

The role of Innovation Journalism in Business Journalism

Erik Amcoff

Editor, Affärsvärlden, Stockholm, Sweden
Innovation Journalism Fellow 2006, Stanford
Hosted by The Wall Street Journal, NYC, Spring of 2006E

E-mail: [erik.amcoff @ afv.se](mailto:erik.amcoff@afv.se)

1	INTRODUCTION.....	3
2	THE FACES OF BUSINESS JOURNALISM.....	3
2.1	INNOVATION JOURNALISM	4
3	BUSINESS JOURNALISTS IN THE INNOVATION PROCESS	5
4	CONCLUDING DISCUSSION.....	8

The Role of Innovation Journalism in Business Journalism

In this paper, we take a closer look at one particular innovation process – a pharma company’s long and difficult hunt for a new medicine – and elaborate on where in this process different kinds of business journalists usually show up. Most business journalists, it is argued, tend to focus on the latter part of this innovation process. A discussion about whether the concept of innovation journalism in any way would change this ends in confusion. Instead of talking about labels, it is argued, more attention should be paid to the basic principles of journalism.

1 Introduction

Two questions are addressed in this paper:

Q1: Where in a typical innovation process do different kinds of business journalists usually show up?

Q2: With innovation journalism in mind, where should they show up?

In the search for answers, we start with some definitions.

2 The Faces of Business Journalism

Business journalism isn’t the same in all business publications. In fact, at least three different kinds can be identified. In general, most papers and magazines with “business” as their niche try to cover all three of them but, nevertheless, they are all more or less officially devoted to primarily one of them.

The three different business journalism variants, with their respective typical questions, and some Swedish and American publications devoted to each one of them, are:

- **Job and consumer issues.** This business journalism focuses on questions like “My new toaster exploded – how can I get a refund?”, and “When is the new CEO going to stop fire and start hire employees?” People buy these papers not because they are interested in business, but because they want to be generally well-informed and get a little of everything from a paper that cover most issues in society.

- *Publications:* Dagens Nyheter, The New York Times¹
- **Company issues.** “This company’s toasters explode – is it because the manufacturing was outsourced to Sweden?”, and “What’s the new CEO’s plan for turning around the company?” Readers have a special interest in deals, companies and economics.
 - *Publications:* Dagens Industri, The Wall Street Journal
- **Stock market issues:** “Exploding toasters made this company’s share price tumble – is now the right time to invest in it?”, and “What is the new CEO going to do to make the company’s lagging shares interesting again?” Readers want to read about the latest trends on the stock market.
 - *Publications:* Affärsvärlden, Barron’s

In reality, as well as in most publications, these three business journalism alignments are interconnected with each other. In the long run, no share price will climb and no staff will be hired if the company doesn’t show growth and profits. And profits, in the long run, do not come without some sort of innovation.

2.1 Innovation Journalism

If innovation is the market introduction of inventions², innovation journalism³ is the reporting on this introduction. And since innovation processes involve many different traditional beats, some have it that successful reporters should have “a thorough understanding of both technology and business matters”⁴.

But to find the role of innovation journalism in business journalism, we first must find the role of business journalism – as we know it – in the innovation process.

¹ Mentioned publications are just examples, chosen by the gut feeling of this paper’s author. Readers with other examples are free to erase and change.

² D. Nordfors. “The Role of Journalism in Innovation Systems”, Innovation Journalism Vol. 1 No.7: 8 Nov 2004. <http://www.innovationjournalism.org/archive/INJO-1-7.pdf>

³ D. Nordfors. “The Concept of Innovation Journalism and a Programme for Developing it”, *VINNOVA Information* VI 2003:5, Oct. 2003. p. 3. Also published in *Innovation Journalism*, Vol. 1 No. 1, May 2004. <http://www.innovationjournalism.org/archive/INJO-1-1.pdf>

⁴ Ibid.

3 Business Journalists in the Innovation Process

To do this, we will follow a classic innovation process, that despite a fantastic scientific development during the last decades to a large extent still looks the same: The long and difficult process that is the case when a pharmaceutical company seeks and hopefully develops and launches a new medicine. Perhaps other innovation processes are similar when it comes to the attention paid and not paid by business journalists.

