

The Rise and Fall of Communication Empires

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This article explores communication conglomerates and argues that communication empires must be understood within the context of the growth and development and decline and fall of political and other business empires. I argue that media empires are not permanent and omnipotent but rather are subject to the internal needs of organizations and bureaucracies, as well as external economic, financial, and regulatory forces. I assert that those who wish to control or reduce the harmful effect of empires must understand the capitalist environment, as well as the forces driving empires and their leaders. This article explores how empires develop from leaders' egos, needs to acquire resources and promote internal stability, and through unanticipated opportunities. It reveals how communication empires decline due to limitations on growth, bureaucratic problems, loss of leadership, external disruption, corruption, and errors in judgement.

The development of communication companies and conglomerates that are among the larger companies in their nations of origin and worldwide has led many observers to question the desirability of these firms and take measures to control or limit their future development (Bagdikian, 1993; Picard, 1985; Picard, Winter, McCombs, & Lacy, 1988; Sánchez-Tabernero, 1993; Schiller, 1981). Although media magnates have existed since the commercialization of newspapers in the 19th century, the rapid and seemingly unending expansion of communication conglomerates at the end of the 20th century has fueled rhetoric that taken uncritically might lead some to believe that such conglomerates are self-sustaining, continually expanding, nearly immortal organizations. This rhetoric often obscures the real forces behind media monopoly and imbues in the empires and media barons

strength, invincibility, omnipotence, and permanence. The empires are portrayed as operating unchecked in national, regional, and global settings, creating their own rules, acting at will, constantly expanding, and having limitless potential to grow even larger. Conversely, those who receive communications products and services from these firms are portrayed as weak, powerless, and submissive in the face of the media empires.

Critics of the effects of large media empires, including myself, have demonstrated that these companies produce commercialized, hegemonic communications influenced by the interests and perspectives of the dominant nations and corporations involved in the production and distribution of information and cultural products. These developments clearly have significant impact on democracy, ethnic and national cultures, and linguistic preservation.

Many vocal opponents of media empires use these arguments as rationales for limiting empires but are unable to offer strategies that are realistically implementable in capitalist economies, which are increasingly open economies for communication products and services. As a result, there is a growing sense of frustration regarding empires and increasing belief that world communication will inevitably be dominated by a handful of companies in the 21st century. This view is highly distorted, however, and ignores history and political, economic, and organization behavioral forces that affect and will continue to affect communication organizations.

Contemporary events and the history of media companies clearly show that communication conglomerates do not last forever, that they rise and fall, that they expand and contract, and that their actions are not merely the result of the will of the company but are responses to a variety of forces and pressures that can affect their performance and continued existence. If one tracks developments in large media companies worldwide, one sees that subsidiaries and divisions are regularly bought and sold. Strategic alliances between communication companies are constantly created and ended. Companies acquire or take over properties, merge with competitors, and expand the frontiers of the enterprise through new initiatives.

Differing degrees of success in the media empires is also the result of differences in the organization and operation of large firms. Some use centralized management, whereas others use decentralized management; some require standardization among their media products, some permit individuality. Some firms operate as single entities, others operate with divisions and subsidiaries; some are operated with a strategic vision, others are not. Some firms seek higher degrees of integration than others; some seek higher degrees of product and geographic diversification than others. These types of factors create differences in behavior and the ability of communication firms to grow or survive, so one cannot view all media empires as similar and behaving in the same manner. Although there are differences among firms, there are strong parallels between the activities and history of media compa-

nies and the rise and fall of political empires, where territories were shuffled between empires, frontiers were constantly changed, and strategic alliances were created and ended.

The history of shifting power among empires has been recorded since the days of the Greek historians and philosophers. Hesiod's discourses on the Golden Age, Silver Age, Bronze Age, Heroic Age, and Iron Age explained that succeeding ages destroyed and created different living conditions. Herodotus' histories of the destruction of Persia in Greece, Thucydides' study of the growth of Athens and its ruin and the idea of progressively larger growth of states (Dodds, 1973; Woodhead, 1970), and Polybius' explanations on the rise of Rome (Walbank, 1957) all provide explanations for the development and demise of empires, as did Gibbon's 18th-century work on that empire (Gibbon, 1960).

