



Ushering In Wiley's Third Century

Chapter Nine

Publishing Without Boundaries

In early 2002, as Wiley prepared to move its global headquarters across the Hudson after 195 years in New York City, a question about title pages arose. Like other publishers, Wiley traditionally listed the cities where it had locations on its title pages. By replacing "New York" with "Hoboken," would Wiley lose the prestige of publishing from one of the world's historic publishing centers?

Deborah Wiley's response sent a message about Wiley in the 21st century: she eliminated the list of cities altogether! With Wiley publishing from more than 20 locations, the development and proliferation of the World Wide Web, and the emergence of a truly global marketplace, the physicality of the book and its publishing location were less and less important.

Wiley was redefining what it meant by "publishing." Communication around the world among Wiley colleagues, authors, editors, partners, and customers became far more rapid, often taking place in real-time. In addition to delivering content printed on paper between the covers of a book or journal, Wiley was now able to interact with customers in entirely new ways. The company began to deliver content directly into their workflows and educational processes—customized tools to help them achieve their objectives. Through these new ways of publishing, the author could engage customers in a continuous dialogue—akin to Norbert Wiener's famous feedback mechanism—about what they wanted to read plus how they wanted to use the content. These new possibilities for content creation, enhancement, and distribution were creating new markets and opening up new sales channels.

Embracing Risk 危機轉機機會

The Chinese expressions for “crisis,” *wei ji* 危機; “transition,” *zhuan ji* 轉機; and “opportunity,” *ji hui* 機會, all share the character for “risk,” *ji* 機.¹ So Wiley colleagues read in the in-house publication *Wiley World* in 1998, when interest in China was heating up. *Ji* is an appropriate notion with which to close this history of Wiley. History never stands still. Events surge ahead ceaselessly, moving at a faster pace than ever. How well the company manages the continuing risk of crisis, transition, and opportunity will determine the direction of the next chapters of Wiley history. Success will strengthen the company's culture, business, and financial performance. Failure will inhibit the company's ability to respond to accelerating marketplace challenges.¹

The first notable act of Wiley's third century illustrated the company's appetite for calculated risk when the opportunity is great and its promise is achievable. On Friday morning, November 17, 2006, the eve of its bicentennial, Wiley announced that it had entered into a definitive agreement to acquire the outstanding shares of Blackwell Publishing (Holdings) Ltd. The acquisition was completed on February 5, 2007.

Based in Oxford, England, Blackwell Publishing is one of the world's foremost academic and professional publishers. Known as the world's preeminent society publisher because of its partnerships with 665 academic, medical, and professional societies, Blackwell published 825 journals and had more than 6,000 books in print. Its revenue in 2006 was approximately £224 million, roughly equivalent to that of Wiley's global STM business. Blackwell's publishing programs included journals, books, and online content in the sciences, technology, medicine, the social

sciences, and the humanities. Besides Oxford, Blackwell has offices in Edinburgh; Berlin; Copenhagen; Malden, Massachusetts; Ames, Iowa; Melbourne; Singapore; Tokyo; and Shanghai. Blackwell Ltd., the library services and retailing business, was not part of the acquisition. The purchase price of £572 million, or approximately U.S. \$1.2 billion, was financed with a combination of debt and cash.

At the time of publication of *Knowledge for Generations*, the integration of the two businesses was moving ahead on schedule. There are risks involved in any transaction of this magnitude, but Wiley's successful track record with acquisitions, as well as the high degree of compatibility between the two companies' publishing programs, markets, missions, values, and cultures, has substantially reduced the risks. Managing change will no doubt present challenges, but Wiley's and Blackwell's leaders are confident that the constituencies they serve are benefiting from the combined companies' enhanced capabilities.

Before announcing the agreement, Wiley secured commitments from Blackwell's five major shareholders (Nigel Blackwell, Julian Blackwell, Philip Blackwell, René Olivieri, and Robert Campbell), as well as the support of its board. The Blackwells and the board let it be known that they would only support a sale to a company like Wiley, another venerable publisher with a founding family still involved and a culture deeply rooted in similar values. When a major competitor provided a financially attractive offer to acquire Blackwell in the days preceding Wiley's announcement of the transaction, it was rejected by Blackwell's board of directors, who remained firmly committed to Wiley. “People sometimes ask me to quantify the value of Wiley being *the place to be*. Based on this experience, I can now tell them,” explained Pesce.²



René Olivieri,
chief operating
officer, Wiley-Blackwell



Robert Campbell,
senior publisher,
Wiley-Blackwell

A Long Courtship

The Blackwell announcement, which came on the 96th anniversary of W. Bradford Wiley's birth and nearly eight years after his death, marked the consummation of a half-century-long courtship. Brad Sr. had pursued Richard Blackwell about acquiring Blackwell decades before at the Frankfurt Book Fair. The mutual regard and respect between Wiley's and Blackwell's leaders never waned, even after they passed the reins to their successors: Throughout the 1990s and into the new millennium, Will Pesce, Tim King, John Jarvis, Eric Swanson, René Olivieri (Blackwell's CEO), Robert Campbell (Blackwell's president), and Nigel Blackwell (Blackwell's chairman) carefully cultivated a continuing relationship by leading industry initiatives together while competing for the same authors and society partnerships in a way that elicited mutual admiration.³

The competitive sparring between the two companies took an ironic twist with one medical journal. During the mid-1980s, the British Diabetic Association (BDA) decided it wanted to lend its name to a new journal, to be called *Diabetic Medicine*, and sought a publishing partner. At the BDA's annual meeting at the University of Norwich, Peter Saugman, son of Per Saugman (managing director of Blackwell Scientific in the 1960s) bid for the opportunity, almost as a formality, assuming it was a done deal. There was, however, late and unexpected competition from Wiley's U.K. medical publisher, John Jarvis, and managing director, Charles Stoll, whose “soft, yet authoritative, American voice was perfect on the day.” Wiley won the contract and began a fifteen-year-long publishing relationship with the BDA. Publishing is all about ebb and flow, and in the late 1990s, Blackwell finally took *Diabetic Medicine* away from Wiley. There was a lot of good-humored banter when Wiley realized that it would regain the journal through the Blackwell acquisition.⁴

A meeting between Pesce and Nigel Blackwell in London in March 2002 strengthened the relationship between the two companies and their leadership. At the time, a major competitor was aggressively pursuing Blackwell. Nigel's uncle Julian supported the bid, and their disagreement became public. Pesce made it clear that Wiley was interested in joining forces with Blackwell, however long it took, but he promised he would not pursue the matter until Nigel and his leadership team were ready to do so. Swanson and Jarvis served as Wiley ambassadors for the next couple of years, staying in touch with Campbell, Olivieri, and others on industry matters, but there was no further serious discussion until 2005, when Peter Wiley and Jarvis approached Nigel Blackwell and Olivieri. In 2006, Pesce, King, Swanson, Jarvis, and Ellis Cousens, Wiley's chief financial and operations officer, met Olivieri, Campbell, and CFO Chris Hall. The meeting began as an exploration of the benefits of a joint venture or partnership, such as combining technology platforms. As the discussions progressed, it became clear to all that the two companies shared many values and placed similar importance on their excellent relationships with society partners, customers, and colleagues. It was also unmistakable that their publishing programs and organizational strengths were uniquely complementary. The meeting resulted in a growing mutual respect and a continuing dialogue.⁵

In the following months, Pesce and Olivieri spoke frequently, evaluating a range of strategic possibilities. They concluded that together Wiley and Blackwell could deliver even greater value to customers, authors, society partners, and shareholders than they could as separate entities. As a result, the Blackwell board granted Wiley the opportunity to make a purchase offer on an exclusive basis. After careful reviews of the financial and strategic possibilities, including a scenario planning analysis, Wiley's board of directors voted to support Pesce's proposal, and Blackwell's board and principal shareholders accepted Wiley's offer

PROFILE 

BLACKWELL PUBLISHING

Blackwell Publishing, like Wiley, was a company with a long and honorable tradition dating from 1845, when Benjamin Harris Blackwell, the son of a tailor from London's East End, opened a second-hand bookstore just outside the Oxford city limits. When Benjamin died in 1854, his widow had to shutter the shop.⁶

In 1879, Benjamin Henry ("Harry") Blackwell, the son of Benjamin Harris, opened B.H. Blackwell, a shop selling "Second-Hand Books in Ancient and Modern Literature" near the Oxford University colleges. Harry was a self-taught man from a modest background. His widowed mother supported her three children by doing needlework. At the age of 13, Harry left school—to his everlasting regret—to be apprenticed to a bookseller. In his own firm, Harry moved quickly into the new book business, starting with an education catalogue in the shop's first year. In 1895, he published his first catalogue of European titles, noting the presence of Blackwell agents "in the leading Continental Cities." The expansion of the British Empire and its institutionalization, including the construction of numerous universities at home and abroad, provided Blackwell with an important outlet for its books and historical documents. By 1913, India had become its largest overseas market, but American academic libraries also became important customers.⁷

Harry's amicable relations with Oxford dons and their students led to the publication in 1879 of Blackwell's first book, *Mensae Secundae: Verses Written in Balliol College*, and then the publication of a poetry magazine called *Waifs and Strays*. Blackwell soon became known in Oxford circles as "the literary man's house-of-call." Harry continued to publish manuscripts—everything from a lecture titled *On an Evolutionist Theory of Axioms* to *Manual of Cyclist Drill for the Use of the Cyclist Section of the Oxford University Rifle Volunteer Corps (O.U.R.V.C.)* to *Economic Aspects of State Socialism* by Sir Howard Llewellyn Smith (1887)—brought to him by his Oxford neighbors. The bookstore remained at the center of his business until his son, Basil, entered the business in 1913.⁸

Unable to devote sufficient energy to building a successful publishing program, Harry placed his son,

Benjamin Henry Blackwell, known as the Founder of the Blackwell empire, opened a bookstore in Oxford in 1879, 34 years after his father's death led to the closing of the first Blackwell store in the Oxford area. Henry focused on book retailing, then on distribution, while venturing into publishing. He was also the librarian at Oxford City's first public library and a founder and the first librarian of the Temperance Society Library. His son, Basil H. Blackwell, known as the Gaffer, was born in his parents' flat above the Blackwell bookstore. The first member of the family to receive a formal education (at Oxford, of course), Basil grew the bookselling side of Blackwell while moving into many types of publishing, laying the foundation for global Blackwell. Sir Basil was the first member of the British book trade to be knighted.



