Note to readers: We apologize for the delay in this week’s email news bulletin. Unfortunately our servers were down yesterday.

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June 18, 2014 | Silver Spring, Maryland, United States | Andrew McChesney/Adventist Review

The Review and Herald and the Pacific Press publishing houses have approved the biggest restructuring in Adventist publishing’s 153-year history, embracing a plan that Adventist leaders hope will strengthen the church’s U.S. digital presence and ensure the long-term viability of its publishing work.

Constituency meetings of the two corporations, held consecutively on Tuesday at the denomination’s world headquarters in Silver Spring, Maryland, voted 153-66 (Review and Herald) and 42-1 (Pacific Press) in favor of the restructuring.

Following the restructuring vote, the constitution and bylaws of each corporate entity were amended to reflect the changed structure. A minimum vote of two-thirds was required to amend the documents of each corporation, and Tuesday’s decisions were the last step needed to launch the plan to build Pacific Press into a market-sensitive publisher capable of holding its own at a time when readers increasingly turn to smartphones and tablets rather than books and magazines for information.

The General Conference Executive Committee had previously endorsed the restructuring together with the church’s North American Division, or NAD. Operating boards of both Review and Herald and Pacific Press voted to recommend the plan to each constituency during their respective board meetings held on May 8. Under the plan, the expanded Pacific Press will become an institution of the NAD.

“The General Conference wants the greatest expansion of publishing work in the North American Division and will be praying that this new restructured approach will be blessed by God in its outreach to the vast public in the NAD territory,” said world church President Ted N.C. Wilson.

Wilson urged church members to rally “to the great opportunity of sharing Adventist evangelistic and nurturing materials in both printed and digital form as we anticipate Christ’s soon return.”

Why Revamp Is Needed

Under the restructuring, the financially troubled Review and Herald Publishing Association will unwind operations at its 80-acre facility in Hagerstown, Maryland, in a process that could take several months to accomplish.

Some employees and assets may be transferred to the Nampa, Idaho-based Pacific Press Publishing Association, which will become the North American Division’s major institution with its own printing facilities. Unneeded Review and Herald equipment and property will be sold, with the proceeds going to Pacific Press to help strengthen the print operations by allowing presses to run
multiple shifts, making the print production more cost effective. The income will also bolster its mandate to develop e-books, apps and other forms of digital media.

"If we won’t invest in the digital world, we will be left in the same spot as Kodak, which invented the digital camera but refused to embrace changing realities and now is virtually gone," said Robert Lemon, General Conference treasurer and a board member at both Review and Herald and Pacific Press.

Eastman Kodak, the century-long leader in photographic film, invented the digital camera in 1975 but failed to keep up with a rapid shift toward digital photography in the late 1990s. It filed for bankruptcy in 2012.

"We believe there is a tremendous future for publishing, but not necessarily for printing," Lemon said by telephone ahead of Tuesday’s vote.

A Shift in Reading Patterns

No one disputes that people like to read. The question is how they read today compared to a decade ago, when books and magazines dominated the world just as they had done since the days when early Adventist leaders started the Review and Herald, the church’s first institution, in 1861.

Rather than relying on a handful of weekly or monthly church publications to stay informed, Adventists nowadays can get information instantly through various news websites and blogs, and from Adventist-owned television stations like the Hope Channel that have a world-wide presence.

“It’s the same with many other things,” Lemon said. “I get a hard copy of the Sabbath school study guide at home, but I use the app on my iPhone. I have all of Ellen White’s books in my library, but I seldom go to any of them for reading other than ‘The Great Controversy,’ ‘Desire of Ages’ or ‘Steps to Christ.’ I look up everything on my iPhone.”

Lemon is not alone. In one example, the Moscow International Church in Russia recently canceled its annual subscription for English-language Sabbath school guides from Pacific Press. The reason for ditching the once-coveted 25 guides: Class members took a poll and found that everyone was using downloaded lessons on smartphones and tablets.

Sales of Adventist Books Tumble

The shift in the general reading patterns of the public and a societal trend toward digital media have hurt the sales of Adventist publications, and church leaders have expressed fears that both Pacific Press and the Review and Herald would fold without a major restructuring. Consumers now get their news primarily from digital and broadcast media, delivered on a variety of platforms, and trade journals report that fewer print books are being produced and read.