The approach of documenting factors that led to the rise and fall of empires and states has also been applied to more contemporary history, including 19th- and 20th-century empires (see, e.g., Barclay, 1973; David, 1952; Plessis, 1985; Saikel, 1980; Shirer, 1960). Indeed, the approach of exploring factors that create and destroy political empires has also been applied in studies of business empires, which have also focused on the rise and fall of companies or how they have succumbed to greater firms. (see, e.g., Banks, 1982; Burrough & Helyar, 1990; Mukherjee, 1958; Nevins, 1962). With only a few notable exceptions, communication firms or activities have not been the subject of the approach (Koss, 1981; Tifft & Jones, 1990; Wintour, 1989), although the role of empire builders has been recognized (see, e.g., Baughman, 1988; Braddon, 1965; Friedman, 1988; Gardner, 1932; Goldberg, 1985; Kiernan, 1986; Paper, 1987; Swanberg, 1967; Tebbel, 1952), and some recognition has been given to the forces that have led individual owners to sell newspapers to empires (Dertouzous & Thorpe, 1982; Ghiglione, 1984; Picard et al., 1988).

DEVELOPMENT AND RISE OF EMPIRES

Empires rise through the efforts of strong leaders who have a vision of enlarging their spheres of control and influence and who are able to marshal and mobilize the resources necessary for expansion and growth. They typically are able to do so when a power void exists in the area they wish to dominate and their strength exceeds that of potential adversaries to fill the power vacuum (Kennedy, 1987) or when resources are needed that can be acquired through conquest and expansion. In media, companies have grown and created empires in much the same manner. They have also expanded merely when unanticipated opportunities have been presented, when stability was needed and could be enhanced through acquisitions, or when acquisitions protected them against a variety of risks.

Expansion of Existing Domains by Strong Leaders

Most media empires have grown by deliberate design of strong leaders who have reinvested profits and often gathered new capital—in many cases by becoming publicly traded companies—that has been used to undertake strategies of growth and expansion. These leaders have sought out opportunities for expansion and exploited the weaknesses of adversaries in conquering existing firms through acquisition or creating mergers that expand the empire.

This has certainly been the case in recent decades with the expansion of the News Corp., whose leader Rupert Murdoch is respected and derided as one of the strongest and most powerful media barons. Through strength of personality, ability to sell his vision to financiers, regular efforts to outwit government regulators, and constantly seeking to expand and diversify a small firm that had begun in the Australian newspaper industry, Murdoch has made News Corp. one of the world's greatest broadcasting, cablecasting, motion picture, and publishing empires today (Kiernan, 1986; Leapman, 1984; Tunstall & Palmer, 1991).

Similarly, Allen Neuharth developed strategies of expansion that transformed the relatively unknown Gannett Co. into the most recognized newspaper company in the United States. By aggressive acquisitions, by becoming a highly visible and vocal leader in the industry, and by relentlessly pursuing a vision to establish an internationally visible flagship, *USA Today*, Neuharth led the transformation of the company from a regional firm with small and midsized newspapers into a powerful public company that has diversified into broadcasting, outdoor advertising, and programming activities (Brand, 1993; Tunstall & Palmer, 1991).

The \$19 billion acquisition of Capital Cities/ABC Inc. by The Walt Disney Company in 1995 resulted from the strong leadership of Disney's Michael Eisner, who aggressively expanded his entertainment and motion picture and television production company, made it one of the most successful firms in Hollywood, and believed that it would become even more powerful if it acquired the broadcasting and print media firm to gain additional distribution and marketing opportunities. Eisner's leadership was strongly supported by financier Warren Buffett, whose firm, Berkshire Hathaway, was a top owner of shares in both Walt Disney and Capital Cities/ABC and helped arrange the "marriage" of the two firms.

The growth of media empires is possible because of the ability of company leaders to translate their visions into performance, but in many cases it is also the result of the creation and use of political connections to overcome regulatory obstacles and maintain close relations with the leaders of states. This is clearly the case in the relations of Silvio Berlusconi with Italian Prime Minister Bettino Craxi and those of Rupert Murdoch with British Prime Minister Margaret Thatcher, U.S. President Ronald Reagan, and—more recently—Newt Gingrich, speaker of the U.S. House of Representatives.