Benjamin Henry Blackwell (1849–1924)



Sir Basil H. Blackwell (1889–1984)

Basil, known as the Gaffer, at the Oxford University Press for a year so that he could learn all aspects of the publishing business before joining his father in 1913. Basil, doing business as a publisher after 1922 as Blackwell & Mott, turned out to be a creative and energetic publisher with a wide range of interests including poetry, fiction, children's books, educational texts, and the Shakespeare Head Press, which he took over from its founder when it almost went out of business in 1927. Inspired by William Morris's Kelmscott Press, the



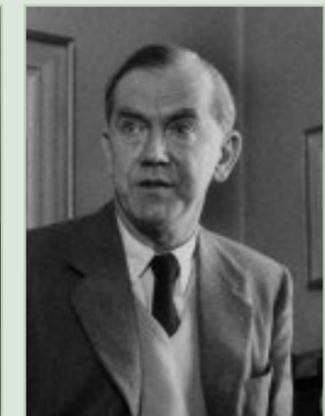
B.H. Blackwell, 50 Broad St., Oxford, the bookstore founded by Benjamin Henry Blackwell in 1879. Henry Blackwell and his family lived for a time above the store. One neighbor, an Oxford history professor, described the store as "the literary man's house-of-call." The bookstore was also a place with the "freedom and good fellowship of the tavern, with perhaps the same likelihood of rebuke for wasting time and money on returning home."

founder and then Basil published fine editions of classic works starting with a new edition of Shakespeare. With little capital and a small sales force, it was a challenge for Basil to compete with the established London houses, such as Macmillan and Longmans, or with the newcomers, such as Jonathan Cape, Faber & Faber, and Victor Gollancz. Basil did publish such renowned authors as W. H. Auden, Robert Graves, Graham Greene, D. H. Lawrence, A. A. Milne, Vita Sackville-West, Stephen Spender, J.R.R. Tolkien, and Evelyn Waugh.⁹

With a growing presence in school publishing, Basil turned his attention to scientific publishing in 1939 with the establishment of Blackwell Scientific Publications (BSP). Basil was inspired by the establishment of a handsome endowment for the Oxford Medical School by Lord Nuffield. The year before, Basil had suggested to the Blackwell board of directors that "the Company might be very well advised to consider the development of a medical publishing and bookselling side in conjunction with Blackwell & Mott." BSP's first title, *Essentials of General Anaesthesia* by R. R. Macintosh, appeared in 1940 and quickly sold out. BSP also distributed books on behalf of North American medical publishers.¹⁰

In 1946, Basil's son Richard joined B. H. Blackwell. Three years later, the year that Brad and Esther Wiley visited Europe for the first time, Richard was given "a roving commission to familiarize himself with every part of the firm's operations." In a paper titled "Specialization," he noted a number of trends that Blackwell would take advantage of, including the importance of exports, and the worldwide expansion in education.

In the postwar period, Blackwell & Mott (later called Blackwell Publishers) grew its educational publishing programs accordingly, urged on by Richard. In 1966, Richard became managing director and in 1969



Among the famous authors published by Basil Blackwell were the poet W. H. Auden and Graham Greene. Greene took his first book, a volume of poetry titled *Babbling April*, to Blackwell in 1925.

PROFILE

BLACKWELL PUBLISHING (CONTINUED)



Three generations of Blackwells: (from left to right) Miles, Sir Basil, Nigel, Richard, and Julian. Richard and Julian are Sir Basil's sons; Miles was Julian's son; and Nigel is Richard's. All five Blackwells served as heads of various Blackwell companies. Nigel was chairman of Blackwell Publishers when it was sold to Wiley in 2007.

he replaced his father as chairman. In 1975, David Ellis was appointed managing director, the first nonfamily manager to assume this senior position.¹¹

Meanwhile, BSP was also growing rapidly under Per Saugman, a Dane who joined the firm as sales manager in 1952. The company broke new ground in medical publishing by visiting medical schools to identify and sign young textbook authors, who later became eminent professors. In 1955, Saugman, who by now was managing director, started BSP's journals list by launching the *British Journal of Haematology*. From the mid-1960s, BSP gained international status, expanding into biology under the direction of editor Robert Campbell starting in 1968, and building its expertise in journal publishing. BSP opened an office in Edinburgh in 1966, initially to support book publishing, but ultimately it became solely devoted to journals production. In 1963, the company purchased Munksgaard of Copenhagen,

which developed a strong journals list in dentistry, dermatology, immunology, and transplantation. And in 1971, BSP started a venture in Melbourne, Australia, which later became a wholly owned subsidiary.¹²

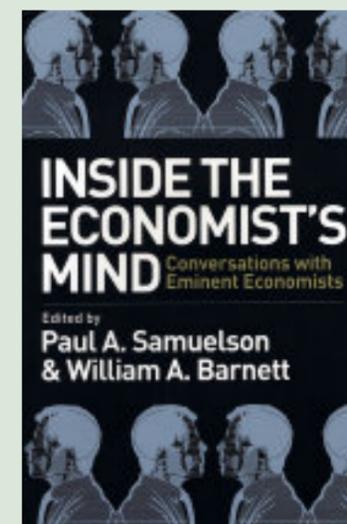
In the late 1970s, a new managing director, David Martin, transformed Blackwell Publishers into a world-recognized publisher of outstanding academic books. René Olivieri took over as managing director in 1987. With the financial demands of building up the scholarly book publishing program and the introduction of the National Curriculum in the United Kingdom, Blackwell Publishers sold its education list and concentrated on its own journals program, which paralleled but was distinct from BSP's. By the early 1990s, Blackwell Publishers had become the leading international publisher of journals for societies in social sciences and humanities. Its first North American office was opened in New York in 1984 and moved to Malden, Massachusetts, in 1989.

The transformation into a truly transatlantic company was complete by the end of the twentieth century, with more than half the company's sales and new copyrights coming from the American market.

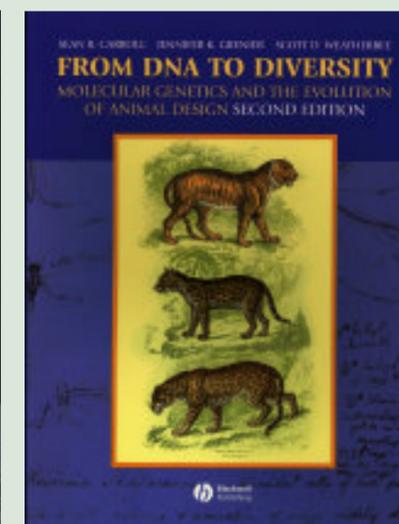
By the mid-1980s, under the leadership of Mark Robertson, BSP had developed an extensive program of journals with societies in Australia, then in Japan, and more recently in other parts of Asia. By the 1980s, the journals list was contributing two-thirds of BSP's total sales. In 1987, when Robert Campbell took over from Per Saugman as managing director, the company expanded in Europe and launched a Professional Division. In the mid-1990s, BSP invested heavily to make all its journals available online. To reflect the wider range of services BSP now offered, the company changed its name to Blackwell Science in 1993. The company's European offices started Blackwell Healthcare Communication Ltd. (BHCL), a medical communication company working primarily with the pharmaceutical industry, which

merged in 1999 with Bullet Communications (acquired in 1997) to form Avenue HKM (Healthcare Knowledge Management). The company also acquired the Iowa State Press, a publisher of veterinary books and journals, and launched Blackwell Synergy in 1999, a new online journals service offering full text with reference and citation linking.

In 2001, Blackwell Publishing Ltd. (BPL) was established by merging Blackwell Publishers and Blackwell Science. The new company was the world's largest independent society publisher. Richard's son, Nigel Blackwell, who had been chairman of Munksgaard, BSP, and Blackwell Publishers, became chairman of BPL with René Olivieri as CEO. Over the course of its history, Blackwell Publishing grew into a leading global publishing company with an international reputation for providing the best in publishing services, and the world's leading society publisher, with a list of 825 journals, 6,000 books in print, and 650 new books published each year.



Inside the Economist's Mind edited by Paul A. Samuelson & William A. Barnett



From DNA to Diversity, ed. 2, by Sean B. Carroll, Jennifer K. Grenier, and Scott D. Weatherbee



Journal of Advanced Nursing



Wiley CEO Will Pesce visited Blackwell to speak to new colleagues soon after the Blackwell acquisition was announced in November 2006. (From left to right) Robert Campbell, Andrew Robinson, John Jarvis, William Arlington, Nigel Blackwell, Steve Hall, Sue Corbett, René Olivieri, Will Pesce, Eric Swanson, Jon Walmsley, Steve Smith, Mike Fenton, and Philip Carpenter.

with enthusiasm. The two companies began the long process of due diligence and ironing out details, working together in a way that laid a solid foundation for the future. Pesce, King, Cousens, and Wiley's general counsel, Gary Rinck engaged in protracted negotiations, primarily with Olivieri and Blackwell's advisors. In the end, all Blackwell shares were sold to Wiley.¹³

Wiley and Blackwell were already two of the world's most respected publishers. With their merger, Wiley's Scientific, Technical, and Medical publishing business combined with Blackwell to become Wiley-Blackwell, a formidable global enterprise. The combined portfolio had approximately 1,250 scholarly, peer-reviewed journals at the time of the acquisition (the count reached 1,400 by September 2007) and an



Gary Rinck, senior vice president and general counsel

extensive collection of books with global appeal in the sciences, technical fields, medicine, the social sciences, and the humanities. The corporation, with its Higher Education and Professional/Trade businesses, continues to be known as John Wiley & Sons, Inc., and all three businesses continue to work on ways to collaborate.

