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Interview with Frank Batten

Weather Channel

February 2000

Interviewer: Amy Blitz, HBS Director of Media
Development for Entrepreneurial Management

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FRANK BATTEN

The Early Years

My father died when I was an infant. I was really raised in my uncle's household. My uncle became, in effect, my surrogate father. He was the biggest influence on my life. He had been a remarkably successful entrepreneur himself in the newspaper business. He had started off penniless, and through daring and ingenuity, I guess, he was able to acquire a number of newspapers. He became my benchmark guide throughout most of my earlier life.

I was influenced also by my education, particularly by my prep school, Culver Military Academy, where I had wonderful experiences at a very young age, with opportunities for leadership that helped motivate groups of people. I was later given a remarkable opportunity by my uncle after I went through college and went to Harvard Business School. Just two years out of Harvard Business School, when I was only twenty-seven, he put me in charge of the newspapers of Norfolk, Virginia, and of course that was an enormous challenge for someone as inexperienced and as young as I was.

My uncle was a person of very strong character. He was totally honest in everything he did—in his dealings with people, then with his company and with customers and everything. Beyond that he was a risk taker. When he acquired his first stake in a newspaper, he'd been selling advertising for a trade publication. He came to Richmond and thought he saw in Virginia an opportunity to develop better newspapers. There were a lot of papers that were competing and he had established such a reputation in selling advertising that the owner of a failing paper in Virginia offered him a half interest in the paper if he would take it over and manage it and make it profitable within a year. He did that and that's how he got his first stake in a newspaper. He later acquired one of four newspapers in Norfolk, which he eventually ended up consolidating into one company.

Early Career

One of the most difficult experiences I had in my career was during the early days as a newspaper publisher. In Virginia, the Supreme Court decision to integrate public schools caused massive resistance. The idea was that if any black person was brought into a school that had been essentially white, Virginia would close the school. That became an enormously contentious issue. I would say that the majority of white citizens were opposed to integration in schools and endorsed mass resistance to the integration plans.

We took a very strong stand on that with our newspaper. We opposed mass resistance. It created an enormous amount of anxiety in our organization. We had a lot of vitriolic attacks on the newspaper as a result of its position. We were basically the only newspaper in Virginia that supported school integration and opposed mass resistance to the Supreme Court's ruling.

At the time, we had two newspapers. The editor of the afternoon paper, the *Norfolk Ledger*, opposed integration and was in favor of mass resistance. One of the things I had to do during this period was to go in and require the paper to reverse its editorial position. I had to write the

editorial myself to reverse the position because the editor did not want to do it. From then on, another editor wrote the editorial position of the afternoon paper.

It was sort of an agonizing thing for me to do, because that editor was a fine gentleman and I had to reverse his position without humiliating him. It was not easy, but it was something I felt had to be done. We got a lot of flack from some elements in the community, but when the day came that the schools in Norfolk were to integrate, it was done with no violence, no physical confrontation. I think a lot of that was due to the fact that the editorial position of our newspaper had urged moderation.

Finding the Opportunity: Cable Television

For ten years, I really struggled to learn the newspaper business. I was very inexperienced and I had my hands full developing the newspaper and making it a stronger paper, building a stronger organization, developing the market share into a stronger paper, etc.

Then after about ten years, I had enough confidence to start looking for growth opportunities. The only way to grow really was to get out of the confines of the geographical area that our local newspaper served. So we started looking for opportunities. We really didn't have the capital to compete with companies like Gannett and Knight and Newhouse by acquiring other newspapers. So we started looking for something that was undiscovered, that was new and in the early stages of development.

We settled on cable television, which was then really in its infancy. Our first cable station was really just a central antenna service, serving and bringing in clear television channels into very small communities. So we started acquiring franchises in communities like that to build cable systems and we thought eventually it had major growth potential. We actually bought our first cable franchise in 1964. Over the next fifteen years we built a very substantial cable company, one of the larger multiple-system operators and it developed into a wonderful business. We thought we had the capacity to manage this business successfully, because the market end of cable is not much different from the market in newspaper circulation. But what we saw in it was the opportunity for cable to go into bigger communities.