Expansion to Acquire Necessary Resources

The development and expansion of empires is not always the result of the vision or desires of a strong leader but is sometimes precipitated by a strong firm's need for resources that it does not currently have available. This was certainly the case in the decision of Sony to venture into the United States to acquire studios. The lack of motion pictures and other materials for use in its Beta video systems led to the overwhelming acceptance of the rival VHS technology and created a loss of about \$1 billion for the firm. The company was determined never to be without such resources again and made an aggressive purchase to gain access to the production capabilities and libraries of Columbia and Tri-Star studios.

Similarly, cable system operators in recent years have developed joint ventures with production companies and cable programmers to help increase the programming available—a critical resource—to the systems (Chan-Olmsted & Litman, 1988). Tele-Communications Inc., the nation's largest multiple system operator, spent much of the late 1980s and early 1990s acquiring interests in cable networks that provide programming for cable systems (Goldsand, 1991; "TCI Adds Tempo," 1987; "TCI Buys," 1990) and pay-per-view services (Moshavi, 1992).

Opportunistic Expansion

In other cases the creation and growth of media empires has been more accidental and opportunistic, resulting from changes in the environment, the demise of other companies, or divestment of media properties that suddenly presented acquisition possibilities for the empire. The rise of Ted Turner's Turner Broadcasting System is a study in opportunistic expansion. Capitalizing on changes in policy that allowed the rebroadcast of distant signals by cable systems, Turner began offering the programming of his independent station WTBS-TV in Atlanta to cable systems nationwide, thus meeting their need to provide programming not available from network television stations. The decision rapidly made WTBS one of the first television superstations. In 1980 he launched Cable News Network (CNN), capitalizing on opportunities presented by cable system franchise requirements that systems provide a news and public affairs channel. As the first to recognize and begin servicing the need for a national organization to provide the channel, he swiftly and decisively became the primary provider of the service with CNN (Whittemore, 1990). Shortly thereafter a competitor—Satellite News Channel (SNC)—emerged with the backing of two broadcasting powerhouses—American Broadcasting Co. (ABC) and Westinghouse. Because many cable systems had already contracted with Turner and the backers of the competing channel were not as committed to cable as Turner, SNC rapidly ran into serious operational and

financial difficulties. Turner purchased the competitor, shut it down, and shifted the cable systems that were using SNC to CNN (Fryman, 1993). The success of Turner in exploiting opportunities to expand made his firm the premier worldwide television network services company.

The News Corp.'s acquisition of seven major market television stations that became the nucleus of the Fox Television Network in 1985 is another example of opportunistic expansion. Rupert Murdoch, who was inspecting his newly acquired Twentieth Century Fox studios, discovered that Metromedia had rented part of the facility to make a financial presentation, and Murdoch decided to attend. At the meeting, Metromedia Chairman John Kluge was attempting to calm investors and lenders over the cash crush his firm was facing as a result of debt created in a leveraged buyout the previous year and relatively poor performance by its television stations and cellular phone operations (Vamos, 1985). As a result of the accidental meeting, Murdoch and Kluge rapidly forged a deal for News Corp. to acquire the television stations, taking advantage of the opportunity of Kluge to gain cash to overcome some of his financial difficulties and for News Corp. to gain a means to rapidly expand in U.S. television and create a fourth television network (Block, 1990; "Murdoch Gets into TV," 1985).

Many firms are able to expand because of opportunities created by outside forces. In the United States and a number of other countries, requirements for placing a value on media properties for estate tax purposes have made it difficult for heirs to pay estate taxes and keep media companies in their families. This problem has been compounded by tax regulations that allow larger media firms to bid up the prices for media properties and then to include the purchase price as a business expense before calculating their own taxes—effectively making them choose between buying more media properties, increasing their wealth and the size of their empires, or giving the money to the government (Dertouzos & Thorpe, 1982). In 1995, even though Knight-Ridder Inc. was having a difficult financial year, the giant U.S. newspaper company was able to purchase and write off the \$360 million acquisition of Leshar Communications Inc. from the heirs of Dean Leshar.