Swanson was chosen to lead Wiley-Blackwell, and Olivieri was named as its chief operating officer and the co-leader, along with Wiley Europe's new managing director, Stephen Smith, of the critically important transition team. Soon after the acquisition was completed, Wiley-Blackwell's new global organization was announced; the structure is similar to one that Wiley employed in 2003 to revive its STM Global Books program. Publishing operations are arranged by subject area rather

than by location, so that global collaboration is ensured within each of the five Wiley-Blackwell business units for all product—books, journals, and other formats. Both Wiley and Blackwell colleagues hold leadership positions: Philip Carpenter became general manager, Social Sciences and Humanities; Susan Corbett, general manager, Medicine; Michael Davis, general manager, Life Sciences; Stephen Miron, general manager, Physical Sciences and Engineering; and Jon Walmsley, general manager, Professional business units. The general managers all report directly to Swanson and Olivieri. (In October 2007, Olivieri announced his resignation from Wiley-Blackwell, effective January 1, 2008.) Other members of the Wiley-Blackwell leadership team include Reed Elfenbein, director of Sales and Marketing; Chris Hall, finance director; Michael Fenton, director of Operations; and Robert Campbell, senior publisher.¹⁴

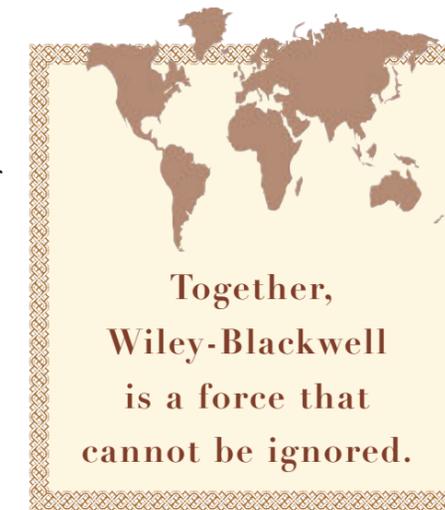
The Blackwell acquisition plan was driven by the revenue growth potential of the merged business and the resulting cost savings for the two companies. Significant synergies are being achieved by combining global sales, marketing, and content management capabilities; capitalizing on Blackwell's successful off-shoring and outsourcing of various content-management, manufacturing, and shared support services; implementing a single Web platform; integrating technology resources; and transitioning to a common financial reporting, distribution, and customer service infrastructure.¹⁵

Wiley-Blackwell's increased capabilities come from the expertise drawn from all parts of two global organizations. For example, both Blackwell and Wiley separately had substantial and well-known journals programs. Together, Wiley-Blackwell is a force that cannot

be ignored. Blackwell's preeminence in developing and managing publishing relationships with societies; Wiley's innovative brand management skills; the depth and breadth of Wiley's publishing programs across its three core businesses; Wiley's multichannel marketing and sales; and both companies' reputation for quality and collaborative, customer- and partner-friendly cultures are all sources of competitive advantage. The balance between Wiley's and Blackwell's publisher-owned and society-owned journals is almost perfect. Of Wiley's 425 journals, about one-third were society-owned. With Blackwell, about two-thirds of its 825 journals

were society-owned. Thus, together, about half of Wiley-Blackwell journals are society-owned and half are publisher-owned. Both companies share strengths in medicine and life sciences. Wiley's strength in the physical sciences is matched by Blackwell's in the social sciences and humanities. The combined companies are now able to invest more in online products and services than they could as separate entities, which is a benefit for the scholarly and scientific community. Greater investment in Wiley-Blackwell's

online products and services is sure to benefit Wiley's customers in other markets, such as Higher Education, as synergies between Wiley InterScience and *WileyPLUS* have done in recent years. Global market reach is strengthened and extended, and Wiley-Blackwell is committed to finding an effective balance between a global perspective and strong local identity. Wiley-Blackwell aims to be the most responsive, innovative, financially competitive, and professional publishing partner in the industry, providing partners and authors with exceptional service that is focused on their unique needs.¹⁶



“In Dreams Begins Responsibility”

Pesce quoted the poet William Butler Yeats in his communications with colleagues about the Blackwell acquisition. The passage he cited, “In dreams begins

THE WILEY PRIZE

In 2001, Deborah Wiley pulled together the people and resources to create the Wiley Foundation and *The Wiley Prize in Biomedical Sciences* to acknowledge the contributions of the scholarly community to our corporate success. *The Wiley Prize in Biomedical Sciences* recognizes contributions that have opened new fields of research or have advanced novel concepts or their applications in a particular biomedical discipline. It honors a specific contribution or a series of contributions that demonstrate significant leadership and innovation. The award, which is given by the Wiley Foundation, includes a \$25,000 grant and the opportunity to present a public lecture at The Rockefeller University, the venue for the awards ceremony.

Among the many distinguished recipients of *The Wiley Prize in Biomedical Sciences*, three have also been awarded the Nobel Prize in Physiology or

responsibility” captures both companies’ deeply ingrained ethos that privilege begets obligation—that the merger was about more than the bottom line. It was not a new idea at Wiley. It was the genesis, for example, for the annual Wiley Prize in Biomedical

Medicine. Dr. Andrew Z. Fire and Dr. Craig C. Mello, co-recipients of the *Wiley Prize* in 2003, received the 2006 Nobel Prize in Physiology or Medicine for their discovery of RNA interference—gene silencing by double-stranded RNA. Dr. H. Robert Horvitz, a co-recipient of the *Wiley Prize* in 2002, shared the 2002 Nobel Prize in Physiology or Medicine for his work on how genes regulate organ development and cell death. Dr. Elizabeth H. Blackburn, Morris Herzstein Professor of Biology and Physiology in the Department of Biochemistry and Biophysics at the University of California, San Francisco, and Dr. Carol Greider, Daniel Nathans Professor and Director of Molecular Biology & Genetics at Johns Hopkins University, were awarded the 2006 *Wiley Prize*; both also received the 2006 Lasker Award for Basic Medical Research, along with Dr. Jack W. Szostak, Harvard Medical School.¹⁷



The sixth annual *Wiley Prize in Biomedical Sciences* was awarded jointly in April 2007 to Dr. F. Ulrich Hartl, director of the Max Planck Institute in Munich, Germany, and Dr. Arthur L. Horwich, Eugene Higgins Professor of Genetics and Pediatrics at Yale University School of Medicine and Investigator, Howard Hughes Medical Institute. Both were recognized for their elucidation of the molecular machinery involved in protein folding. Shown here, from left, are D. Qais Al-Awqati, jury member; Deborah E. Wiley, senior vice president, Corporate Communications; Dr. Gunter Blobel, jury chairman; Colette Bean, associate publisher; Patrick Kelly, vice president and director, Journal Publishing; Elizabeth Cox, editor; Dr. F. Ulrich Hartl; Dr. Arthur L. Horwich.¹⁸

Sciences, initiated in 2001 by Deborah Wiley in her role as chairperson of the Wiley Foundation to recognize groundbreaking research discoveries.¹⁹

For both Wiley and Blackwell, increased stature meant increased responsibility to the world’s scholarly and scientific community. Nigel Blackwell articulated his sense of obligation to these, saying, “At heart, Blackwell and Wiley share a common publishing ethic and consistently high standards and values. Combining them makes overwhelming sense for the global academic and professional community.” Pesce elaborated on their vision for the acquisition: “For our authors and society partners, we intend to provide best of class service through our extensive network of editorial, production, marketing, and sales talent. For our customers, we intend to provide more access to more content by more people than ever before in the history of the two companies. For our colleagues, we intend to provide intellectually stimulating and financially rewarding opportunities.” The belief that a company’s responsibilities toward its diverse stakeholders (authors, society partners, customers, shareholders, and colleagues) are not mutually exclusive, but are intrinsically connected and drive growth, had been a key element in both companies’ continuing success. This belief provides Wiley-Blackwell colleagues with a standard to follow in the years ahead.²⁰

Zhuan Ji Transition



Much is made by the media of the risk for publishers in an era of rapid technological change, but Wiley, informed by its continuing use of scenario planning as a way to analyze the implications of technological change, has seen this change as more opportunity than risk. While new forms of media have enhanced and broadened the distribution of the written word, new and old forms of publishing both compete with and complement each other. Tim King predicted 15 years beforehand that “in the year

2006, not only will there be extraordinary electronic networks out there doing extraordinary things, but the print medium will continue to exist, just as newspapers, radios, and televisions all coexist. What will change is the role of each. We are facing evolution, not revolution.”²¹

King was on target, and right not to be alarmist, yet wise to be alert and to prepare for many different scenarios. Managing the risk of the Internet requires innovation, but it does not pose a threat to the core of what publishers do. This is well understood at Wiley, as demonstrated by the ongoing development of Wiley InterScience (which is poised to evolve further as it merges with Synergy, Blackwell’s online platform), *WileyPLUS*, and frommers.com, to name but a few examples.

As the digital migration continues, the marketplace presents daily and long-term challenges. Wiley prepares to remain successful under possible future scenarios and much in between. Broadly speaking, it plans to do so by growing revenue and earnings faster than the industry average while remaining prudent in its acquisitions and by enhancing the company’s position as the “place to be” for all of its stakeholders. The company is laying plans to both protect itself from the threats inherent in each scenario and to capitalize on emerging opportunities. Keeping pace with the speed of change and continuing to provide customers around the world with what they want and need, when they want and need it, has compelled colleagues across Wiley to change.²²

The Internet’s increasingly pervasive influence is compelling companies like Wiley to rethink the way that they do business. Some prognosticate that in the end technology will render publishing obsolete. Others, including Wiley’s leadership, see opportunities to generate growth and deliver more value to customers by responding to the changing marketplace by being innovative, reducing costs whenever possible, increasing interaction with customers, investing in technology, and advancing global collaboration. The continuing evolution of the journal and textbook business models is a good example.²³

Adding Value 轉機機會

The daily work of researchers has been profoundly changed by their institutions' and publishers' investments in Web technologies over the last 10 or 12 years. Despite the migration to the Web, the role of publishers has not diminished; they still perform a vital function in the assessment and dissemination of scientific knowledge. They also build and develop the journals, books, and major reference works (MRWs) that provide the registration and certification system that gives researchers confidence in the knowledge that they are reading peer-reviewed and publisher-processed and -authenticated material—something that they would not get from an unmediated, open network. Many scientists also write and read Web logs (“blogs”) and collaborative Web sites (“wikis”) and post articles on their professional Web sites, but these do not replace the authoritative “version of record,” which needs to be stable and trusted in order to be cited by other researchers.

Some people argue that the Internet ought to end authors' dependence on publishers by enabling them to communicate directly with referees, reviewers, and readers. Publishers have traditionally coordinated the development, production, distribution, and gate-keeping of books and journals and minimized the costs through economies of scale.²⁴

Publishers take significant risks and make major investments to launch and maintain journals in print and online, investments that are essential to the publication of quality content and its broad dissemination. Peer-reviewed research journals are essential to the establishment of “the minutes of science,” as Jan Velterop, director of Open Access at Springer, so eloquently puts it, where research is validated,

Publishers take significant risks and make major investments to launch and maintain journals.

authenticated, and protected and can become part of the permanent body of knowledge. Researchers want to have their articles published in highly regarded journals as measured by their “impact factor,” a citation metric established by the Institute for Scientific Information (now Thomson Scientific).²⁵

“Open access” is actually a catchphrase that refers to several business models in which the user does not pay for access.²⁶ A number of organizations, notably the Public Library of Science (PLOS), have launched open access, “author-pays” journals

that are supported by philanthropic grants in order to challenge subscription-based, “user-pays” journals. The National Library of Medicine (NLM) of the National Institutes of Health (NIH) has created PubMed Central, a free digital repository of journal articles, with ambitions to establish an institution with greater capabilities than a simple repository. In 2005, the NIH instituted a policy to encourage its grant recipients to deposit their published journal articles in PubMed Central within 12 months of publication. The policy results in the depositing of articles after the peer-review process has been completed and considerable value has been added by publishers. NIH funding pays for the research, but publishers pay for the editorial and peer-review processes, production, marketing, sales, and the considerable investment in Web platforms, such as Wiley InterScience, which distribute content and provide customers with tools like search and navigation capabilities, online manuscript submission and management, cross-product searching, reference and citation linking, and personalization options for accessing and using content.²⁷

“What is problematic is an unfunded mandate from a government funding agency [the NIH] that

sets up the government as a publisher in competition with both commercial and nonprofit publishers while failing to recognize the value added by publishers,” said Eric Swanson, senior vice president of Wiley-Blackwell. “Mandates like this will have serious and unintended consequences for the research community and publishers,” he explains. Meanwhile, compliance with the NIH policy has been low, in part because many authors seem to find the process cumbersome.²⁸

Ultimately, it is a matter of who pays for the publishing process, which is not free. If the government decides to go the route of mandating free user access, they will likely have to contend with fees imposed by the copyright owners to cover their costs.