Measured in 2013 dollars, Review and Herald’s revenue dropped from $45.8 million in 1985 to $21.8 million last year, while its workforce shrank from 315 full-time employees to 112 today. At Pacific Press, revenue slid from $47.7 million in 1985 to $17 million last year, and its headcount more than halved from 210 full-time employees in 1985 to 99 today.

But those figures, provided by the publishing houses to the General Conference, reveal only a partial picture. Since 2000, Review and Herald has posted a loss every year except in 2011 and 2012. In 2011, it sold 46 acres of land for $11.5 million to the General Conference to pay off debt,
and in both 2011 and 2012 received significant orders for 'Great Controversy' books. In 2013, however, the company reported an operating loss of $1 million, and statements issued to the Review and Herald board through April 2014 showed a year-to-date loss of nearly $965,000.

Pacific Press, meanwhile, has shown profits every year since 2000 except in 2008, when it lost investments amid the U.S. financial crisis. The company’s long-term performance stability has left it with $25 million in cash and investments today.

“The bottom line is that over the last 28 years both organizations have experienced multiple changes in leaderships—presidents, vice presidents and board leadership—and have faced the same challenges of declining sales and deteriorating distribution systems,” Lemon said. “But somehow with the corporate culture at the Pacific Press, they have managed to remain profitable, while the Review and Herald has had more years of loss than gains and especially during the last 10 years.”

Lemon stressed, however, that even Pacific Press, founded in 1875, needs the restructuring because the publishing business both in and outside the church is “declining, declining, declining.”

The emergence of digital media also poses a challenge to distribution. Traditional methods of distributing Adventist publications through Adventist Book Center stores and literature evangelists are no longer viable, at least in the U.S., Lemon said. Bookstores are scrambling to survive, as evidenced by the financial struggles of major retailers like Borders and Barnes & Noble, while the distribution system for books has gotten so efficient that it’s nearly impossible to earn a living selling books door-to-door, he said.

The average Adventist-published book sells 4,000 to 5,000 copies over its sales run, he said.

**The Role of Pacific Press**

How many Review and Herald employees may be offered jobs at Pacific Press and which product lines may be moved there are among the issues that the North American Division and Pacific Press will need to tackle in the coming weeks.

“I probably have more questions in my mind than I have answers,” Dale Galusha, president of Pacific Press, said in a recent telephone conversation from his office in Nampa.

He said Pacific Press would only decide which assets it might absorb and how many staff it might need once the North American Division determined which product lines it wanted to support.

But Galusha vowed that Pacific Press would honor all Review and Herald magazine contracts, including Message, Insight, and Guide. “We will make sure that promises are fulfilled,” he said.

Pacific Press’ digital strategy also remains in the early stages, but the company will be expected to add to its line-up some of the 30-40 book titles that Review and Herald published every year.

**Concerns at Review and Herald**

Perhaps understandably, Review and Herald President Mark Thomas is not thrilled with the imminent changes.

“I see this as a plan worked out by people with reasonable business concerns. They see a way to increase efficiency by combining two underutilized printing operations at one facility,” Thomas said.
in an e-mailed response to questions. “I consider myself a businessman, and I understand that part of the plan.

“Obviously, I wish they would choose our plant for the printing work for personal reasons. But there are also good business reasons to centralize printing work in Maryland,” Thomas said, citing the company’s location at a major U.S. shipping hub as a way to lower shipping costs.

(See more about each publishing house’s advantages in the sidebar “5 Strengths of Each Publishing House.”)

He also expressed concerns that the centralization of the development and marketing of products in the U.S. would “deeply wound” Adventist publishing. As an example, he noted that Pacific Press delighted readers by picking up the “Christmas in My Heart” book series after the Review and Herald stopped publishing it. Likewise, he said, Review and Herald developed a "MagaBook" product line—which has put thousands of student literature evangelists through school over the years—after the concept was turned down by Pacific Press.

“We and Pacific Press are like Apple and Samsung phones,” Thomas said. “We give people a choice. We drive each other to do better work.”

