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Please interrupt with questions and comments ... It is more interesting for all of us.

# Journalism's core values

- The first obligation is to the truth
- Its loyalty is to citizens
- And its essence is the discipline of verification

# A special obligation as business reporters

Our work moves markets ...

The New York Times ethics guidelines

Avoid “actions that could create the appearance that a staff member was speculating by exploiting information not available to the public.”

The importance of trust ...

Trust in markets

Trust in journalism organizations.

# Why choose business?

It matters ...

Jobs

Standards of living

It is where many of us spend most of our time

It explains so much else From sports teams to the quality of our food

It expands financial literacy among the public

It is a repository of power – along with government

Good stories! Drama. Starting or saving a business is often an act of courage with a compelling story line.

Touchstones to coverage: relevance, explanation, watchdog, story-telling.

For better or worse: A commercial culture.

# The added responsibilities

Same as other areas of journalism

- Skepticism
- Dedication to the work
- Attention to accuracy
- Persistence in pursuit of the story
- Courage challenge conventional thinking with reporting.

But different too

- Specialized knowledge: companies, markets, economics context
- Document intensive
- Numbers driven (We count things – rubles, dollars, employees, bushels, barrels, customers, sales, clicks. Yet, we must be readable and interesting.
- Information often more difficult to obtain
- Cultivating sources is essential. This work is often about building relationships and networks.

More standing: pay, prestige, expectations from our readers and viewers

# Three audiences

- Investors
- Consumers
- The public as citizens who need information for self-government

How we see our audience shapes the nature of our reporting and writing, often in profound ways.

What is the problem that journalism is trying to solve?

Engineering: to apply technology to build things from bridges to computer chips

Medicine: to cure disease

Accounting: to provide information to managers and investors about a business

How does your audience use your work? Are there ways to make your work more compelling to serve your audiences? How?

The journalist is a skeptic and she or he is looking for “problems” but with the understanding that business creates wealth and opportunity.

# Consider the perspectives

What it looks like to investors:

Strategy, financial performance

What it looks like to consumers:

Products and product quality; marketing

What it looks like to the public at large (as consumers but also as citizens) product quality and safety; obeying the law and acting ethically; serving, at least indirectly, the public good.

# And this ...

Reporters not economists

We seek to know what economists can teach us, but our work is empirical. We do our best work when we avoid abstraction.

As journalists, we tilt toward the practical, the useful, the understandable – our work is for people.

We do not aspire to “science” in the way that economics seeks mathematical formulas to explain phenomena. Prof Richard Parker at Harvard notes the disagreement among economists on the big questions. Some of my best friends are economists, but they are sometimes wrong.

Journalists frame for social progress, with a tug toward the people.

We are bearing witness to events, problems and issues.

Not anti-intellectual, just want to keep our feet on firm ground.

Journalism incorporates numbers, but it is more about people.

# Your concerns

Break into groups ...

What are the problems, questions or issues that you face as journalists covering business and the economy in Belarus?

# Companies

- Sole proprietorships
- Partnerships
- Corporations
  
- State-owned entities
  - I need your help here: what are the problems and opportunities involved in doing your work as reporters.

# Corporations

What can we say about them?

- Legal entities often treated as a “person”
- Separate management from ownership and many forms of liabilities from ownership
- They have the ability to raise capital and finance growth through ownership sales: stock
- Their overriding purpose is to make money Never forget this! (Adam Smith says its okay, but it raises the question of correct regulation. Corporations don't like regulation.)
- They interact with government to shape policy
- They offer opportunity through stock sales to distribute ownership
- They cross international borders. Loyalty is to shareholders, not to nations.
- They are run by people who can be smart or not so smart, high-minded or low-minded.
  
- All of this guides our thinking and coverage of companies ...

# Corporate organization and governance

- Board of Directors: wise men and women who set policy and direction
- Chief executive officer: he executes policy and runs the company
- Management team: The CEO's team – Chief operating officer, chief financial officer, sales and marketing director, product or division directors, human resources director.
- Owners.

# Questions that lead to stories...

- Is the board competent? How has it been selected? Do members have conflicts?
- How often does the board meet, what are its members paid?
- Does the board run the CEO or does the CEO run the board?
- Does the board have a record of acting in the interest of shareholders? Do shareholders have recourse?

# 5 companies

Take five minutes

Pick five companies that matter in your life or your work:

What is the company's key business problem?

What is the story that needs to be written?

Why does it matter?

# In my life and work

- Apple: Will it continue to innovate, add products, reduce costs?
- Google: Will its stock price continue to climb?
- The New York Times: Will it solve its financial problems?
- Viking Press: Will it continue to buy books?
- Boston University: How will the financial crisis affect me as a professor?

# Analysis – how to we understand a company?

- Products
- Strategies
- Leadership and culture
- Context and position in the market
- External factors (economy, regulation, etc)
- Performance (What is the measurement?)
  
- All related to the corporation as an economic unit.

# Products ...

- What is the contribution of each to the company's profit or reputation in the market?
- What is the product's position in the market?
  - Jack Welch at GE

# Strategy

- Marketing mix
  - Cost leader?
  - Quality leader?
  - Niche leader

Price

Product

Promotion

Position

# Michael Porter

Another way of thinking of these questions: what challenges a company?

Competitive rivalry

Threat of new entrants to the market

Substitute products or services

Buyer power

Supplier power

We are holding the company up to the light and turning it this way and that to understand it better.

# External factors

The business cycle ...