Wiley-Blackwell believes that open market competition can and should ultimately settle this debate. Any viable, sustainable, and scalable business model will

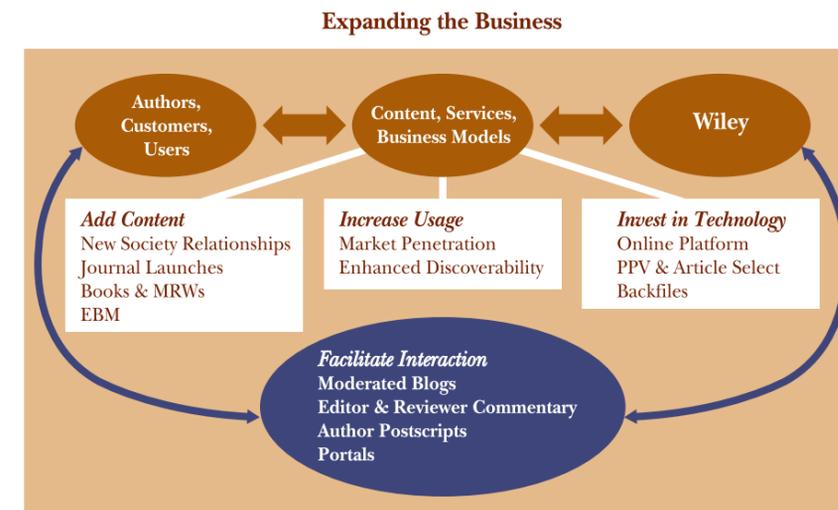
Researchers want to have their articles published in highly regarded journals as measured by their “impact factor.”

have to deliver sufficient financial returns to provide ongoing investment in technology, without relying on the support of charitable foundations. That may be a continuation of the demand-side subscription model (in which the library pays on behalf of the reader); it may shift over time to a supply-side Open Access model (in which the author uses research funds to pay for publication); or it may be some mix of the two, such as the agreement Wiley reached with the Howard Hughes Medical Institute (HHMI), a major private contributor of biomedical research, to deposit into PubMed Central, the

NIH digital archive, peer-reviewed articles that are based on HHMI-funded research. Wiley will be paid directly by the HHMI.

In response to changing customer needs, Wiley has proffered the licensing model—the renting of elec-

tronic access—for its online journals. Licensing benefits both the customer and the publisher, especially when libraries negotiate together as consortia, a movement that quickly caught on during the 1990s. (While publishers gain from revenue growth, more libraries increase their purchasing power and gain more access to more content.) Another example of a new business model is Wiley's agreement in early 2007 with the New York Public Library (NYPL) to provide free online access to over 300 peer-reviewed journals that until now have principally been available through academic or corporate collections. NYPL patrons will be able to access the full



Wiley is connected to authors, customers, and users through the content and services it creates and the business models it introduces. The company is expanding its scientific, technical, medical, and scholarly business by adding more content, increasing usage, investing in enabling technology, and facilitating interaction.

text of journal articles online via Wiley InterScience. In addition, Wiley offers its customers many journal article purchase options, including Pay-Per-View and Article Select individual article access. Using another business model, STM grew its portfolio of controlled-circulation (advertising-driven) journals significantly in the year before the Blackwell acquisition through acquisition and new launches. In addition, every issue of every Wiley journal ever printed will be available on Wiley InterScience by the end of 2007. The journals collection dates from 1799 when *Annalen der Physik* was first published and comprises over 1.5 million articles of scientific and scholarly research. A vigorous book and major reference work backfile initiative is under way as well.

Technology is affecting not only how customers purchase content but also how they interact with it. Clinicians and reviewers, for example, can make comments on the evidence-based medicine content in the Cochrane Library through the use of the "Cochrane Correspondence," a moderated site that allows the medical community to incorporate findings from the latest clinical trials, offer opinions and commentary on recommended treatments, and improve the knowledge base of proven clinical treatment.

In 2005, Wiley was selected by the Society of Hospital Medicine to assume publication of *The Hospitalist*. This controlled-circulation newsletter is published monthly in print and online for medical doctors who specialize in hospital practice throughout the United States.



PIRATES OF THE PRINTED PAGE AND MORE

The battle against outright piracy and more subtle forms of copyright violation is a never-ending one. As technology enhances the communication of knowledge, it also facilitates the unauthorized replication of intellectual content. Validating the authenticity of content, protecting the integrity of authors' works, and warding off pirates have all become more complex endeavors in the Internet age.

Copyright protection has been of major concern to Wiley since well back in the nineteenth century. John Wiley was a leading advocate for international copyright reform, and the failure of the U.S. copyright movement was a prime factor in his 1848 decision to leave fiction and focus on knowledge publishing. As long as English authors could be pirated with impunity in the United States, he perceived, it would be difficult to develop American literature, since American authors, who by U.S. law had to be properly compensated, were considerably more expensive to publish. Congress did not pass an international copyright law until 1891.

In recent years, Wiley executives have played important roles in the campaign. Former CEO Charles Ellis served as chairman of the Copyright Committee of the Association of American Publishers (AAP) from 1983 to 1985, and championed the industry position in the successful suit against Texaco for unlawful photocopying of journal content. Richard Rudick, Wiley's former general counsel, was active on the AAP Copyright Committee for many years, and served as chairman of the International Publishers Association (IPA) Copyright Committee. In 1994, Tim King, current head of Planning and Development, was the founding chair of the AAP's Enabling Technologies Committee, responsible for identifying the requirements for successful publishing on the Internet. A key outcome of the committee's work was the creation and implementation of the Digital Object Identifier (DOI) program, now an essential element of digital copyright management. And since 1994, Deborah Wiley has served as chair of the AAP's International Copyright Protection Committee,

which combats illegal photocopying, book piracy, and trademark infringement worldwide. Roy Kaufman, legal director, serves on the board of directors of the Copyright Clearance Center (CCC). Many other Wiley colleagues, too numerous to mention, have played equally important roles as part of industry efforts.

Wiley has taken the lead in other efforts to protect its intellectual property. In 2001, the legal department became aware of a document delivery company that was pocketing copyright fees it charged its customers. "We brought suit, along with Elsevier," said legal director Roy Kaufman. "In addition to achieving our primary objective—to stop someone from profiting by the theft of our intellectual property—we won a healthy settlement that

more than paid for our efforts. We decided the best thing to do would be to reinvest the settlement in additional anti-piracy efforts." Over time, Wiley's collaboration with other publishers resulted in an informal task force, with Wiley playing a primary role in such things as ferreting out violators. "We do this in various ways," said Kaufman, "through search algorithms, public databases, and leads provided by authors and colleagues; we also subscribe to alert services." In the overwhelming majority of cases, a "cease and desist" letter produces the desired result. Litigation is pursued as a last resort, and only in clear-cut cases, with the settlements serving to fund the ongoing initiative.

More recently, digital piracy has been on the rise, and illegal copies of Wiley e-books have shown up regularly on file-sharing peer-to-peer Web sites and on e-commerce sites. In 2004, Kaufman and Gary Rinck, Wiley's general counsel, decided to do more to combat

this activity. In October 2004, paralegal Patrick Murphy was promoted to lead the effort and was soon joined by representatives of two other publishing companies. In addition to searching eBay and other Web sites, the group works with the U.S. Customs and Border Protection Agency to seize pirated goods and block the

importation of lower-cost textbooks from parts of the world where Wiley sells at prices more appropriate to local market conditions. The group has also stopped unscrupulous subscription agents who have purchased journal subscriptions at individual rates and then resold them to institutions.

Wiley protects its trademarks as vigilantly as its content, policing the Web to find unauthorized uses of Wiley trademarks; the most common violations involve the For Dummies brand. However, trademark violation is less

cut-and-dried than is copyright infringement, because some uses have First Amendment protection, such as parody, and Wiley balances these issues when deciding whether to pursue a trademark infringement case. Policing Wiley trademarks enforces the value of its brands, preserving their identities and preventing brand dilution.

The effectiveness of these campaigns has drawn media attention, and they continue to attract the participation of other publishers as well. "No one else has the level of resources dedicated to it that we do," said Kaufman. "We find the violations, we arrange for lawyers to represent the co-litigants in the instances when we proceed to litigation, and we queue up the cases. But we're always looking for other publishers to join us. It doesn't just benefit Wiley; it benefits the whole publishing community, ensuring that our interests and those of all our authors are well protected."²⁹



Wiley's copyright protection team includes, from left, Ray DeSouza, Kathleen Robbins, both enforcement associates, Roy Kaufman, legal director, and Patrick Murphy, paralegal and head of the antipiracy initiative.

The Price and Value Proposition

In the higher education textbook market, *ji* 機, the character for risk, stands out boldly. Since the late 1970s, publishers like Wiley have had to respond to serious competition from the used-book business, the increasing costs of higher education, buyer resistance (including students who do not always buy the assigned textbook), the increasing sophistication of online education (both public and private), and the changing demographics of the student population. As with its other businesses, Wiley has turned these challenges into opportunities.

Textbooks and learning materials, thoughtfully orchestrated by authors, editors, and instructional designers, all of whom are brought together by the publisher, provide structure for academic courses. Effective textbooks and learning tools and resources are expensive to produce. The basic economics of college textbook publishing require the presence of a broad audience to minimize the financial risk of publication. Most of the costs associated with creating a textbook come from the input of authors assisted by knowledge workers—the researchers, reviewers, photographers, illustrators, designers, editors, production managers, marketers, and sales representatives, among others, who create and distribute them.