Expansion for Stability

Although egos of leaders often play a role in the expansion of corporate empires, the forces of the capitalist economic system and managerial strategies to stabilize the business setting more often play a role.

While efficient organizations require long-term stability as a basis for planning, the untouchable and unpredictable market gets in the way . . . Modern corporations, then,

struggle mightily to overcome the vicissitudes of the fluctuating market. They do this first by increasing their size and scope, establishing near monopolies and thereby eliminating price competition, assuring stable earnings and gaining more political clout. (Hayes & Miller, 1994, p. 125)

This tactic is often exercised in times of industrywide instability when companies merge to combine their strengths and reduce competition. It also occurs when firms engage in horizontal integration to make themselves less dependent on suppliers and distributors. Because of the desire to stabilize resource supply, some newspaper firms have purchased newsprint mills. From the desire to stabilize distribution arrangements, some magazine companies have purchased magazine distribution companies. The desire to expand to reduce dependence on a single type of music or a few recording stars, as well as to achieve economies in production and distribution, has led audio companies to purchase additional record labels.

The growth of empires also develops from efforts to reduce risks. A company may seek geographical diversity, for example, to reduce the effects of economic cycles or downturns in a particular region. This occurred, for example, when McClatchy Newspapers Inc., a California-based newspaper empire, began acquiring newspapers in the eastern United States specifically to reduce its dependence on revenues from papers in California. Similar global strategies are pursued by the largest empires, who seek properties worldwide to spread their risks even further. This was the case when Rupert Murdoch expanded his Australia-based newspaper empire with purchases such as *The Times* of London and the *New York Post*.

Some empires attempt to diversify their operations by pursuing multimedia strategies designed to reduce their dependence on a particular type of media. Thus, a newspaper company may begin acquiring or establishing broadcasting operations. This was the case when the Sanoma Oy, the Finnish newspaper firm, expanded its scope by establishing and acquiring pay television operations in Finland and Norway. This strategy of diversification was also seen when the Dutch audio industry firm PolyGram diversified by entering the motion picture business. Companies also expand their operations and diversify to acquire a greater share of the market and its profits, to enter industries and industry branches that offset slower growing existing operations, and to move into emerging industries related to their operations that may have profitable futures (Hilton, 1970).

Efforts to bring stability to a company in the beverage industry led Seagram's to acquire controlling interest in MCA—the parent company of Universal Pictures, book publisher G. P. Putnam's Sons, MCA and Geffen Records, and a part owner of a cable network and two major motion picture theater companies—from Matsushita Industrial Electric Co. and vault into a position as a media empire. Part of the rationale for the move was to diversify Seagram's, which was watching its market in the liquor industry shrink as consumers moved away from hard spirits to softer alcoholic beverages such as beer and wine.

STAGNATION, DECLINE, AND FALL OF EMPIRES

The growth of political empires has been shown to be limited. Ultimately, they stagnate, decline, or fall when they have problems coordinating and managing needed resources, or the internal bureaucracies created over time make the empires too inefficient to continue to grow or to survive. Empires also are diminished when they allow portions of the realm that are no longer needed to leave the empire. In addition, they decline when external forces attack the empire or they suffer a loss of leadership—often caused by the death or removal of a strong leader. Empires decline and fail when diminution or lack of vision in replacement leadership leads to complacency, when there is a lack of will to maintain an empire, when empires are split among heirs, when moral bankruptcy and corruption destroy from within, when resources decline precipitously, and when fatal errors in judgment are made.

The issue of leadership in the maintenance of empires is critical because they can only continue to develop if they have developed reasonable succession processes and had coherent and constant policy followed by their successors. Similar problems have been identified that cause difficulties in firms, especially family and small enterprises where declining impetus, energy, and ambition affect growth. Rigidity problems caused by traditional managerial approaches resulting from the “gerontocracy” of aging managers have been the cause of the decline or demise of many firms (Boswell, 1973). The ability of firms to establish and follow coherent policies and strategies over time is even more difficult than in political empires. If one considers the history of media, it becomes evident that these factors play a similar role in the decline and/or demise of media empires. Media empires can suffer setbacks and sometimes disappear altogether for the same reasons.

