# Palmettos and Oaks

## A Centennial History

## of

## The State

## 1891-1991

by

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The State-Record Company

Columbia, S.C.

# XIV. THE KNIGHT-RIDDER YEARS: 1986-1989

October 27, 1986, began like any other routine Monday except that Publisher Ben R. Morris had asked editorial writers to be in his office at 3:30 p.m.

The editors, under the pressure of writing endorsements for the upcoming election, speculated on the purpose of the session. Editorial Page Editor Bill Rone feared Morris might be reconsidering some of the endorsements which had been determined in the publisher's office the previous Thursday.

It would be a little late for that. Only one day earlier, *The State* had backed U.S. Democratic Senator Hollings' re-election bid, and the *Columbia Record's* support for congressional candidate Fred Zeigler would appear Monday afternoon. *The State's* endorsement of three Richland County Council candidates was scheduled to appear Thursday morning.

More logical was a major corporate announcement. One possibility was that Morris would disclose the long-anticipated promotion of his son, Page. The younger Morris had been groomed for a leadership role in advance of November 1987, when Ben Morris would reach the age of 65.

As the editors trudged downstairs to Morris' spacious office on the east wing of the first floor, Rone quipped, "Of course, there's the worst case scenario—a buyout." His colleague chuckled at this absurdity.

The editors were surprised to find a number of department heads and key supervisors from other departments already milling about in Morris' outer office. Whatever was up was important, and it transcended the editorial page.

Then came a further tipoff. Waiting expectantly were Roland Weeks, the company's top person at Biloxi-Gulfport; Mike Pate, the chief executive at the Myrtle Beach newspaper; and Sid Roddey, head of the parent company's printing firm. Obviously the news involved all the company's subsidiaries. Had Rone hit the mark?

A tense Ben Morris, satisfied that all key people were on hand, got everyone's attention. Then seven well-dressed strangers strode in smiling and stood near Morris in the back of the room. One editor winced. He recognized Alvah Chapman Jr., Larry Jinks and Byron Harless. All were with Knight-Ridder, Inc., the huge newspaper group based in Miami.

Appearing pained and nervous, Morris stood facing the nearly 50 tense people gathered in a semicircle around the room. His voice almost breaking at times, he began, "The descendants of the Gonzales family are scattered and they have many interests."

Finally, he announced the wrenching news. The company was being acquired by Knight-Ridder Inc. After 95 years, the legacy of the Gonzales brothers was passing on.

The stunned and hushed assemblage heard Morris praise Knight-Ridder as the best possible buyer. They heard him hail the media group's commitment to quality, to readers, to employees, to public service.

Then they heard Alvah Chapman, chairman of the board of Knight-Ridder, recount a 1931 episode that reflected the spirit of *The State's* employees. In that year, employees, in the throes of the Great Depression, bought a full-page ad and dedicated it to "a Corporation With A Soul." Knight-Ridder too was a "people company" with a soul, he assured the employees.

Other Knight-Ridder executives spoke briefly. Then it was a time for questions. For several seconds, no one spoke. Finally, there were a few hesitant queries. Assistant Advertising Manager Jimmie Haynes asked what would happen to company benefits. Tom McLean wondered about possible personnel changes. Roland Weeks, his voice almost breaking, asked when other employees could be notified. Another executive asked if work would continue on the new building. Time after time, Chapman reassured the group.

Afterwards, at Chapman's suggestion, the Knight-Ridder group mingled with the executives. Then, the supervisors plodded back to their offices and told their employees the breathtaking news—an eventuality many had never foreseen. That night, many employees gathered at their special spas and talked quietly. There had been a death in the family, and they faced an uncertain future together.

The sale, for a later-disclosed $311 million—or $51 a share for Class A and B stock—shocked *The State's* readers as well as its employees. In the largest purchase in the history of the publicly held company at the time, Knight-Ridder got six daily newspapers and two non-dailies in South Carolina and Mississippi plus all other properties. Analysts called The State-Record Co., which employed some 1,200 people, one of the most profitable newspaper organizations in the South.