Initially there was no particular market for cable to come into the bigger communities, because the cities already had clear television pictures. Then something interesting happened. Ted Turner started expanding his Atlanta television station and other cable systems by delivering his programming by microwave. The cable companies started using that additional programming to sell to subscribers in places up to the cities. So that sort of opened the door to let cable get into the bigger communities, offering great programming, not just better reception. HBO came along also. In fact, CNN and HBO were really the first two major independent programmers that delivered by cable into the bigger communities.

We didn't buy going cable systems; we essentially acquired franchises and built the systems ourselves. By the late 1970s, most of the cities in the country were wired for cable, and it became clear that there was not a lot of opportunity for us to grow much bigger in cable, that is except through the growth of the systems that we already had.

The Weather Channel

We started looking again for another opportunity in something that was new and undiscovered. We settled on cable programming, because about that time the satellite had come along and had made it possible for programmers to deliver programming nationally at a very economical rate. It would have been prohibitively expensive to do that with microwave. When the satellite came along it became clear there was going to be an opportunity to develop a lot of new programming services that would give cable room to grow in bigger communities and would expand their offerings to their customers. We first started looking at a cable news network and did some work on that. Then, about that time, I got throat cancer and was pretty much out of business personally for a couple of years, because I was going through treatments.

After I learned to talk again we started focusing again on cable programming and we came across the idea of a weather channel. That appeared to us to be something that would be quite needed because we recognized through our own newspapers and television stations that weather was something that people really needed every day. We thought the opportunity for the Weather Channel was to expand the availability of weather information by making it available twenty-four hours a day, so it would be much more convenient for people to get weather information if they didn't have to wait until the six o'clock news or until the next morning for the newspaper. They could get it instantly and that is what gave us the impetus to start a weather channel.

The idea to start a new weather channel was really the product of our experience in newspapers and television; we knew there was a high demand for information about weather. We also came across the idea by talking with venture capitalists. We had gone around and visited a lot of venture capitalists to see if any of them had come across ideas for programming. One of these venture capitalists sent us a business plan for a weather channel that somebody had brought them. The VCs were not interested in it, but we latched onto it pretty quickly. That business plan had been developed by a weatherman on network television—John Coleman, the weatherman on *Good Morning America*.

I brought the idea to a lot of venture capitalists and a number of bigger media companies and was rejected by all of them. But we thought it would succeed for several reasons. For one, the head of marketing of our cable company told us an interesting thing. He said that in all of our cable systems we were offering very primitive local weather channels by simply providing text scrolling across the screen and providing a camera site of dials that showed temperature and wind speed and that sort of thing. It was very primitive, but he said that whenever the power went out we got more complaints from people about the loss of that primitive weather channel than about the programming. So that gave us a lot of confidence that this was something in high demand.

I also had a personal interest in weather, which was developed through sailing. I had done a lot of sailboat racing for many years and had become sort of an amateur meteorologist, because learning something about weather and wind direction and how much wind we would have was very important in racing. I just became personally interested in weather. That was another incentive to me to go into the Weather Channel.

Rough Weather Ahead

We had a very disappointing and rough experience the first year with the Weather Channel. We were hemorrhaging red ink. We had assumed we could make it successful on advertising revenue alone. We were not getting any fees paid to us by cable systems for carrying the service. In the early years we were getting very little advertising revenue, so we were losing a million dollars a month, which back then was a lot of money to us. At the end of a year we also had a falling-out with the venture capitalist who had brought us the idea and we had litigation over it with John Coleman. That gave us a lot of publicity, and revealed how much money we were losing and how badly we were doing.

The cable operators realized that we were on our last legs and were about to fail. In fact we had decided to close the Weather Channel. We also settled this lawsuit with John Coleman by giving him a thirty-day option to buy the Weather Channel, which we felt was dead anyway then. He could not raise the capital to do that but in the meantime a number of cable operators came to us and said, "We really need this service. We would like you to keep it on and we would be willing to pay you fees to carry it." A lot of their incentive for keeping us going was that at that very time a number of other cable programming services were dying. CBS had a cultural channel and that had closed. ABC had a news channel and that was about to close and the cable operators didn't want to lose any more programming.

