide in advance what would you like to have. Is it only financial support or is it throe partnership? As a company, we do not believe in financial support alone. We believe in partnership. Because in partnership we share joys and problems. But that must be based on understanding. Suppose that you and I are preparing to handle a cultural difference. Because we are different, we look upon things differently. We would probably have different ideas about the presentation that you would like to have in your newspaper, how much local support it should give, etc. However, that is a cultural difference where you have to be generous to each other. But we should never tell you – this is the way it is. Foreign investors do not have all the answers. They can provide support, but the main responsibility is on the local market. And again, what you would like to have if you were in partnership is an open attitude to change. If someone says “we would like things to stay exactly as they are” – then don't think that he is a good to foreign investor – either for you or for himself.

This is what foreign investors may look for. Media investors may look for a No. 1 market position with respect to both readers and advertisers. Not everyone can be No.1. You can be no. 1 in Zagreb, you can be that in a regional area, or you can be No. 1 in a specific segment of magazines. This is the kind of dialogue that foreign investors will have. They will talk about what kind of growth potential we can have. What is the financial performance and how it can be improved? What's the management capacity of your company? Do you have good managers who understand the market economy, who can understand the conditions in a tough business environment and remain open to change as I mentioned earlier? And it is crucial to preserve one's independence from strong political and economical interests. To be a partner if, for example, a bank owns part of your media company. I wouldn't like that. If it were an insurance company; I wouldn't like it. If it is the state that owns part of the cake – no way! I would not like that. You should always plan for difficult times. Complicated ownership patterns do not work in difficult periods. This means that the situation has to be clean in order to have a good dialogue.

I would like to close by saying that I have heard a great deal about the difficulties that you are facing, with the economy that is poor. I understand that if someone would

like to subscribe for a newspaper, it may cost him as much as 5% of the monthly salary. The consumer, the reader, must really love the newspaper to pay such a price.

That's very tough, but this is also an editorial challenge. You should continue to inspire your politicians so that you can get more and more favourable conditions – for the very important work that you are doing.

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**Lars Julin**

## **Izazovi i mogućnosti medija u tržišnoj ekonomiji**

### **SAŽETAK**

Osnovno obilježje medija u tržišnoj ekonomiji jesu stalne promjene koje moraju uzeti u obzir kako urednici i novinari tako i rukovoditelji. Uloga medija kao sredstva kreiranja javnog mišljenja mora biti promatrana u kontekstu traženja odgovora na izazove koje postavlja tržište. Suradnja i partnerstvo su najbolji načini snalaženja u tako promjenjivom okruženju. Gledano s pozicije međunarodnog ulaganja u medije, dobar menadžment, transparentno i nezavisno vlasništvo nevezano za snažne ekonomske ili političke interese, uz tržišnu pozicioniranost medija i perspektivu razvoja, predstavljaju najprivlačnije čimbenike za potencijalne ulagače.