At the time of the sale, *The State* enjoyed a circulation of 117,978 daily and 152,868 Sunday. In the fiscal year ending June 30, 1986, The State-Record Co. had a net income of $8,614,000 on revenues of $88,938,000.

After receiving a Knight-Ridder offer, Morris had invited two other companies to bid on the properties. One prospective purchaser produced a highly inflated estimate that surprised even Morris but later had to report that it misfigured. Most stockholders were elated that Knight-Ridder had emerged as the top bidder. Ben Morris and Ambrose Hampton had enjoyed a good relationship with Chapman, a Citadel graduate, who had told Hampton before he died that Knight-Ridder would be interested if the company ever decided to sell. And the Florida corporation had an excellent reputation.

The stockholders' decision to put the property on sale was made in lightning fashion in the face of a drastic new tax law that would go into effect January 1. Time was vital.

The Hampton family bloc, which held the majority of the stock, finally agreed at informal family sessions that selling the property was inevitable and agreed to pursue it. Paul Barringer, a son of Gertrude Hampton Barringer, reportedly made the key motion, but it was clear the plan had wide support from all stockholders.

Morris pointed out the company's 6 million shares of stock were held by 100 major stockholders, mostly descended from the Gonzales family, "all scattered out geographically" and "with divergent interests." Privately held companies, whether newspaper or otherwise, are all having this problem (of mergers)," he noted.

About 54 percent of the stock was owned by the descendants of the late Gertrude Hampton, who was a sister of the Gonzales brothers. They included her five children, Frank, Ambrose and Harry Hampton, and the late twins, Mrs. Hagood Bostick and Mrs. Victor Barringer, and their descendants. Although the Hampton family usually voted in a block, even their stock was widely scattered.

The company was ripe for a buyout. The stock was worth far more than the book value, but the key impetus for the sale was major changes in the landmark federal tax reform law of 1986 that set off a flurry of buyouts. The new law would treat stockholders' capital gains as ordinary income.

Knight-Ridder, as a heavy taxpayer, would also benefit from lower rates under the tax law. Thus the sale had to be completed before the new year. Indeed, the transaction was formally approved on November 5 by the Knight-Ridder board and the next day by The State-Record Co. directors. Both companies' stockholders approved the agreement December 17.

Editorial Page Editor Rone, who had editorially opposed the rash of huge business mergers spawned by Reagan administration policies, reacted to the Knight-Ridder purchase in a November 2 editorial, five days after the announcement.

Signing his piece "W.E.R.," Rone said, "As a family-owned publishing group, the State-Record Company has always had a paternalistic attitude that made employees, particularly the long-term ones, feel like members of the family and extremely loyal to it, and the company returned that loyalty.

"And those of us here in Columbia, the corporate headquarters, have enjoyed the benefits of being where we have access to the top management, of being where the decisions are made.

"Of course, we feel a special closeness to Columbia and South Carolina because the rich history of the local newspapers is a part of the history of our city and state."

But, Rone concluded, even though the feeling of emptiness "will take a while to get over . . . Knight Ridder is run by news-oriented people, and we were pleased when Mr. Chapman said that they will put the reader first and the community right behind. We believe that in the long run this change will be for the good of all. But the readers and the community will make the ultimate decision."

At least the sale made some employees well-heeled. Some department heads who had been given Class C stock several years earlier benefitted enormously, receiving hundreds of thousands of dollars since the Knight-Ridder purchase more than tripled the stated value of their stock.

Valuation of this stock proved a thorny issue among some stockholders and precipitated sharp disputes, both at Hampton family sessions and at board meetings. Some major shareholders wanted to place a minimum value on this non-voting stock. They ran into bitter and determined opposition, mostly from those owners who were closest to the employees. Among those outspoken for maintaining a fair value for the stock in addition to Morris were Dr. Ambrose G. Hampton Jr. and Harriott H. Faucette. Their views prevailed.