Textbooks are not mass-market products. Sales of a top-selling textbook are a fraction of the sales of a blockbuster novel, but the publishing process is vastly more labor-intensive and costly. Product development costs are “spread” over the revenues generated by the sale of that product. Most, if not all, publishers still develop both traditional print and digital content, along with their associated costs, in response to customer preferences, and will do so for the immediate future.

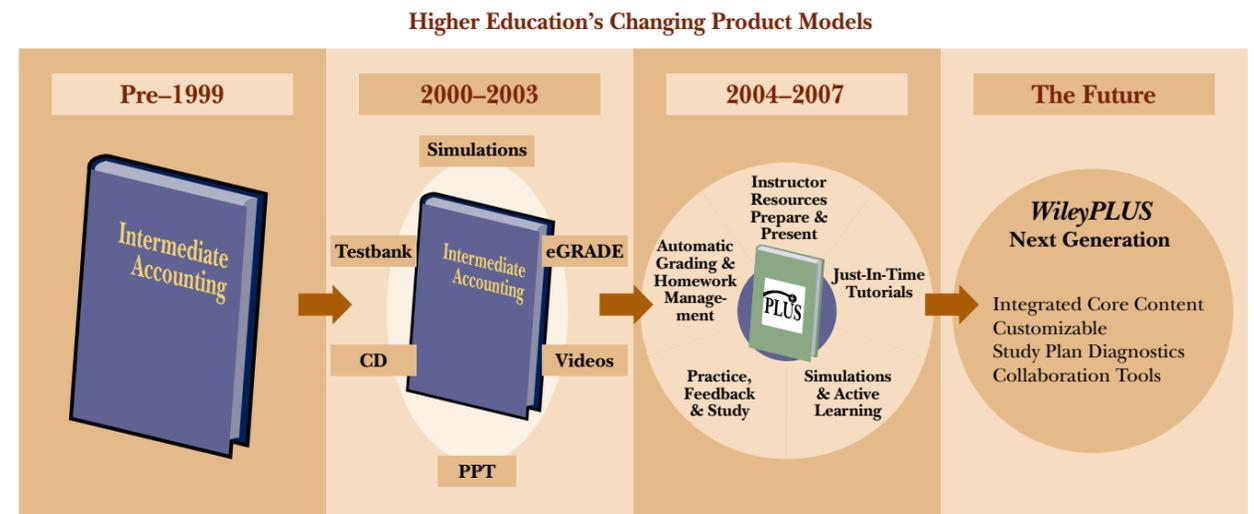
At the same time, the cost of higher education in both private and public institutions has continued to increase with more of the cost of education allocated back to the student. Increased teaching loads are putting more demands on professors. To accommodate the projected increases in student enrollments and fewer resources available, greater numbers of institutions of higher learning are compelled to engage adjunct and part-time instructors to meet student demand. Students and professors are finding that content closely aligned with what is taught in classes, accompanied by digital tools, enhances the educational experience and helps prepare the student for employment.

Ironically, one “solution” that is widely promoted to lower the cost of textbooks actually makes the problem worse. The aggressive and successful used-book market in the United States cannibalizes legitimate sales and shrinks the textbook market so that new book development costs have to be spread over fewer sales. The result is higher book prices.

Wiley has recognized that no matter what the cost of a textbook is—\$10 or \$100—it is too expensive if it is not read by the student. Students perceive a gap between the price and the value of the textbooks they are assigned if they don't use all of the book's content in the course. Wiley's response has been to develop and promote products, services, tools, and business models that deliver value to customers and to offer products in a variety of formats, both print and electronic, to appeal to different customers.

To maximize learning and to ensure that students receive a return on their college education investment, today's offerings include not only texts but also many value-added resources such as e-books, workbooks, software, Web-based content, online assessment, self-study features, tutoring, and other direct

As with its other businesses, Wiley has turned these challenges into opportunities.



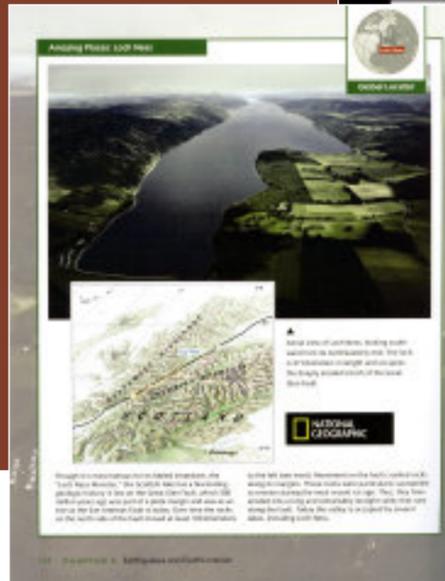
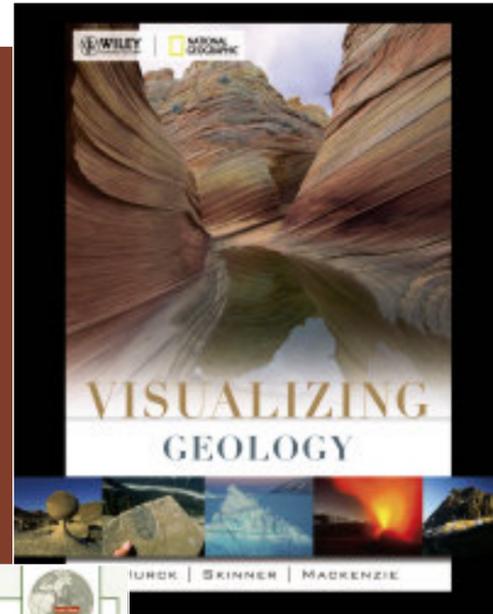
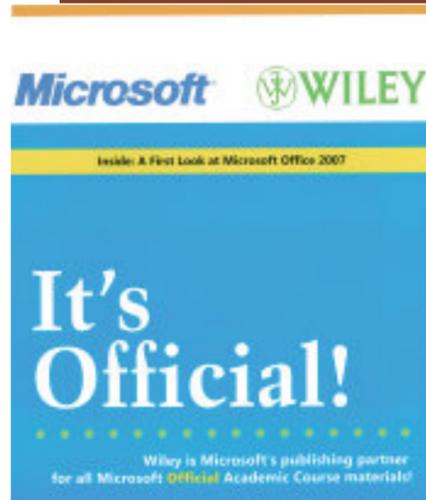
The Wiley textbook is evolving from a purely print product to a digital product that includes customizable content with learning tools for both teachers and students.

support services for both students and professors. These tools can deliver different types of content, accommodate diverse student learning styles, and stimulate different ways of thinking. The demand for them is reinforced year after year in market research with both students and faculty.

WileyPLUS has been at the center of Wiley's strategy. This powerful online tool effectively integrates print, online, CD-ROM, and classroom resources, using an activities-based interface that accommodates course planning, presentations, study, homework, testing, and assessment. Homework can be assigned and automatically graded by the WileyPLUS testing engine, bringing students immediate feedback as well as access to a variety of context-sensitive support resources that build confidence and understanding—hints and explanations, direct links to text content, interactive problem-solving, and practice quizzes. The flexibility of WileyPLUS enhances the instructor's ability both to motivate students and to shape their learning experience. Students have responded to survey questions with comments like, "WileyPLUS revolutionized

how I study," "It made my learning much easier," and "I believe it has helped me to achieve a better grade." The Wiley Faculty Network (WFN) through its peer-to-peer network helps other faculty integrate Wiley technology into their curricula and tailor its use to their needs, thereby encouraging student use and facilitating learning.

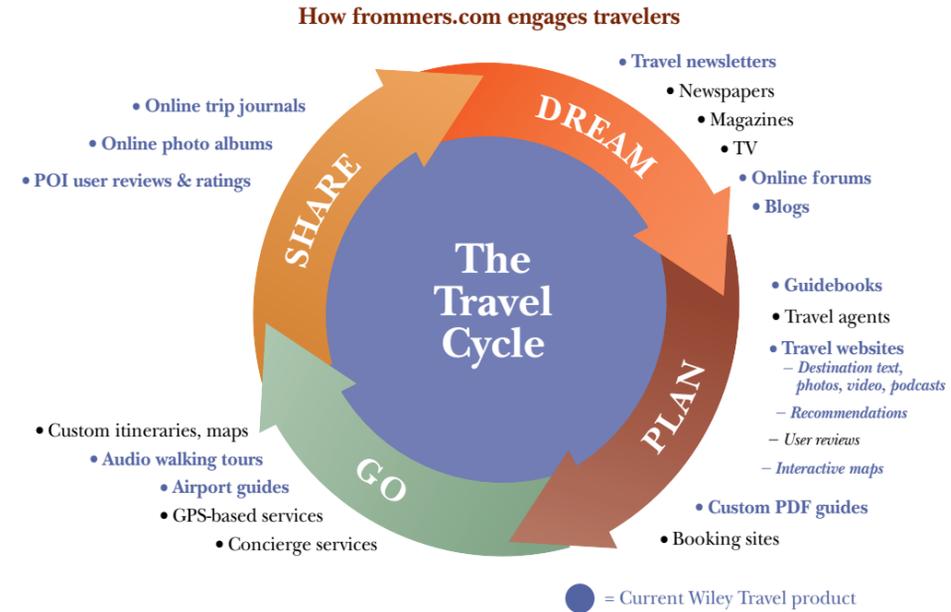
The demand for texts that fit tightly with specific curricula and tools that will assist teachers and students has moved Higher Education to become more deeply involved in the educational process; hence Higher Education's mission of "helping teachers to teach and students to learn." Investment in technology is also allowing the company to tailor content from across its businesses for specific global markets in a timely and cost-efficient manner. The Precise Custom Textbook Series, jointly developed by Wiley India, U.S. Higher Education, and Wiley software engineers in Russia, is one example. This initiative is allowing sales representatives and editorial staff to create print books precisely tailored to the needs of Indian curricula.³⁰



Some of Higher Education's newest projects include all Microsoft Official Academic Course (MOAC) materials and the Wiley Visualizing series, published in partnership with the National Geographic Society. Shown here are the cover and an interior from *Visualizing Geology*, by Barbara W. Murck, Brian J. Skinner, and Dana Mackenzie, illustrating the way that the series combines text and images to reach students more effectively.

Technology is not the only thing that's changing rapidly. Higher Education is also capitalizing on growth fields, demographic shifts, and advances in the understanding of the learning process itself. Wiley has joined with Microsoft to serve college students preparing for certification in Microsoft technologies, as Microsoft's sole publishing partner worldwide for all Microsoft Official Academic Course (MOAC) materials. The company has also partnered with the National Geographic Society to

incorporate its visual content into the new Wiley Visualizing textbook series, which combines text and images in a unique way that incorporates the latest research findings on learning styles. The new Wiley Pathways is geared to the growing number of older community and career college students, often employed and with families, who are pursuing post-secondary education with a strong career focus in such growth areas as business, healthcare management, and emergency management.