The average time it takes to bring a new drug to the market is 12 years. The average cost for the development of this new medicine is \$900 million. The average number of substances screened for each new medicine is 1,000,000.⁵

Not only is the scientific scope impressive; the pharma industry is also a huge business: The total sales of the world's retail drug market amounts to \$550 billion⁶ and the market capitalization of the 14 largest pharma companies alone amounts to \$1,366 billion⁷. It is also a business of mega-deals; during the last 20 years, the 30 largest mergers and acquisitions in the pharma business have had a total value of \$617 billion⁸.

So, the pharma business arguably has something to offer all our three business journalism niches. But is the drug innovation process covered? A closer look at the innovation process of a new drug might give us a hint. The process of getting a new medicine to the market consists of three phases⁹.

- **The pre-clinical phases** on average take 4,5 years to perform and cost \$335 million. It starts with a focus on areas of unmet medical need, the focus on unexplored commercial markets, and some 1 million substances. After several screenings and tests, the number of interesting substances is down to 17. After further tests, often on animals, it is time for the critical decision of whether or not to go further with the some 12 interesting substances that now are left of the 1 million.

⁵ Astra Zeneca: <http://www.astrazeneca.com/article/502213.aspx#ow>

⁶ The Economist, June 16th 2005

⁷ Ibid. \$1366 billion was the case in the end of May 2005.

⁸ Affärsvärlden #47, 11/23 2005

⁹ Actually, there are seven phases: (target identification, hit identification, lead identification, candidate drug prenomination, concept testing, development for launch and launch phase (<http://www.astrazeneca.com/article/502213.aspx#ow>)). Here we use the more popularized three phases.

- In **the clinical phases** there is a go for tests on humans, first on healthy individuals, then on patients. This is also when it is time for the preparation of a full business plan. These phases on average take six years to perform and cost \$467 million.
- **The launch phase:** During 1,5 years, on average, and to the cost of some \$95 million, all the data from all the tests in previous phases are scrutinized by legal experts, while marketing experts produce their plans for how to release the drug on the market. 1 substance, of the once 1 million, is left. If approved by regulatory agencies, this is the new medicine that is offered patients.

The complexity of this particular innovation process can also be illustrated with all the different professionals that are involved. In the beginning of the 12 years long process, most work is done by molecular bioscientists and in the end, the light is focused on the marketing team. In between, however, contribution must be made also by medical chemists, integrative bioscientists, pharmacokinetics, pharmaceutical scientists, clinical researchers and legal experts.

Now, back to the first of our two questions:

Q1: Where on this long and complex road to the launch of a new drug do business journalists usually show up?

Since there are at least three different kind of business beats, there are at least three different answers to the question. In the figure below, an attempt to give these answers is made.

<i>Which phases are covered by what kind of business journalists?</i>					
			<i>Business journalism beats</i>		
			Job/consumer	Company	Stock market
<i>Drug development phases</i>	Time	Price			
Pre-clinical phase	4.5 years	\$335 million	<i>Yes</i>	<i>No</i>	<i>No</i>
Clinical phase	6 years	\$467 million	<i>No</i>	<i>No</i>	<i>No</i>
Launch phase	1.5 years	\$95 million	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
(Post-launch phase)			<i>(Yes)</i>	<i>(Yes)</i>	<i>(Yes)</i>

The pre-clinical and clinical phases, in general, are not covered by any business beat, although there are exceptions. A consumer journalist might write about what diseases that may be curable in the future, and what the companies are doing or not

doing to find these drugs. The focus, however, is on the patients, not on the drug innovation process.

“Company journalists” and “stock market journalists” are interested when pharmaceutical companies acquire or sign collaboration agreements with biotech research companies that specialize in these early phases. But the focus is on the deal and the potential harvest that may be reaped from a future drug, and not on the innovation process.

But, some 10.5 years and 999.999 substances later, most business journalists wake up from their hibernation and start showing some serious interest in the new drug. This is because **the launch phase** means serious hope of big profits for the company, which means that new jobs can be created. It also means a serious hope of relief for suffering patients, why job and consumer journalists now are interested. The same can be said about company journalists. The results of the final clinical tests are covered, as well as the evaluation made by drug regulation authorities. The closer the drug gets to a launch on the market, the more interested stock market journalists are as well, because the closer the drug’s launch, the higher the discounted value of its future sales.