- Peaks and troughs create their own set of problems and opportunities.
- Contextualize your analysis

# SWOT

How managements often evaluate their companies to develop strategies

- Strengths
- Weaknesses
- Opportunities
- Threats

# Apple Inc

- Apple designs, manufactures and markets personal computers and related software, portable digital music players, and related accessories.
- **Strengths: Strong brand image Patent infringement Robust financial performance Focus on research and development**
- **Weaknesses Product recalls**
- **Opportunities: New retail stores, Declining PC sales, Dependence on specific suppliers**
- **Threats: Intense competition Smart phones, Uncertain global economic conditions**

Source: Datamonitor

# Google Inc

- Strong brand value Robust market position  
Significant infrastructure base
- Weaknesses Lack of product integration
- Opportunities Growing mobile advertising market
- Threats Intense competition Steady growth of internet domain names Foreign exchange risk  
Economic uncertainties effecting advertising spend
  
- Source: Datamonitor

# Life of a corporation

Corporations have life histories:

Very often born from an idea, maybe in a garage, and capital is invited in to develop the idea.

Then, the entrepreneur with the idea takes his company public through an Initial Public Offering (IPO) to raise capital. He gives up full ownership for investment capital

Then the story begins:

Pioneering

Fast growth

Maturity

Stable and steady

Decline

# Analysis of performance

- Performance (Many measures)
- Share of market
- Rate of launch of new products
- Financial performance
  - Profit (absolute number)
  - Profitability (ratio)
  - Return on equity
  - Price to earnings ration P/E (Cost of profit)
  - Shareholder wealth (Stock price and dividends)

# Again, your five companies

- Strengths, weaknesses, opportunities, threats?
- Other insights through analysis ...

# Why does it matter?

Think of your three audiences. What are there needs?

# Reading financial statements

- Income statement
- Balance sheet
- Statement of cash flows

The sports scorecards.

# Some points to remember

- Takes practice
- Compare apples to apples, periods to periods
- Numbers standing alone don't reveal much. Numbers compared across time and related to each other as ratios over reveal a lot.

A book: Understand Financial Statements: A Journalist's Guide (by Jay Taparia)

# Some assumptions

- Generally Accepted Accounting Procedures
- Periodicity, going concern, conservative
- Full disclosure

US reporting requirements:

Securities and Exchange Commission

Also: Credit-rating agencies

# Income Statement

Revenue

- Cost of goods sold

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= Gross profit

- Selling and administrative costs

- Depreciation

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= Operating profit

+ Other revenue

- Other expenses

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= Taxable income

- Tax expense

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= Profit

# Profit margin

$$\frac{\text{Profit}}{\text{Revenue}}$$

management efficiency

# Kellogg Income Statement

**<http://www.sec.gov/Archives/edgar/data/55067/000095015209001670/k47381e10vk.htm>  
#011**

# Earnings story

- Basic building block of business coverage

# Balance sheet

**Assets = Liabilities + stockholder equity**

<b>Assets</b>	<b>Liabilities + Stockholder equity</b>
<b>Current assets</b>	<b>Current liabilities</b>
<b>Long-term assets</b>	<b>Long-term liabilities</b>
	<b>Shareholder equity</b>
<b>Total assets</b>	<b>Total Liabilities + SE</b>

# Kellogg balance sheet

Go to internet

# Balance sheet analysis

Where is the company getting its money?

Investors?

Borrowing?

How much debt is too much debt?

Ratios:

Current assets to current liabilities

Debt to assets

Return on equity (balance sheet and income statement)

# Statement of Cash Flows

- Cash flow (in and out) from operations
- Cash flow (in and out) from investing
- Cash flow (in and out) from financing

# Stocks

- An ownership share
- Initial public offerings vs secondary market
- How do we value a company or a share of stock?

# Why are we covering business?

- Numbers help us know the company and ask questions.
- We are not seeking to be company managers.

# Types of stories

Company news – profits, acquisitions, new leaders

Company profiles – an examination of the company from some perspective – performance, leadership, marketing, strategy, problem-solving, etc.

Trends in companies – New problems, new ways of solving problems that sweep through companies.

# And more ...

Stories that affect workers: Profiles of factories, pay packages, safety problems, good jobs, bad jobs.

Stories of unemployed or under-employed workers. Stories of people in distress.

Product stories: Stories that affect consumers. New products, product performance, price.

# And this too

Investigative stories ...

The most difficult and expensive. Time!

Danger to workers at an iron foundry

Corporate tax evasion

The global web of commerce: the French fry

# Sources

- Business directories: basic information
- Financial data from credit-rating agencies
- Company filings with government agencies
  - Annual report
  - Quarterly report
  - Annual meeting proxy statement
  - Reports of ownership changes
  - Reports of material consequence

Do journalists in Belarus have a role in advocating for open reporting? US: SABEW

# More sources

Trade press (Chinese example)

Newsletters

Trade associations

Court records (General Electric example)

Regulators: files and actions

Academic experts, consultants who study problems, international development organizations.

Analysts

Executives, workers, vendors, customers, investors.

# Sources

Original reporting:

It's all about relationships.

Getting people to talk to you and tell you what they know.

Reporting styles: Friendly, aggressive, persuasive.

Your reputation matters.

# Where do ideas come from?

Your life

Your sources

Your reading

Live a life that is shaped by the search for stories.

# The concept of the master narrative

- The “big story” out of which fall many smaller stories
- These stories connect to tell a continuing story
- Nations have narratives. Economies have narratives. Companies have narratives. People have narratives.
- What are the narratives in your work?

# Is this a story?

This report raises interesting questions to me  
(someone who does not know Belarus well).

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