Limitations to Growth Halt Further Development

Companies cannot continue to grow because there are natural and artificial barriers to growth, including technology, scale, competitive advantages, resources, regulation, and managerial failures (Baysinger, Meiners, & Ziethaml, 1981). Companies do not maintain the same level of strength over time because competition is dynamic; firms and even nations gain and lose competitive advantages (Porter, 1985, 1990). When this occurs, a nation or a company must aggressively rethink its approaches and activities or risk significant decline (Olson, 1982).

Problems Coordinating and Managing Resources

Although the size of an empire or media empire brings strength, it also can create internal weaknesses. It has been recognized that the size of a firm can create

difficulties in managing the enterprise and, over time, can lead to lethargy and resistance to change within. Time Inc., one of the most successful publishing companies in the United States after its establishment in 1923, ran into significant difficulties in 1983 when it attempted to expand into the general magazine industry with *TV-Cable Week*, a new magazine devoted to television and cable programming. The venture was plagued by mismanagement difficulties in managing information on television markets and cable systems nationwide and managing the multiple editions of the magazine. The initiative resulted in actual losses of \$47 million and a stock value loss of nearly \$750 million due to publication's failure (Byron, 1986).

Reductions Because Parts of Empire are No Longer Needed or Wanted

Although there is a tendency to think of firms in terms of permanence, a great deal of turnover occurs among divisions and subsidiaries of large enterprises. They occur because of financial pressures on the firm, obsolescence of product or equipment, desires to diversify corporate holdings (Taylor, 1988). Companies divest when there are financial and managerial difficulties, but also because company strategies change, because conditions that created needs for diversification, acquisition, and mergers may disappear over time, and because acquisitions and mergers may have brought with them unwanted or unneeded operations and subsidiaries (Meeks, 1977; Vignola, 1974). In 1995 and 1996, for example, the third largest newspaper company in the United States—Times Mirror Co.—came under the new leadership of Mark H. Willes. He began shedding unprofitable operations, such as *New York Newsday* and the *Baltimore Evening Sun*, and focusing on its core newspaper business by eliminating its multimedia group and shedding its cable television operations (Lubove, 1995; Pogash, 1995b; Stein, 1995).

The divestment of media operations that no longer fit the needs of empires or whose sales served other interests of the empires is nowhere better illustrated than by U.S. book and magazine publishing companies. During the 1980s, more than 580 sales and mergers of book and magazine publishing companies, divisions, and subsidiaries were recorded (Greco, 1993), as domestic and multinational media empires organized and reorganized their territories in attempts to profit from the transactions and maximize the development and survival of the empires.

External Disruption of the Empire

Forces outside a firm may force the breakup of or change in the firm. In communication empires, this most often occurs as the result of governmental action, but it

can occur through the pressure of financiers or hostile takeovers of companies. An example of the breakup of empires by regulatory action occurred when federal court orders broke up the AT&T long distance monopoly and forced the Bell Operating Companies to break up into regional operating companies (Noll & Owen, 1988).

The fall of the television empire built by RKO General is another example of regulatory destruction of a media empire. That breakup was precipitated by the Federal Communications Commission (FCC) after nearly 20 years of battles over the character qualifications of the company. After the FCC found that the company and its parent—General Tire and Rubber Company—had engaged in extensive and serious misconduct, including dishonesty in its reports to the commission, the agency refused to renew licenses for its stations in New York, Boston, and Los Angeles (RKO v. FCC, 1981). After a number of legal proceedings resulting in legal costs of \$27 million for the firm alone, RKO General ultimately sold its 16 television stations and left the television broadcasting business at the end of the 1980s.

The News Corp. ran into outside financial pressures that forced it to make major divestments at the beginning of the 1990s. The company, which had amassed a debt of more than \$8 billion that required \$900 million in interest payments in 1990, was forced to divest more than \$1 billion worth of properties, including book publishers and publications such as *New York, Premiere*, and the *Daily Racing Form* ("Rupert Murdoch: A Chastened Man," 1991). Bankers and investors, unhappy with the company's high debt and its inability to repay debts that were due, forced the company to agree to pay down \$2 billion in debt in 1991 and 1992 and to reduce operating costs by 10% (Harris, 1991).