But even more interesting, for most business journalists, is **the post-launch phase**, a phase that does not even belong to the innovation process. Instead, the drug now is in a process of creating actual, and not only possible, growth, profits, new jobs, happier patients and happier share holders. Business journalists of different kinds now ask their questions:

How many new jobs have been created, and where? How much of the company’s profits will go to new investments? How much will go to dividend and share buy-backs? Is the company now, with its new profits, ready for another take-over? Or is it itself, with its new profits, a take-over target for others?

So, the answer to our first question (*where [...] do business journalists show up?*), arguably is: late.

Now to the second question:

Q2: *With “innovation journalism” in mind, where in this process should business journalists show up?*

One obvious answer could be “earlier”. Another could be “you should reformulate the question, because *when* is not as important as *how*: With innovation journalism in mind, *how* should business journalists act?”

This begs for a discussion.

4 Concluding Discussion

First of all, let's remember a fundamental question that all journalists constantly must bear in mind: *What are my readers interested in, what are they paying me to write about?* When it comes to what we call business journalism, some readers are interested in consumer issues, some prefer reading about companies and deals, and others are looking for the cheapest stock or mutual fund. Most look for a little bit of all.

It is also important to remember that different labels on journalism are in the head of the journalists, not in the head of the readers. No reader says "I prefer business journalism" or "I like culture journalism" or "I want to read innovation journalism". They might, however, say "I prefer reading about innovation processes/business/culture". And they all want the stories to be good *journalism*, "the collection, preparation, and distribution of news and related commentary and feature materials"¹⁰. This is a definition that most people can agree with, and it is a definition that is valid for all journalistic beats.

Let's take another look at our two proposed answers to the question at hand:

"Earlier": As mentioned, early phases of innovation processes are covered by business journalists, but to a much lesser extent than later phases. This is arguably a good balance, since the earlier the phase, the further away the product is from a possible launch. Talking of "earlier" coverage, some of us come to think about the so called dot.com boom of the late 1990's and the lessons that should be learned from that time. Some people were happy to teach these lessons back then also. In an autumn 1999-memo to all his reporters and editors, Hasse Olsson, at the time editor-in-chief and CEO of Dagens Industri, a Swedish business daily, said:

"The 'Internet hysteria' has made us forget about basic news evaluation in the choice and presentation of articles. Several times, we have published big articles about companies that really aren't companies but only ideas in somebody's head. Characterizing such articles is that everything fantastic will happen in the future."¹¹

The point is not that we never should write about companies and processes in their early stages, but that we always must stick to our journalistic principles. And if this is done, a plausible conclusion is that early stages in innovation processes seldom deserve as much attention as later stages.

The second proposed answer to our question was in fact a reformulation of the question, to "with innovation journalism in mind, *how* should business journalists act?"

¹⁰ "journalism." *Encyclopædia Britannica*. 2006. Encyclopædia Britannica Online. 29 Mar. 2006 <<http://search.eb.com/eb/article-9044030>>.

¹¹ Resumé (www.resume.se) Oct 7th 1999.

The answer to this question has been discussed above. The proposed answer, in short, was that journalists working with business journalism or any kind of journalism should forget about the first word in their titles and focus on the second; *journalist*. Maybe our tendency to put labels, old and new, on things just makes the issue at hand more complicated and confusing than it really is? Instead of focusing on labels and beats and possible differences between them, more attention should be given to basic journalistic craftsmanship. One example of how this can be defined comes from Dow Jones:

“[...] it is an essential prerequisite for success in the news and information business that our customers believe us to be telling them the truth. If we are not telling them the truth -- or even if they, for any valid reason, believe that we are not -- then Dow Jones cannot prosper.”¹²

Maybe it doesn't have to be more complicated than that.

News editor Erik Amcoff is the third Innovation Journalism fellow to join us from Affärsvärlden ("Business World"), Sweden's largest and oldest business magazine. Previous workplaces includes Dagens Industri, the largest business daily in Scandinavia, and Ekonomi24.se, the first and largest independent internet-based business magazine in Sweden. Erik Amcoff holds a Master in politics from Uppsala University, and has also studied at Stockholm University, Exeter University, UK, and Moscow State University, Russia.

¹² From the Dow Jones Code of Conduct. The Wall Street Journal is a Dow Jones publication.