The Travel Cycle describes how travelers imagine, plan, travel, and reflect on their experience. The products and information provided for the traveler by Wiley appear in blue type as an example of Wiley's continuous dialogue with its customers.

Print and Electronic Delivery 轉機機會

A familiar mantra within Wiley is Pesce's "print and electronic, not print or electronic." Wiley's travel program is an excellent example. When Wiley acquired the Frommer's travel guide business with Hungry Minds in 2001, it was primarily a print on paper business. Today, Wiley's travel program has evolved so that it actively engages with customers throughout the travel cycle.

Most people begin their travel experience with a dream for a trip, followed by a planning phase, the trip itself, and sharing the experience with family, friends, and colleagues. With frommers.com, Wiley interacts with customers throughout this travel cycle. Frommer's offers travel newsletters, online forums, and blogs that help shape the dream; photos, videos, interactive maps, podcasts, and recommendations, as well as a link to purchase guidebooks to help plan trips; walking tours and airport guides to take along; and online journals, photo albums, and user reviews and ratings for sharing the experience with others. These capabilities were enhanced with the acquisition in 2006 of WatsonWhen, a travel content, marketing, and Web site building services company.



Frommer's Web site

By engaging with customers in this way, Wiley is enhancing the value of the Frommer's brand and is also creating new revenue streams to fuel future growth. New streams of revenue from the consumer programs, including Web site advertising, digital licensing, downloadable products, and custom or private-label Web services, all simultaneously serve to promote physical book sales and reinforce brands. Frommers.com, dummies.com, and cliffsnotes.com have produced double-digit growth in revenue for several years from advertising, sponsored links, and content licensing. Internet advertising is often more appealing than print ads because the number of impressions can be measured and they are triggered by keywords that target the correct customers. Digital licensing has also grown rapidly, with branded content in demand by major public Web sites, portals, and other Web operations. Wiley optimizes its sites to facilitate natural search, delivers site-specific newsletters, and manages relationships with related Web sites. Google Adwords and other search-based advertising programs are also utilized to connect interested parties to our offerings.³¹

Wiley is taking advantage of a wide variety of online marketing approaches. Amazon.com's "e-mail blasts" enable authors to send bulk e-mailings to their own established customer lists, amassed through speaking engagements and professional associations. Wiley has found this program to be especially useful in promoting its business books, generating sales of as many as 4,000 books in a single day. Professional/Trade is also an active participant in Amazon's Search Inside the Book, Amazon Upgrade, and AmazonConnect initiatives. Upgrade gives purchasers the option to also buy online access to a title when they purchase the book; there are currently about 2,000 Wiley titles available in this program, with more being added all the time. AmazonConnect encourages authors to post title- and author-specific blogs—a great way for authors to interact with readers and a good way to sell more books. Amazon and Wiley's partnership continues to grow and evolve.

The Global Marketplace



For a global company like Wiley, the story would not be complete without consideration of the interplay of global, regional, and local markets. Wiley colleagues have mastered the ability to publish for each or for all three, from a journal with a global audience, a text, or a journal with particular emphasis on Asian markets to *Curling For Dummies*, which has not yet posted significant sales outside of Canada.

Since Stephen Smith and Steven Miron turned around Wiley's Asian business in the 1990s, Wiley's Asian colleagues, now under the direction of Mark Allin, have posted impressive sales figures. Asia has experienced rapid growth in the professions, research and development, and university enrollments. For example, while the number of doctoral degrees in natural science and engineering conferred in the United States, the United Kingdom, and Germany have either not increased or have declined, they have risen in China, South Korea, and Japan. "With rapidly changing market situations and commitment comes risk and error," Brad Wiley reported after a three-week trip to Asia in 2007. "The terrain going forward will be riddled with opportunity. Unlike in the 'mature' markets of Europe and the U.S., Asia presents difficult choices about which opportunity is golden and is relevant, misleading or a fool's errand."

Editors in Singapore's P/T program, started in 1994 and now focused on business and finance titles, continues to sign local authors while publishing titles that travel outside the region. Wiley opened its first Beijing office in 2001 with a team of five sales and support staff under the guidance of Theresa Liu, who previously led Wiley's sales team in Taiwan. Over the next few years, China became a beehive of activity. By fiscal 2007, the number of colleagues in Beijing had increased nearly fivefold, and an office was opened in Shanghai. In early 2006, Wiley established a fourth STM publishing program, to acquire more content from Asia-Pacific

authors, under the direction of Ann-Marie Halligan (based in Singapore) to complement its programs in the United States, the United Kingdom, and Germany. New STM editors were also hired in Beijing, Taipei, Tokyo, and Sydney. The Blackwell acquisition brought a strong editorial presence in Shanghai and more editorial staff in Tokyo, where Wiley's staff went from 8 to 36 people. Colleagues in the Shanghai office are responsible for ten journals published in partnerships with the Chinese Academy of Sciences and the Chinese Academy of Social Sciences. The Tokyo staff, servicing Wiley's largest scientific, technical, and medical market outside the United States, is responsible for 41 journals in these areas. There have also been steady advances in Chinese translation licensing and co-publishing of key P/T titles.³²

In February 2006, Wiley acquired the outstanding shares of its Indian joint-venture company, Wiley Dreamtech, to form Wiley India Private Ltd. The new venture adds a strong distribution network and a market-leading position in the publication of professional, technology, and computer books to the company's established presence in the Indian higher education and STM markets. The Precise Custom Textbooks Series, mentioned previously, illustrates an important point about global Wiley in its third century. Editorial development is taking place in India with close collaboration with U.S. colleagues, while content customization capabilities and related educational tools are being developed by colleagues in Russia, among other places. Wiley's future success will be driven by collaboration across businesses and borders.

Wiley has invested heavily in Asia over the last decade and a half, but the Blackwell acquisition has highlighted the fact that the United States, despite its challenges, remains the world's leader in research and development and an important growth market. "Blackwell realized, as Columbus thought he had 500 years earlier, that it could reach the East by sailing West," said Olivieri. "We started commissioning American authors even before we had any offices there.

For more than a decade, the 'conquest of America,' both in terms of commissioning and sales, became the central mission of the entire organization." And indeed Wiley-Blackwell colleagues in Hoboken and Malden, Massachusetts, continue to sustain existing journals while searching for new prospects, particularly among American academic and professional societies.³³

Asia offers attractive economies for production services, and Wiley has taken advantage of these services for years. Many books and journals from across the company are typeset and printed in China, India, and Singapore. This trend will accelerate as a consequence of the union with Blackwell, which already prints a significant portion of its journals in Singapore and Malaysia.

In other parts of the world, Wiley continues to grow. The Middle East has produced impressive results. Wiley's exhibition stand at the Tehran Book Fair in May 2007 was staffed by 40 people who sold \$1.57 million of Wiley materials in a ten-day period. Africa and Latin America remain relatively small markets (although South Africa is a U.S. \$2.6 million market for Wiley), but with Wiley's historic presence, established relationships, and cumulative experience in both these regions, Wiley is poised to increase its commitment when conditions dictate.³⁴



Delhi Bookfair (2004). Steve Miron, Vikas Gupta, Peter Wiley, Mark Allin, Arun Bharti.

Sustaining Value and Ramping Up Investor Relations

The challenge of continued successful management unites firm and family. Wiley has evolved from being a sole proprietorship to a family partnership to a family-managed private corporation to a publicly traded multinational with professional management, independent governance, and sufficient family ownership to protect and sustain the company's culture, mission, and values. With Jesse Wiley, a member of the seventh generation, working at Jossey-Bass, a Wiley imprint, the family continues to plan for another generation who will be actively engaged in the evolution of Wiley with management, the board of directors, and colleagues.



Jesse Wiley, associate editor, Jossey-Bass

Focusing on governance, board chairman Peter Wiley and his brother Brad continue their work with Will Pesce and the board's governance committee to ensure that Wiley's board remains independent and rigorous in its oversight role through thoughtful recruitment and regular self-evaluations.

As a publicly traded company, Wiley has benefited from management's efforts to increase the number of shareholders by enhancing Wiley's profile in the investor community. Wiley began to reach out to investors during Charles Ellis's tenure. The turnaround that Ellis and his team achieved made the company more attractive to outside investors. The Bass family's acquisition of a significant stake in the company also served as a catalyst for change. Bass representatives on the board pushed for greater exposure of the company in the investor community as a means to increase liquidity (in other words, high daily trading volume of Wiley shares).

A significant milestone was reached in July 1995, when Wiley shares were listed on the New York Stock Exchange. Ellis viewed the move to the Big Board as a means of "providing greater visibility for the company which would result in greater liquidity for shareholders," as well as an affirmation of the company's rising fortunes, as reflected in the growth in earnings per share, which doubled between fiscal year 1990 and fiscal year 1995.³⁵

Ellis was by nature a cautious communicator, holding his cards close to his chest unless there was a good reason to do otherwise. Robert Wilder, then chief financial and operations officer, and Peter Clifford, Wiley's comptroller and chief accounting officer, were wary of Wall Street's focus on short-term gains. But Ellis and they recognized the need to develop a rapport with investors and the investment community to convey the company's strengths and attract the kind of investors who appreciated Wiley's way of building value. Each year in early September, Ellis and Wilder sponsored an investor breakfast at the company's headquarters for a dozen or so of the company's largest institutional owners. Later, other members of the management team were asked to join the breakfast.

Throughout the nineties, Wiley provided an increasingly comprehensive view of the company's operations. Deborah Wiley took responsibility for corporate communications under Charles Ellis, and hired Susan Spilka in 1993. Spilka steadily cranked out announcements of acquisitions, large and small, and of publishing partnerships during this period of rapid growth, thereby raising the company's profile in the media and familiarizing more investors, authors, and other stakeholders with the fundamental changes that were taking place.³⁶

Wiley's relationship with the investor community expanded and improved significantly under Pesce's leadership. Spilka served as an initial investor relations contact, providing information to potential investors and

analysts. Working with Pesce, she further developed the annual report to shareholders as a vehicle to convey the company's strategies, accomplishments, and objectives, as well as showcasing the expanding scope of its publishing programs. Board member John Marion, who served from 1999 to 2005, brought to the board his deep understanding of the investment community, his considerable knowledge of publishing and related industries, and his appreciation for Wiley. He developed an excellent rapport with Pesce, as he took the time to learn about Wiley and the publishing business.

In June 2000, Wiley hired Kekst & Company, an investor relations consulting firm, to help develop an integrated financial communications and investor relations program to achieve greater recognition and support for the company within the investment community. At fiscal 2000 year end, Wiley began hosting quarterly conference calls with investors and reaching out proactively to investors through participation in media conferences.