Loss of Leadership

Because the emergence of empires is so often the result of strong leadership by an individual, the loss of that leader often leads to the destruction or diminution of the firm. Although empires can continue after the loss of such leaders, they often lose the influence and power they once had. This problem is clearly seen in the case of Christian Ferslew, who created what may have been the first newspaper-based conglomerate in the second half of the 19th century. Beginning with his establishment of *Aftenposten*, he created a newspaper group that established and acquired different national newspapers in Denmark intended for the working class, the middle class, and the upper class and vertically integrated his holdings by acquiring a pulp producer, a paper mill, a type foundry, and a graphic training institute. Within 20 years of his death in 1910, however, the conglomerate was sold and slowly broken up and merged until its last remaining vestiges disappeared in 1961 (Gustafsson, 1995).

In the United States, the Hearst Corp. was a powerful entity with great public influence that was established and developed by William Randolph Hearst in the late 19th and early 20th centuries. Since his death in 1951, the firm has lost most of its major newspapers and its news service and now concentrates most of its activities in the magazine publishing business. Although a financially successful firm, it has slid into public obscurity (Chaney & Ciepley, 1981; O'Donnell, 1987).

Currently, the future of two major worldwide empires is being debated because of concerns over their leadership. The death of French media mogul Robert Hersant in spring 1996 has led many observers to believe his firm will be broken up and sold off. Concerns about the future of the News Corp. as Rupert Murdoch nears the age of retirement have investors and bankers worried about who will succeed him and the ability of the successor to exercise strong leadership.

Loss of Vision in Remaining Leadership Leads to Complacency

With the passing of time, new leaders of media empires may have less interest or passion for the enterprise than the founder or builders of those enterprises. The problem of weakened interest and complacency by successive generations in family-owned media empires appears worldwide. This problem, for example, played a major role in the 1988 takeover of Provincial Newspapers (Qld) Ltd., a holding company built on the newspapers of six smaller newspaper dynasties in Queensland, Australia. The primary problem, according to a study of PNQ's demise, was this:

The family members of the third generation failed to recognize the needs of the future in making proper managerial appointments as the family moved into the fourth generation. The fourth-generation members seemed to lack the interest in being involved in newspapers and the drive and dynamism that the first, second, and (some of the) third generation ... had exhibited. (Kirkpatrick, 1994, p. 125)

Disputes over the vision of the leadership of the Times Mirror Company have pitted the children and grandchildren of Harry Chandler—who built the modern company on a solid base established by Harrison Gray Otis—in a battle over company strategy and the political ideology of the firm. The dispute became so heated that the board—controlled by heirs—made the unusual move of hiring an outside executive—not from the Chandler family—as its new CEO in 1995. The hiring of General Mills Vice Chairman Mark H. Willes surprised many in the firm and the industry because he had no real media company experience (Lubove, 1995; Pogash 1995a).

Lack of Will to Maintain Empire

A significant factor in the disappearance of family dynasties has been a diminution in the will of successive generations to continue operating the enterprises. In many cases divergent interests of heirs and their lack of participation in the enterprise leads to pressures for better financial performance or enrichment that cannot be achieved by continued operation of the firm. These developments often lead to disputes within families. When this occurs, families typically choose to sell their papers. Larger empires have been able to provide the most attractive bids (Morton, 1995).

The loss of interest in newspapering, demands of some family factions for better returns or portions of their wealth to use in other investments, and prejudice and contempt among members of the family ultimately led to a very public and well-publicized split in the minor Bingham newspaper dynasty in the southern United States (Bingham, 1989; Tift & Jones, 1990).

As indicated earlier, problems also occur because tax policies in many nations provide for high inheritance taxes or value media properties for taxation purposes in ways that reduce the will of successors to maintain an empire. This occurs because the wealth of the firm may be significantly reduced by tax authorities if efforts are made to keep the empire intact. But successors may maintain the wealth if they are willing to sell off all or parts of the empire (Dertouzos & Thorpe, 1982). Only those most committed to maintaining an empire are likely to do so under those circumstances.