So we decided to give it another try. We decided to go out and in effect conduct a referendum with cable operators. We told them we would take three months to find out whether the cable industry would be willing to pay us fees. We opened our books to the cable operators and they realized that we really were on our last legs, and so within three months about 80 percent of the cable operators had agreed to pay us fees.

Other Areas of Expansion

After we got the Weather Channel to a growth position where we knew we had a very great success on that end, we again started looking for other opportunities. My son was a reporter in London for the *Associated Press* at the time. He sent me a publication that had classified advertising only in London. He had advertised his car for sale and sold it on the first day. He thought this classified publication was something we ought to look into.

We looked into this and we found there were a lot of these classified publications all over the country. They were essentially "Mom and Pop" businesses, locally owned by local proprietors. We started acquiring these "Mom and Pop" ventures with the idea of consolidating the business and making it more valuable by adding much more sophisticated marketing techniques and sales management. We built a very good company that way. A company in Atlanta was doing the same thing, acquiring a number of these publications, and we eventually put our two companies together into a fifty-fifty joint venture. So now we have a company called Trader Publishing Company and we manage it out of Norfolk; it's a very successful national business.

Later the Internet came along and we realized that it brought a risk and a challenge as well as an opportunity to us. The risk was that the Internet would become a very destructive business in many ways for some of our media. It had the potential of becoming a competitor for our newspapers and cable company, and we thought it could become a wonderful way to get weather information for people who are using their computers all day long. We started Internet sites with all of our media and we put a lot of emphasis early on with our weather site. We got the ideal URL address, weather.com, and we were also able to use a brand of the Weather Channel, which had become one of the very strongest brands in the media business, to help sell weather.com. We put a lot of resources into it and it's growing very rapidly. We are convinced that it will become a very large medium and a very successful one.

At the moment, the business model for weather.com is based on advertising revenue and we think there is a very substantial market for that to grow into a very big medium with the big reach we have and the big viewer audience we have. Beyond that we are hoping to develop some e-commerce applications. I can't tell you what these applications will be because we are not clear about this yet ourselves, but we do think there will be opportunities for us to develop other sources of revenue in addition to advertising.

Beyond that, our business has always been essentially a content and marketing business. We have not done a technology business. It's clear now to us that we have to be a technology business also and so we have brought in a number of people who are very technology savvy. Through them we are looking for opportunities that we will use in other areas of communications and technology.

Initially, my motivation for growing the business came out of my personal motivation to prove to my uncle and to myself that I was worthy of this big opportunity given me. Of course he had always been an entrepreneur, had grown and grown and grown, and that was my initial motivation. As time went on and I gained confidence and experience, I realized that creating new businesses and developing existing businesses into much stronger and more innovative businesses was a very rewarding experience. It was also very exciting. So there was a lot of personal reward that came out of this.

We are a private company and I want it to stay private as long as possible. It's much more fun to operate a private company than a public one. We don't have to explain ourselves to professional analysts every quarter. We are able to take a very long-range view on our business, which allows us to divest where we might otherwise stay if we were public. In addition to that I have always felt providing superb products and services to customers was the main thing we needed to do to be successful and to be profitable, so our focus has been on staying close to customers.

I don't think the customers we serve in our various businesses are much different from one another. Essentially their needs are very similar. The main adaptation we have to make from one medium to another is that Internet customers are motivated in different ways from newspapers customers, and the same thing is true with television customers. I think the difference largely lies in the way people use various media. For instance, the Internet is used for almost instant information, and the same is true with cable television. For the newspaper it's not as much an

instant need as it is a need for in-depth information and information they can think about and use in a longer-term way.

We do a lot of market research. Take the Weather Channel for instance. We have done an enormous amount of segmentation research to find out how different people use the Weather Channel. We have learned that one category is people who are intensely interested in weather as an intellectual subject. They want to know all about how weather works and why. And then there is a second group of people at the opposite extreme who simply want to hit and run, look at what they want to see, how it's going to affect their lives that day or the next day. Then there is another group of people who want to know about the weather in a different place from where they live; they may have children who live in Minnesota and they want to find out what the weather is out in Minnesota. So there are all kinds of different ways that people use weather. We think we know more about consumers' interests and needs than anybody else.