All employees benefitted from the Employee Stock Ownership Plan, which became a salient part of the profit sharing plan in 1984. A typical beneficiary from the sale was a middle-level editor who had been with the company 17 years and received almost $90,000 from the plan after the sale. All employees retained their retirement benefits.

Still, one employee commented after the announcement of the sale, "I think I just made a bundle. Then why do I feel like there's been a death in the family?"

The biggest single beneficiary among the stockholders was Mrs. Kirkman "Rab" Finlay, who controlled about 12 percent of the shares. She and Ridder Publications. The Knight group of newspapers began in 1903 with Charles Landon Knight's purchase of the *Akron Beacon Journal*. When Knight died in 1933, his sons, John S. and James L. Knight, took over and bought the *Miami Herald* in 1937 and the *Detroit Free Press* in 1940. The company had been led in turn by John S. Knight, James Knight, Lee Hills and Chapman.

*Business Week* suggested the purchase of The State-Record Co. had taxed the resources of a belabored giant. "One look at Knight-Ridder Inc.'s 1986 annual report is enough to fill any journalist with envy," the magazine said, "It features no fewer than 23 Pulitzer prize-winners who have worked for the company's 34 newspapers. Indeed, the trophy cases at the chain's Miami headquarters are chockablock with the profession's highest awards.

"But award-winning journalism is one thing, financial results another. And the financial profile drawn in the annual report is that of a struggling company."

The article said: "The chain has long had problems at its three largest newspapers: "The Miami Herald, The Philadelphia Inquirer and Detroit Free Press. Growth at The San Jose Mercury was slowed by the slump in the computer industry."

A key to the financial future was a favorable decision on the company's request for a joint operating agreement between the *Free Press* and Gannett's *Detroit News*. That would save a lot of money for Knight-Ridder, but the decision, although eventually favorable to Knight-Ridder, did not come for many months.

*Business Week* concluded, "It may be several more years before Wall Street again respects Knight-Ridder as much as journalists do."

Despite *Business Week's* pessimistic commentary, Knight-Ridder remained a viable leader among newspaper groups.

Chapman retired in 1988 and his top assistant, President James K. Batten, a former reporter and editor of the *Charlotte Observer*, moved up to chairman. P. Anthony "Tony" Ridder, president of the Newspaper Division, became president of the parent company.

One thing that improved Knight-Ridder's profitability was the folding of unprofitable enterprises. Columbia's afternoon newspaper was such an enterprise.

The previous owners had long considered closing the 91-year-old *Columbia Record* that had been part of the State-Record family for 42 years.

bistro, the Mouse Trap. All the employees joined in a surprise tribute to Morris on the grounds of the company's new plant and presented him with a set of luggage.

Morris was a popular publisher while at the helm; but it was only when his departure was imminent that many employees realized how much he had contributed to their welfare.

In a sense, the handsome new building—the company's fourth—stood as a tribute to Morris, even though he insisted that it not be a Taj Mahal-type "monument to Ben Morris." Page Morris, in overseeing design and construction of the new building, asked for employee input and interviewed key managers in depth. Before the blueprints were final, employees viewed the plans and made further suggestions.

It was a chilly 47 degrees under cloudy skies when employees and friends gathered on Jan. 20, 1987, for a groundbreaking by a tent that reminded some of a funeral gathering. A few employees, all who received a souvenir, remembered a similar 1953 groundbreaking for the Stadium Road building a half mile away. The same shovel was used.

Breaking ground were Publisher Morris; Alvah H. Chapman Jr.; John Pellegren, president of the Pellegren Corportion of Denver, Colo., architects; and Irwin Kahn, chairman of M.B. Kahn Construction of Columbia, the builder.