Splitting the Empire Among Heirs

The division of property among heirs to an empire or differences of opinions about the directions of a unified empire passed on through an estate often lead to disputes that break up existing empires into smaller entities. This was the case when feuding sons of E.W. Scripps broke up the powerful U.S. newspaper empire he had created in the late 19th and early 20th centuries, creating smaller newspaper groups with neither the visibility nor the influence that the original empire had (Casserly, 1992).

Moral Bankruptcy and Corruption

Empires can be destroyed from within, causing their own collapse if the absence of morality leads to corruption. This was the case in the rapid disintegration of Maxwell Communication Corp. and other firms owned or controlled by Robert Maxwell. Through deception and fraud, Maxwell employed an internecine web of interlocking public and private companies in which he traded money and assets

whenever it was needed to shore up value and gain additional financing from banks. By doing so, he built and maintained an empire that included the Mirror Group, Macmillan, Pergamon, and Official Airline Guides (Cohen, 1991; Guttenplan, 1992).

As early as the 1960s and early 1970s questions were raised about the methods by which Maxwell was building his empire, resulting in at least three major British government inquiries into his accounting and financing practices. An investigation by the Department of Trade and Industry concluded in 1971, "He is not in our opinion a person who can be relied on to exercise proper stewardship of a publicly quoted company" (HMSO, 1971, p. 209). Despite such conclusions, bankers and investors continued to fund his enterprises, and neither government nor other media moved to halt or significantly expose his practices (Clarke, 1992).

Ultimately, some financiers realized that the empire was corrupt and began questioning its operations and pressuring Maxwell for payments and better financial performance. Ultimately, Maxwell looted the pension fund of the Mirror Group and began putting up shares in Maxwell Communications as collateral for bank loans while illicitly employing privately held firms he owned or controlled to buy shares to boost the price of company stock and its value as collateral.

The depth of the corruption became evident after Maxwell mysteriously fell from his yacht and was found dead in Spanish waters in 1991. His companies collapsed under more than \$4.4 billion in debt. Officials found that at least \$1.5 billion could not be accounted for. In the end, creditors could do little more than seek damages from a variety of accounting and auditing firms and sell off the remaining assets to help recover a portion of debts owed them (O'Connor, 1993).

Giancarlo Piretti's efforts to build an international media empire through the acquisition of Pathé Cinema, Metro Goldwyn Mayer, and United Artists in 1989 and 1990 ultimately collapsed (Lyons, 1992; "Traumas in Tinseltown," 1992) because of financial improprieties that led to his arrest and legal proceedings in the United States and France involving charges of fraud, embezzlement, and misappropriations of funds. The collapse of the empire left French banking giant Credit Lyonnais in control of MGM/UA.

Decline in Resources and Demand

The inability to gain necessary resources or changing consumer demands can result in declines in the fortune of empires that may or may not be reversed, depending on the management of the firms. The Gannett Company, for example, which has historically been highly aggressive in acquiring existing newspapers, essentially halted significant acquisitions in the late 1980s and early 1990s because its finances were strained by lower profits and it was not willing to use existing resources to purchase papers that were put up for sale. The Times Mirror Co. was one of the

leaders in multimedia and online services but has significantly reduced its operations due to poor financial performance. Its highly visible online TimesLink was moved from a pay access provider to the World Wide Web because of low demand and the lack of resources to continue the existing operation.

Fatal Errors in Judgment

Political and media empires can fall if leaders make decisions that place the entire enterprise at risk, and the gamble fails. Ralph Ingersoll's efforts to transform a small, but profitable, U.S. newspaper company into a small empire in the late 1980s is a classic study in fatal errors in judgment. Instead of pursuing a growth and international expansion policy funded by profits, Ingersoll moved to rapidly expand by issuing high yield junk bonds to gain the capital for his expansion. The strategy gambled that he would be able to pay bondholders with high cash flow and profits from newly acquired properties. Using the capital raised, Ingersoll purchased papers throughout the United States, failed in a \$30 million attempt to establish a competing daily newspaper in St. Louis (Teinowitz & Meyers, 1990), and moved abroad with his purchase of newspapers in Great Britain and Ireland. The strategy of rapid, high-risk expansion failed, brought down by the collapse of the junk bond market as well as the recession in the newspaper industry that began reducing revenues and cash flow in newspapers in the late 1980s and early 1990s. The ventures resulted in a rebellion by bondholders that ultimately forced sale of most of the U.S. empire (Selby, 1990), a precursor to financial difficulties that would destroy most of the empire abroad as well.