Motivating Employees

One of the biggest challenges in a business is to find ways to motivate employees. The natural human tendency is to stay away and not get wrapped up in something that's changing all the time. But I think we have created a climate in the company where most of our people expect change and enjoy it and get personal rewards out of it. One of the other things we have tried to do with our organization and our people is to encourage them to take risks. That includes not only people who succeed with risk but also people who fail with it. We know that to be successful in any kind of a risk-taking venture, you have to be willing to fail. We have had our share of failures and we don't penalize people for failures assuming that they have put their best effort into what they were doing. We have had a lot of people who have been in ventures that didn't work out who have gone on to other ventures that did work out. I'm not talking about new businesses but simply innovations within our various established businesses.

Compensation is another key area. About thirty years ago I established something that we call our "Executive Stockholder Plan." We created a class of stock in the company that has all the rewards of stock ownership except voting power, and we have set up a system that allows managers in the company to acquire stock. The company finances the stock and gives them the ability to finance their stock purchases over a very long period. It's turned out to be a wonderfully successful thing, because we have several hundred managers who are retired now and have about 30 percent equity in the company. Their stock has been a very successful financial investment for them, much better than they could have gotten in the stock market unless they had been lucky with one of these odd Internet stocks. But it has done something much more than give them financial rewards. The way you look at your job is very different if you are an owner of the company and feel a personal sense of ownership. That gives them a lot more reward and gives them a stronger feeling about the work that they do.

We also do a lot of recruiting. We have found, for instance, that bringing people in when they are in school, particularly if they are in graduate business schools, to do summer work gives them a chance to find out if this company's culture is attractive to them. It gives us the opportunity to size them up and decide whether we think they will be good long-term bets for us. We have a lot of key people in the company now who have come to us through that route. Of course the

turnover rate varies with the kind of job. When you have a manual labor job, like we have in the distribution of our newspapers, our turnover rate is pretty high. Our turnover rate among managers is very low, however, and that's largely due to our stock plan. It's also due to the culture we have. We made it a sin for managers to deal poorly with their people and we have given a lot of rewards to people who developed strong organizations, organizations in which people work successfully together and create teamwork.

In fact, I think the main things that we have done that have been successful with people have related to the culture of the company. In addition to emphasizing teamwork, we have also created a value system that is very strong on having high ethical standards. One thing I have never tolerated, and I have created a climate in which other people don't tolerate it either, is any question about the integrity of people. That is number one as far as I am concerned.

The hardest decisions I have had to make relate to people, people you may have to fire, either for a breach of integrity or a breach of our standards or simply for poor performance. It's very agonizing for me to have to fire people. I don't have as much of a problem if someone has breached our standards of integrity, but when people have worked hard and you simply have to let them go because their performance is substandard, that's very hard. At the same time it's something that's absolutely essential. You have to be tough in insisting on good performance from people. If you are not that way, if you tolerate poor performance, then you create a terrible climate for others. This goes back to the issue of tolerating failure however; I do think it's fairly obvious when some venture we undertake is not successful because there wasn't a business there or there wasn't a real opportunity, as distinguished from cases where the people operating it were doing a poor job.

Beyond Landmark Communications

I have been very active in the newspaper industry, and have engaged in a lot of things that I thought would improve the performance of newspapers. The thing I did that required the most effort and time was becoming chairman of the Associated Press, which I did for five years. I devoted a lot of time to that because the AP had become sort of a self-satisfied organization and I was convinced that the culture of AP needed to be changed. We focused on becoming much more demanding in satisfying AP's customers. We made a lot of progress in that direction during my tenure as chairman.

In terms of the Weather Channel, I have turned over the reins of the company to my son. He has taken my role as chairman. I'm not totally retired, because I'm still acting as an adviser and consultant. I think that's my role today, but my role is also to stay out of the operation of the company, because that has to be run by people who are full time at it. I think it's time for a new generation to be running a company like ours. I will give you an example. I said earlier that we are a content and marketing company, not a technology company. Recently my son brought us an opportunity to become the principal investor in a very small software company called Red Hat. I looked at it and the other folks in the senior management looked at it and we couldn't understand it. It was a software company. We did not understand the open source software where you could get free software, and we talked my son out of taking this on to Landmark. He made the investment personally and today it's worth about a thousand times what he invested.