The four-story, 260,000-square-foot building, which provided almost twice the space of the company's previous structure, cost more than $46 million. It incorporated innovative ideas in a modern setting. The facility, designed to be attractive as well as functional, allowed employees to better control their individual work areas, locating auxiliary facilities more conveniently and consistently and minimizing the number of corridors.

The biggest expansion was in the printing and distribution-related areas. More than $27 million of the total cost was devoted to updating and modernizing machinery and printing and mechanical techniques.

Three new presses, which totalled 23 units, were capable of running more than 70,000 impressions per hour. The newspaper could produce up to 144 pages running in a collect mode with newsprint fed via an automatic guided vehicle system. All controls could be monitored and adjusted from one of three quiet rooms.

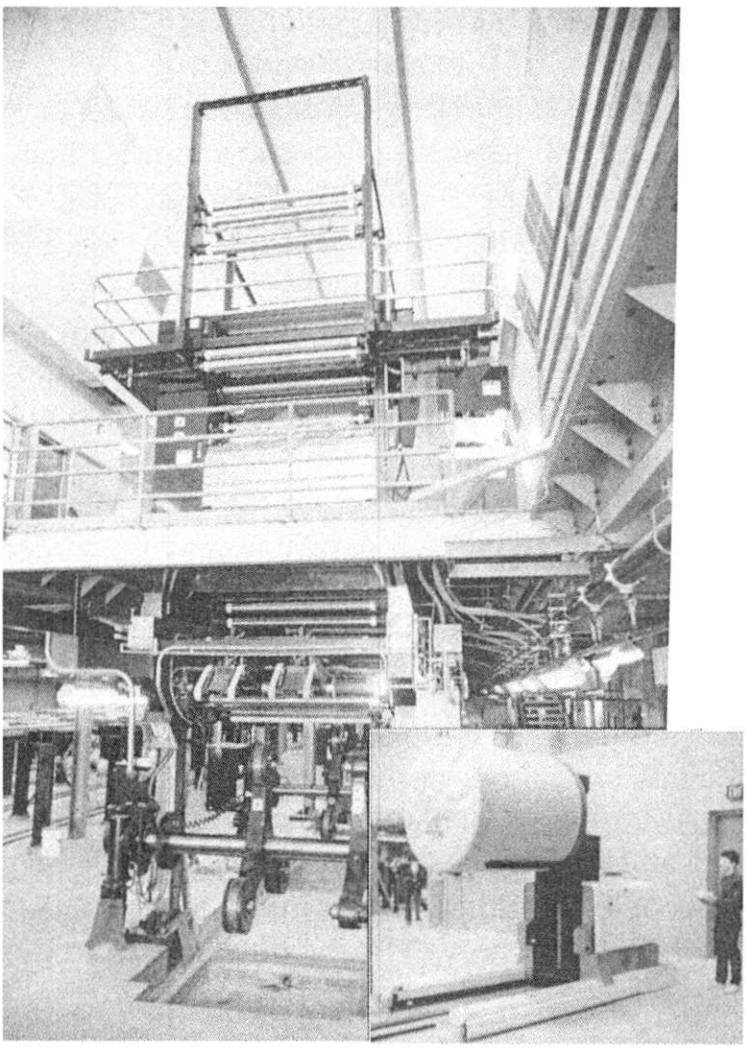
Beginning the week of June 5, 1988, complete editions of the newspaper were produced on the new offset presses. The center of attention on public tours, however, was the robots which transported huge rolls of newsprint.

FRANK McCOMAS
Publisher,
*The State*

ALVAH CHAPMAN
Chairman,
Knight-Ridder

JAMES BATTEN
Succeeded
Chapman

PAGE MORRIS
Executive V-P,
State-Record



**IN THE NEW BUILDING, *The State* and an edition of *USA Today*, a Gannett publication, were printed on the company's new presses. At right, a robot transports newsprint.**