

Iphigene's Song

How family mission provides an ethical compass. **BY MARJORIE KELLY**

OWNERSHIP MATTERS. This is one of the deepest truths I've gleaned, after 18 years of studying and writing about ethics and corporate social responsibility. The day-to-day action in ethics and CSR generally is at the level of management and staff. But ultimately, who owns a firm — and therefore how it's governed and led over the long term — will determine the company's deepest ethical core.

A sterling example is the New York Times Co., which the Ochs-Sulzberg family has owned for over a century and run with a sense of high calling. The company hit a rocky patch recently, with a series of high-profile reporting scandals, a sudden 25 percent drop in stock price, and an industry-wide decline in advertising and circulation. The fortitude of Job himself would be tested by such a time. What impresses me is how the company has been guided through it all by its core mission, which remains its ethical compass.

"The credo at the paper is that the public has a right to be informed," write Danny Miller and Isabelle Le Breton-Miller in *Managing for the Long Run: Lessons in Competitive Advantage from Great Family Businesses* (Harvard Business School Press). The mission of truth "comes above personal politics, connections, friends, and profits — and every editor knows that," they write.

The legacy of the *Times* was carried for many years by Iphigene Sulzberger, the matriarch who died in 1990 at age 98. She spanned the generations back to Adolph Ochs, who purchased the *Times* in 1896, and she transmitted his stewardship values to each generation. Grandson Arthur Ochs Sulzberger Jr., now publisher, joked that the family grew up "with tape recorders under their pillows chanting, 'You are one with the paper, you are one with the *Times*,'" Miller

and Le Breton-Miller write.

Though the company went public in 1969, it is controlled by a family trust, via a dual-class stock structure that allows the family to elect 70 percent of directors. In 1986 every family member signed a pact barring any sale of the company for a century, thus forfeiting for their lifetimes billions in capital gains.

We might be grateful for the family's foresight in taking these steps, for imagine if the *Times* were subject to hostile takeover by any profit-seeking predator — as most public companies are. With stock price at \$30 in late September, when Morningstar said fair value was \$40, the company would be a juicy target indeed, with its solid balance sheet and steady 10 percent profits on \$3.3 billion in revenue. Imagine how many financiers would love to take over the *Times*, squeeze out "extraneous" expenses (like foreign bureaus), and bump up profits over the short term. That this would destroy the soul of the *Times* over the long term would be lost on them.

It's doubtful that financiers would publish the Pentagon Papers, as the *Times* did, though its own lawyers warned it could be treasonous. It's not likely financiers would respond to reporting scandals with pages-long mea culpas, as the *Times* did after Jayson Blair was caught falsifying his reporting. It's highly doubtful the number crunchers would allow editors to admit publicly, as *Times* editors did in 2004, that the paper's own flawed reporting on alleged weapons of mass destruction in Iraq helped hasten the war. Nor would they be likely to establish a Public Editor, as the *Times* has, giving him free rein to criticize the paper in its own pages.

The *Times*' response to its ethical missteps has been the right response: investigating where it went wrong, publicly admitting failure, and designing systems for prevention. It's a clear sign the *Times* will pull through.

What saddens me is how its ownership strengths — which have kept its ethical compass functioning — cannot easily be translated to other public companies. Too few great families remain at the helm. In many firms, absentee ownership, governance law, and human greed combine to create a toxic obsession with short-term profit. We have yet to develop a widespread system design that can guide companies with the sense of mission that Iphigene gave her grandchildren. When "ownership" means a shifting sea of faceless, short-term speculators, companies risk losing their soul. And we all are the poorer. **BE**



Marjorie Kelly

In 1986, every Sulzberger family member signed a pact barring any sale of the New York Times Co. for a century, forfeiting for their lifetimes billions in capital gains.