John Fairfax Ltd., one of Australia's greatest media groups, and a family-owned enterprise for nearly 150 years, was also bankrupted by fatal errors and inept management decisions by an heir. Instead of waiting to inherit control of the firm that was provided through family agreements, young Warwick Fairfax attempted to wrestle immediate control of the firm from stockholders in the late 1980s. In doing so, he piled up more than \$2.5 billion in debt in the form of bank loans and junk bonds and closed and sold off company assets, including the *Sun* and the *Canberra Times*, lost control of the firm's broadcasting stations, and divested much of its ownership of magazines and paper mills. The strategy drained the firm of its resources, and creditors forced the firm into receivership (Carroll, 1990b; Sykes, 1989). As an editorialist for its major paper, the *Sydney Morning Herald*, noted:

It had taken Warwick Geoffrey Oswald Fairfax three years and three days to blow a family inheritance worth \$500 million. Warwick took control of the family company, John Fairfax Ltd, at 11 am on December 7, 1987, five days after his 27th birthday. He had never owned, controlled or been responsible for any sort of business. (Carroll, 1990a)

SUMMARY

Some critics, especially popular critics, point to the growth of media companies as evidence of their owners' greed. Pecuniary interests certainly play a role in the development of many such empires, but many other more complex forces and developments are responsible as well. This article is not intended to be an apology for media empires, but rather to explain that they are not permanent and omnipotent, that in a capitalist economy they operate somewhat as checks and balances on each other, and that they are subject to economic, financial, and regulatory forces that can clearly change their courses.

Media empires, like all corporate organizations and bureaucracies, result from the creation of an administrative organization pursuing an activity. Sociologists such as Max Weber (1964) argue that they become effective and efficient through the creation of a hierarchy of authority, task specialization, and standardizing rules and procedures. Many, however, disagree with Weber's view that the efficiencies continue and that such a bureaucracy is "among those social institutions hardest to destroy" (Gerth & Mills, 1946, p. 25.) The primary reasons for the opposing view is that bureaucracies become rigid in their procedures and processes and resist change, thus losing the efficiencies that initially help their growth (Crozier, 1964; Fisher & Sirianni, 1984; Merton, 1957).

Although sociological explanations provide a base for understanding how corporate empires and their organizations function, they do not appear to be as strong as the historical and political explanations for the rise and fall of organizations. This study has shown that individual empires and corporate organizations can and do decline and fall for a variety of reasons and that it is doubtful that any one empire has the ability to last for more than a few generations of heirs or managers. As a group, however, media empires can be expected to exist as long as those firms operate in a capitalist economic environment where the marshalling and rationalization of resources done by such firms produces results beneficial to sources of capital and to higher social classes and political elites. Those who wish to control or reduce the harmful effects of empires must understand this environment, as well as the forces driving empires and their leaders.

Although many think of media empires as enormous entities because they are well known, the largest communication and media companies are hardly large when compared to firms in other industrial sectors in North America, Europe, and Japan. The largest of the communication empires—such as Bell Atlantic with 1995 revenues of \$13 billion, Walt Disney Co. with revenues of \$12 billion, Viacom with revenues of \$12 billion—pale in financial size by comparison to manufacturers such as General Motors with revenues of \$169 billion, petroleum firms such as Exxon with revenues of \$110 billion, or retailers such as Wal-Mart with revenues of \$93 billion. Business history has shown us that even large firms can decline and disappear. Communication empires are without doubt business enterprises, and

nothing in their nature or the way they are treated by societies suggests that they are exempt from the normal pressures that lead to the rise or fall of business enterprises.

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