These efforts accelerated with Pesce's recruitment of Ellis Cousens as executive vice president and chief financial and operations officer to succeed Wilder when he retired in March 2001. Cousens, who was described by Pesce as a "strategic thinker with strong financial, analytical, and communications skills," developed his finance career at both publishing and consumer marketing companies. He joined Wiley from Bertelsmann, where he had structured and



Susan Spilka, corporate communications director

implemented an \$800 million partnership with Time Warner.

Cousens set out with Pesce, Spilka, and Kekst to strengthen relationships with the investment community. He reached out to existing and potential investors and analysts, seeking to expand Wiley's institutional investor base. One of his initial steps was to open up the annual breakfast to a wider range of investors and analysts, although the first of such expanded meetings had to be postponed due to the September 11 attacks. Cousens and Pesce began to present sell-side conferences and the amount of quarterly information and disclosure was expanded to increase investor confidence and understanding of the key drivers of Wiley's performance. The focus both internally and externally was shifted to a balanced view of strategy and financial results, including free cash flow as a critical measure of long-term value and of current performance.

The next few years saw a marked improvement in Wiley's investor relations profile. Several sell-side analysts initiated coverage and the ranks of new institutional investors grew significantly, as did the average daily trading volume of the company's Class A shares. Consistent performance and a record of meeting or



Ellis Cousens and Will Pesce



A stock certificate for Wiley's Class A shares, JW.A.

about 700 registered shareholders. By the end of fiscal year 2007, Wiley stock was owned by approximately 1,500 registered shareholders and an estimated 5,000 beneficial shareholders (who own their shares through mutual funds and retirement funds), and the trading volume averaged more than 110,000 each day. One hundred dollars invested in John Wiley & Sons Class A shares on April 30, 2002 yielded \$148 on April 30, 2007.³⁷

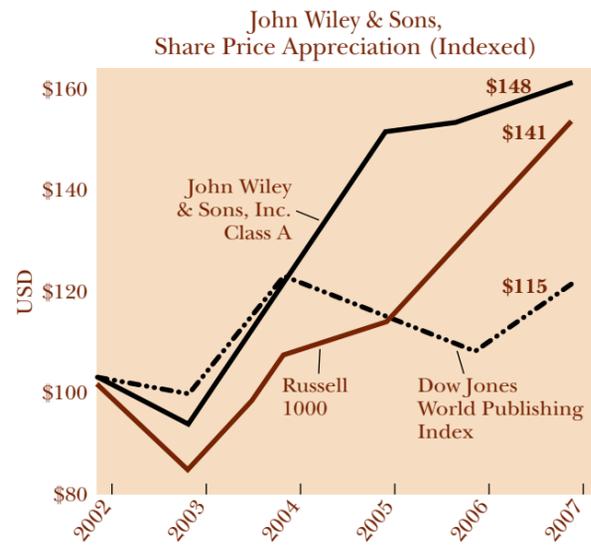
From 2002, the company has brought in more new investors than at any other time since it went public in the 1960s. This outcome

exceeding expectations certainly helped the outreach efforts. During the late 1980s, trading volume averaged 300 to 500 shares a day. In fiscal year 1992, there were

is a direct result of Wiley's efforts to provide comprehensive information to investors and its ability to deliver strong results.



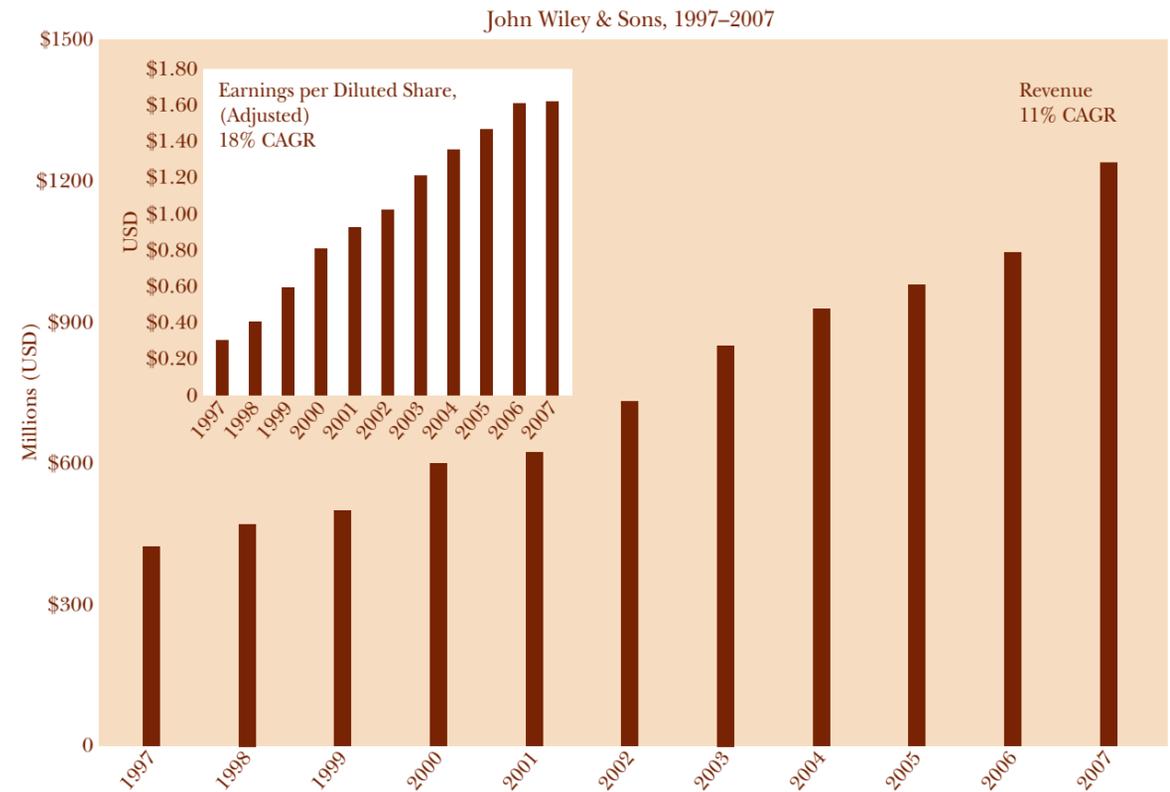
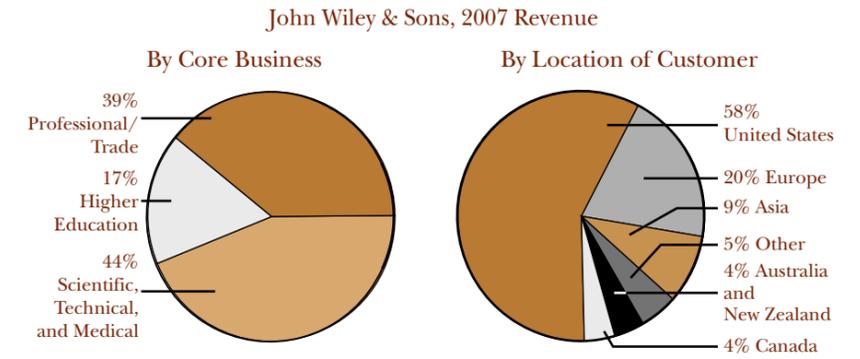
CAGR stands for Compound Annual Growth Rates.



Source: John Wiley & Sons 2007 Annual Report.

The above graph provides an indicator of the cumulative total return to shareholders of the company's Class A Common Stock as compared with the cumulative total return on the Russell 1000 and The Dow Jones World Publishing Index, for the period from April 30, 2002, to April 30, 2007. The Company has elected to use the Russell 1000 Index as its broad equity market index because it is currently included in the index. Cumulative total return assumes \$100 invested on April 30, 2002, and reinvestment of dividends throughout the period.

The strength of Wiley's performance over the past decade, clearly evident in these key measures, has helped raise the company's profile and attract new investors.



Source: John Wiley & Sons Annual Reports. CAGR stands for Compound Annual Growth Rate. Adjusted for stock splits, for illustrative purposes.

There has been more coverage in leading business publications, such as the 2005 article in *Barron's* in which an investor described Wiley as "... a stock for all seasons, a company that delivers when the economy is headed up or down." Recognition of the company's strong performance increased as Wiley was named to *Fortune's* "Best Companies" lists in 2005 and 2006; *Forbes's* Best Big Companies in 2006, and S&P's MidCap 400 in 2006. What JP Morgan Chase had to say about Wiley when initiating coverage early in 2007 captures the dramatic improvement in the company's reputation in the investment community:

*We believe John Wiley is a well managed, core publishing holding suitable for long-term investors . . . Wiley's management team . . . has an especially strong track record over the past decade in the broader media space. The company has consistently outperformed peers. It is an experienced team with all but one of the top six executives with more than 15 years experience. Culture is also a strength at the company. One reason could be that management not only preaches ethics but historically has backed it up.*³⁸

All Wiley, All the Time

Wiley begins its third century with yet another transformation in its underlying business. In the early nineteenth century, Charles Wiley morphed from a printer into a retailer and publisher. His son John added an important partnership with George Palmer Putnam, a London office, and an import and export business. Both father and son published a wide range of subjects from *belles lettres* to engineering. In the second half of the century, John and his sons reinvented their business, dropping fiction and many nonfiction subjects, while focusing on texts and professional titles in science and technology. The fourth generation followed in their predecessors' path, adding more texts, professional titles, and a modicum of nonfiction trade books. In the three decades after World War II, Wiley became an international business, expanded its textbook offerings, and added more scientific, technical, and professional publishing, starting with the acquisition of Interscience Publishers in 1961. The 1980s saw Wiley move beyond the confines of its traditional publishing program by adding a training company and occupational publishing to Wiley's portfolio. In the 1980s, Wiley also began its first serious experimentation with technology. Wiley in the 1990s went back to building the three core businesses—Higher Education, Professional/Trade, and STM (now STMS or Wiley-Blackwell)—for which Wiley is known today. The development and proliferation of the World Wide Web inspired the company to make an aggressive effort, moving content online and building digital tools to enhance the customers' experience. In the twenty-first century, Wiley is building on the cumulative experience of the past 200 years to adapt and change yet again, this time into a “content, tools, services, and solutions provider.”³⁹