That made it really clear to me that we had to become a technology company and we needed management at the top as well as throughout the company who thoroughly understood technology. I concluded that I had made the right decision in turning the company over to a new generation. I have just made myself available to my son and to others to relate some experiences I have had when they are making decisions, particularly on new ventures and on innovations, and since the company is so focused on that now, there are a lot of new things going on. Some of it I don't understand. Others I think I can help with and I have helped with the thinking on what the company ought to look at when they look at a new venture.

Overall, I think the biggest factors in the company's success have been that we have put a lot of emphasis on developing a strong organization, we have put a lot of emphasis on developing people so that they could advance and take on more responsibility and grow. I think we have also taken a very long-term view. By being private, we measure success on a four- or five-year basis rather than on a quarterly basis, and I bet that has allowed us to do things that we might not have otherwise done.

My role has been largely to build a strong organization and to set the standard for the company, to set the grade to climb, and I have motivated people not only to do their jobs well, but also to try always to be innovative. I have pushed hard to encourage people to be dissatisfied with the status quo and to look for ways to change and improve the organization and their own work within it. I think that push in the company has made us much more successful. I have always focused on looking for innovation, on looking for new opportunities in our established businesses as well as in things we are not in. I think the other key to our success is that we have rewarded our people with promotions, stock, and other means.

Summary Reflections

I have always defined professional success as making the most of the abilities and the opportunities you have been given, and doing it in a way that provides benefits to your community and benefits to the nation as a whole.

In a personal sense, the main measurement I have used as a standard is how my children have turned out, whether or not I have provided the kind of example and influence to help them become responsible citizens and people who are going to do the best with what they've been given. My son, as I said, has taken over the company. It's been about eighteen months and I think he has done a wonderful job. He is bringing something to the company that I didn't, which was a very forward-looking view of the new economy as it's developing. I think he is the right person at the right time. That makes me very proud. I have also taken great pride in building a company where everybody who works for it can be proud of it because of our standards—our standards of ethics and integrity and the emphasis we put on providing good products and service to the community, and also the emphasis we put on being a good corporate citizen.

To that, I think business leaders who have been successful have an obligation and responsibility to give back to the society and to the community. Personally I have always expressed that by participating in things outside of the business that were valuable to other people. I have focused

on education and I have participated in leadership roles in a number of educational institutions. And I have concentrated my own personal philanthropy on education. I have always felt that education is one of the strongest ways that we can preserve the free society we have and the strong economy we have, because I think what education does is it allows our society to be an open society, to be a classless society. I've seen people at the lowest rungs of society who have had their children get educated and progress to levels way beyond their expectations. That's very rewarding to see. So I think education is what keeps this society an open society.

I also think that the company we have built, to the extent that we produce a good newspaper, a good weather channel, a good source of critical information that people really need, that this in itself is a public service. I believe that is as valuable as anything else—to build a business that, I hope, will be a business that lasts and has its values last. There is a debate now between people who think businesses should be built to last versus those who think businesses should be built to flip. There is a new generation of people, particularly in the Internet world, who think that you should create a business to sell and make a lot of money real quick. I'm from the other school. I hope that I have laid a foundation for a business that will last. The great companies in America have been the ones that have built lasting businesses and as a result have made a big contribution to the economy and to the world.

I don't have any regrets, although I kidded George Steinbrenner once that the biggest mistake I ever made was not buying the Yankees, because I had a chance to buy the Yankees before he did. I didn't have enough confidence in my knowledge of the baseball business so I passed on it. I wouldn't have fired as many managers as George has, but I'm not sure I would have produced any more winners.

Finally, for future entrepreneurs, I think of a piece of advice my uncle gave me when I first took on this big job at age twenty-seven to run his newspaper. I asked him, with I'm sure some anxiety in my voice, what piece of advice he would give me. He said just keep your bowels loose. I would leave that as good advice for any entrepreneur, to stay loose.