The company's current strategic plan calls for its three main businesses to strengthen its 200-year legacy of quality publishing. To support its businesses and enable colleagues to respond rapidly and flexibly to customers' needs as the Web continues to evolve and expectations



continue to change, Wiley has undertaken the *Discover Wiley* and *Content Technology* initiatives. *Discover Wiley* is set to launch in 2007. Its mission is to “organize all of Wiley's information and make it easy to access and use . . . to make all of Wiley—products, people, competencies, and capabilities—discoverable.” The *Content Technology* initiative is designed to make all Wiley content available to customers in immediately usable form, allowing the company to acquire, create, and manage all of its content without respect to location, business, or product boundaries; to search and browse all of its content; to assemble and reuse rich content in customizable ways; and to publish for multiple sales channels. Text-mining tools and semantic tagging will enable Wiley to offer customers a richer, more “intelligent,” dynamic, and useful content. Ultimately, customers will be able to search across all the company's content on a given topic and download the results in a common format with rights and pricing information. In short, customers will be able to get the content they need when they need it in whatever format they choose—all Wiley, all the time.⁴⁰

Persevering in the Middle

Over the long haul, publishing processes and global markets will undoubtedly shift and shift again. Even a firm as old as Wiley, a firm whose sense of the future has been well informed by scenario planning, must accept the limits of its predictive capabilities. Wiley has survived and prospered through many epic events in part because it “perseveres in the middle,” an idea that originated with Rosabeth Moss Kanter, the Ernest L. Arbuckle Professor of Business Administration at Harvard Business School, and is often quoted by Pesce. Kanter's explanation of the concept highlights a capability and competitive strength that Wiley fine-tuned over

the past 15 years, “One of the mistakes leaders make in change processes is to launch them and leave them,” Kanter wrote. “So many things can go wrong in the middle, you can estimate wrong, run into obstacles, and the critics will surface in the middle. Constant monitoring is important to keep ideas on track or to redirect them if circumstances change—and they change constantly. In the middle then, the persistence and perseverance of the change leader makes the difference between success and failure. Leaders need to have the stamina and resilience to stick with it and turn difficult middles into successful achievements.”⁴¹

Pesce aptly described Wiley's ability to persist, persevere, and succeed in his remarks to the board of directors as it approved moving forward with the Blackwell acquisition:

In the late 80s, Wiley was in serious trouble. We had revenue of about \$200 million, essentially no profits, and a market cap of less than \$300 million. There was an “us against them” mentality separating the leadership of the company from the people who were leading the publishing business.

Morale was pretty low. Fortunately, with the support of the Wiley family and the board of directors, we began a successful journey to revitalize Wiley. Highlights of that revitalization include fixing our Higher Education business; selling the training business; investing in enabling technology; launching Wiley InterScience, WileyPLUS, and frommers.com; building partnerships with companies like Amazon and, more recently, Microsoft; acquiring VCH, Jossey-Bass, J. K. Lasser, the Tortora franchise, and Hungry Minds; moving across the river to free up cash to reinvest in our business. With the Blackwell acquisition, today Wiley is well on its way to becoming a company

*with revenue of \$2 billion, healthy operating margins, free cash flow of \$150 million, and a market cap of \$2.5 billion. Today, we are a company recognized by our colleagues as the place to be. Today . . . on the eve of our bicentennial, we've made a decision to transform Wiley by consummating a marriage made in publishing heaven. We all know it hasn't been easy and we all know that it will not be easy, but lasting accomplishments rarely are.*⁴²

Wiley's ability to navigate through the transitions of the next few years will depend on the very capabilities that have helped it survive over two centuries. If Wiley succeeds and is able to take advantage of the opportunities that lie ahead, there is potential for transformative growth. If it is stymied in too many areas, there will probably be a period of regrouping, but its history has shown that it does not mean the end of the road. In the modern world, however, nothing sits still for long.

Assessing and managing risk has always been the publisher's day-in, day-out companion, and over the past decade Wiley has developed effective

tools for this purpose. At least since its revivification in the early 1990s, Wiley has exhibited entrepreneurial instincts. It has completed over 60 acquisitions since 1989. It has adapted and changed in so many ways.⁴³

Wiley's planning prudently anticipates several different futures. The good news is that none of these scenarios supplant the vital role of publishers that Charles Schuchert of Yale University's Peabody Museum of Natural History alluded to when he wrote to William O. Wiley in 1932: “Godspeed to Wiley & Sons, and may they ever continue to be the helpful intermediary between authors and the studious public!” Fifty years later Brad Sr. remained anxious about the “proper



In 2006, Wiley was recognized for the second consecutive year on the Fortune list of “100 Best Companies to Work For.”

refereeing of information.” It was hard to overstate the danger “if misinformation gets out.” Whether the (mis)information was sold in printed form, in multimedia formats, or digitally alone, the threat was the same. Only true publishers could ensure quality, and quality he believed was not a technology issue. Brad frequently advised the industry to embrace technology because he believed it could never supplant publishers’ main function of intermediating between author and reader. “The discovery and identification of men of ideas by publishers who take professional responsibility for maximum distribution of these ideas,” he argued, “will remain virtually unchanged.”⁴⁴

Publishers ensure that readers are not inundated with works that are poorly conceived and written or simply incorrect. Here, successful publishers excel and add considerable value. Were publishers not adept at separating the marketable wheat from the valueless chaff, their businesses would suffer, as it is they who bear the financial risk of publication.⁴⁵

A central fact about publishing, as Dan Lacy of McGraw-Hill put it in 1963, is that it is “pure entrepreneurship.” Technology may render it easier/cheaper for authors to print and distribute books themselves, but few authors will ever publish enough books to build a profitable business by efficiently diversifying their risks. Publishers will always be able to offer authors some safe harbor by investing in a wide portfolio of titles, some of which will succeed, some of which will not. The theory of portfolio



One of Wiley's core strengths remains its people. The belief that colleagues should be respected as human beings first, professionals second, informs managerial practices and human resources programs and helps enhance Wiley as “the place to be” for all its stakeholders. This philosophy, articulated by Pesce and reflective of the Wiley family's long-held beliefs, is stated explicitly in the company's official vision statement. Proof of its effectiveness can be found in the large number of colleagues who have been with Wiley for 25 years or more. Members of the 25 Year Club, active and retiree alike, are honored at an annual luncheon; as of 2007, the U.S.-based club numbered some 200 people.

choice, which Wiley helped to spawn in 1959 by publishing *Portfolio Selection: Efficient Diversification of Investments*, an improved version of Harry Markowitz's doctoral dissertation, is applicable. Books can be likened to equities (shares in corporations) with uncertain returns. Publishers' catalogs or backlists are therefore like financial portfolios because the average performance, not the variability of returns from individual books, is paramount.⁴⁶

As one editor notes, “this business is not like doing market research for soft drinks.” In knowledge

publishing, intuitive feel for the market can be as important as the most intricate understanding of statistical sampling techniques and focus groups. The relationship between book quality and book sales is complex, and setting the optimal price will ever remain a challenge.⁴⁷

Publishing has proven to be a durable business. In his oft-quoted criticism of John Kenneth Galbraith's ideas, Friedrich Hayek asserted that mankind's only natural wants are food, shelter, and sex, and that everything else we learn from our environment (or, as he believed, are persuaded to want through advertising). It was a list at least one item short. Alongside the need to eat, be fruitful, and stay out of the rain, the need to know deserves an equal place. Publishing is chief among the ways we humans satisfy the need to know, and the nature of publishing has been changing since time immemorial. The difference now is the rate of change and the proliferation of options, which is what strategic plans attempt to wrestle to the ground. Latent in them all is the ultimate question: what is or will be a book (or a journal)? If content written, edited, polished, and marketed is to survive the onslaught of alternative forms of media, then it must create superior value for its producers and consumers alike.

In 1996, Wiley entitled its annual report “Publishing Without Boundaries.” Like most slogans, this one is partly real and partly wishful. Customers do “not care how we are organized internally,” Pesce pointed out. “They want their needs satisfied with a high level of service at the best price.” He also knows that too many boundaries within the organization hinder service to customers and stymie value creation. The company works hard to breach the silos, to collaborate across boundaries.

When Charles Wiley founded the company in 1807, Napoleon was emperor of France; Alexander I was the Russian czar; George III was king of the United Kingdom; and Thomas Jefferson was America's third president. In 1807, Robert E. Lee, the Confederate

general, and Henry Wadsworth Longfellow, the American poet, were born. Beethoven was composing and Washington Irving was writing.

In financial terms, Wiley's revenue reached \$1 million in 1929, 122 years after the Wiley story began. It took 12 more years to reach \$2 million in 1941. The company has reached many financial milestones since, and it has done so at an accelerated pace—revenue of \$100 million in 1980, \$500 million in 1999, and \$1 billion in 2006. Wiley is well on its way to reaching another milestone, \$2 billion in revenue.

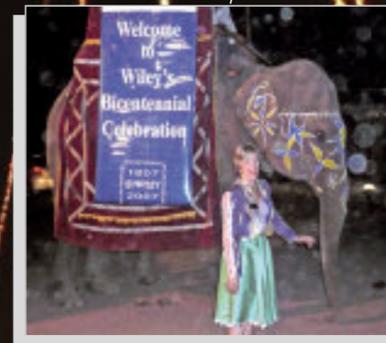
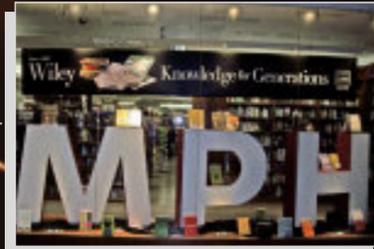
While the company has adapted and changed in so many ways, there has been one constant over the course of two centuries—the Wiley family. Members of the family are already planning for the next generation's engagement in the global enterprise that bears their name.

As it embarks on its third century, Wiley will continue to be guided by a mission and values statement it calls The Wiley Vision:

John Wiley & Sons, Inc., aspires to be a valued and respected provider of products and services that make important contributions to advances in knowledge and understanding, a role that is essential to progress in a healthy and prosperous society. While fulfilling that role, we strive to build lasting, collaborative relationships with all of our stakeholders. We are dedicated to sustaining Wiley's performance-driven culture, which requires our unwavering commitment to the highest standard of ethical behavior and integrity in everything we do.

The company is investing in a future that extends well beyond its bicentennial year. Will there be a next edition of *Knowledge for Generations*, perhaps in 2032 on the occasion of the 225th anniversary? If so, in what format will it be published? If history provides any insight, there will indeed be a story worth writing, a compelling story about adapting and changing while sustaining a truly distinctive and distinguished culture.

Wiley Celebrates
200 Years
of Publishing



- San Francisco
- Cleveland
- Ames
- Indianapolis
- Toronto
- Malden
- Hoboken
- Oxford
- Ealing
- Chichester
- Copenhagen
- Berlin
- Weinheim
- Moscow
- Beijing
- Seoul
- Tokyo
- Delhi
- Taiwan
- Singapore
- Brisbane
- Melbourne