General Conference as a Publishing House

Under the restructuring, Pacific Press became an institution of the North American Division following the June 17 vote, while the General Conference will retain a constituency structure for the Review and Herald, as one of its institutions whose scaled-down operations will move to its headquarters in Silver Spring, Maryland, a 90-minute drive from its current site.

(See more details about the restructuring in the sidebar “Highlights of Restructuring Plan.”)

The General Conference, which allowed Pacific Press and Review and Herald to operate as stand-alone businesses without direct financial assistance, has acted as an unofficial publishing house without its own presses for years. It employs an editorial staff of 40 to 50 people who manage a variety of publications, including Adventist Review, Adventist World, KidsView, Ministry, Journal of Adventist Education, Elders’ Digest, the Sabbath School study guides, and materials for the church’s Biblical Research Institute.

Even though writings by Adventist Church co-founder Ellen White are printed by both Pacific Press and Review and Herald, their publisher is the Ellen G. White Estate, an entity closely associated with the General Conference.

Delbert Baker, chairman of the Review and Herald and a General Conference vice president, underscored that the Review and Herald would continue its ministry, albeit at a different location and, without its printing presses, with a different focus.

“A most encouraging reality is that the RHPA will continue its historic publishing mission at the General Conference headquarters uninterrupted,” he said. “A most painful aspect of this process is the phasing out of the Hagerstown facility and the impact it has had on the dedicated RHPA employees.”

He said much thought and care was going into the plans to care for the affected employees at Review and Herald, also known by its acronym, RHPA.
“We can thank God and everyone involved for the committed effort that has been invested to make the transition for the RHPA employees as manageable as possible,” he said.

**The Need to Restructure**

The restructuring was a long time in coming. Church leaders have discussed a restructuring that would give the North American Division more control over the publishing houses for the past 15 years. Of the church’s 13 world divisions, North America is the only one that does not have a publishing house as part of its institutions. The reason is historical: The General Conference oversaw both the world church and the North American region itself from its establishment in 1863 until it formed the North American Division in 1990.

The restructuring is something of a Plan B for the General Conference and North American Division. A task force formed in the summer of 2013 to study a possible merger of the two publishing houses did not bring a recommendation in light of questions about how Ellen White’s writings should guide the current relationship of the two houses. Ellen White had counseled against consolidating the two publishing houses in the late 1800s. Church officials say the latest plan honors the principles of White’s counsel because it is a merger of the printing operations, not a merger of the publishing or editorial operations.

(Read more on the Ellen White debate in the sidebar “How Restructuring Plan Aligns with Ellen White’s Advice.”)

In any case, the current Review and Herald itself was the product of a merger. The debt-laden Southern Publishing Association based in Nashville, Tennessee, was folded into the Review and Herald in 1980.

Bill Knott, the editor-in-chief and executive publisher of Adventist Review and Adventist World, which together account for nearly 25 percent of Review and Herald’s annual gross sales, expressed concern for the Review and Herald personnel, even as he said he looked forward to a new era of Adventist publishing after the latest restructuring.

“The sense of loss is palpable for all of us who have grown up with Review and Herald-published products, including the Adventist Review,” said Knott, who also is a member of the Review and Herald board.

“The editorial team of Adventist Review and, more recently, Adventist World, has enjoyed a very close working relationship with Review and Herald that goes back more than 150 years,” he said. “The enormous contribution made by the men and women in that working relationship will never fully be known until we hear the fuller story some day in heaven.”

He said Adventist Review and Adventist World expects to work as closely with Pacific Press as they had with Review and Herald.

“At the end of the day, it’s our mission that we must focus on, and that mission reminds us that we must always adapt our methods to bring the three angel’s messages to the attention of the millions who don’t know Jesus,” he said.
Highlights of publishing restructuring plan in North America

Proposal approved June 17 affects Review and Herald, Pacific Press publishers

June 18, 2014 | Silver Spring, Maryland, United States | Andrew McChesney/Adventist Review

The restructuring plan approved on June 17 by the constituencies of Pacific Press Publishing Association (PPPA) and the Review and Herald Publishing Association (RHPA) call for the following:

- PPPA will become an institution of the North American Division and serve as the division’s base for its publishing program. This is accomplished by constituency-approved amendments to the governance documents that define a new division-based constituency and a re-composition of the PPPA board.
- PPPA will continue to function from Nampa, Idaho, until such time as the North American Division determines otherwise.
- RHPA will remain a General Conference institution.
- RHPA will move from Hagerstown, Maryland, to the General Conference office in Silver Spring, Maryland.
- The RHPA office at the General Conference will require minimal staffing, if any, since editors of General Conference publications are already employees of the General Conference.
- RHPA will function as the publisher for current General Conference publications and as the publisher for designated new products originating from the General Conference and intended for global use.
- RHPA will arrange for the printing, production and, where necessary, distribution of materials published by the General Conference. Normally this will be done through the North American Division publishing house, PPPA, as long as it operates a production facility that can perform the work at competitive costs.
- Printing/production and fulfillment services currently done by RHPA will be phased out.
- PPPA will accept responsibility for the printing/production and fulfillment services required by both the North American Division and the General Conference as a result of the phase-out of such services at Hagerstown, Maryland.
- Ownership and control of RHPA’s intellectual property will be retained by RHPA with provisions for use by PPPA.
- Current RHPA employees who are necessary for the continued publishing of products serving the North American Division may become employees of PPPA.
- Current RHPA employees whose services are no longer required as a result of the restructuring arrangement will receive termination settlements.
- The physical assets of RHPA (land, buildings, equipment, inventory) or proceeds from their sale or disposal will become assets of PPPA, subject to any existing liabilities or indebtedness.

Source: Restructuring plan drafted by the General Conference and North American Division and approved by the RHPA and PPPA constituencies on June 17.

Five strengths of each publishing house
In lead-up to publishing overhaul, Pacific Press, Review and Herald each underscored strengths

June 18, 2014 | Silver Spring, Maryland, United States | Andrew McChesney/Adventist Review

In recent months, Seventh-day Adventist leaders have weighed the benefits of basing the North American Division’s publishing operations at Pacific Press (PPPA) in Nampa, Idaho, or at Review and Herald (RHPA) in Hagerstown, Maryland.

The North American Division leadership has carefully weighed multiple factors in its decision to recommend consolidating print operations within its territory at one location.

The discussions did not disparage any employees, whom the leaders have held up as dedicated, God-loving people. Instead they focused on what inherent strengths would give the publishing ministry its best chance at success.

From longer lists, as submitted by each publishing house’s leadership, here are five strengths that they considered about each site:

**Review and Herald**

**Location.** RHPA is located less than 1,000 miles (1,600 kilometers) from a majority of the Adventists living in the North American Division: the 603,660 church members in the Columbia, Atlantic, Lake, and Southern unions. PPPA is located less than 1,000 miles from 322,550 Adventists. The RHPA office also is an easy drive from the offices of the General Conference and the North American Division, as well as the cities of Washington D.C., Baltimore, Philadelphia, and New York.

**Shipping and logistics.** RHPA is located near two main highways, providing fewer transportation fees and faster delivery times for incoming raw materials and outgoing products. Distribution centers for FedEx, UPS, and a trucking company are less than a mile away. For international shipments, the Port of Baltimore is 70 miles (110 kilometers) away, while PPPA is 490 miles (780 kilometers) from the port in Seattle and 825 miles (1,330 kilometers) from the port in Los Angeles.

**Raw materials.** Most U.S. paper mills are located east of the Mississippi River, and foreign paper mills mainly use four U.S. ports on the East Coast, decreasing shipping costs and providing quicker transit times for paper shipments to RHPA. A railroad spur near RHPA generates additional savings in shipping.

**Fiber optics.** RHPA has access to 12 strands of fiber directly connected to the backbone of one of the world’s largest fiber providers, allowing it to potentially offer bandwidth to church entities and businesses, send HDTV video, set up multiple studios with video feeds, and create a data recovery center for church entities and businesses.

**Plant and facilities.** RHPA is situated on 83 acres of land and is housed in a facility of 280,000 square feet, allowing it to handle both PPPA and RHPA workloads with its current equipment. The equipment has been well maintained and is useable for the next 10 to 12 years, after which it could be rebuilt without hindering production.

**Pacific Press**
Competent and effective management team. PPPA has a strong, experienced, cohesive and collaborative management team that has developed a spirit of teamwork. It would be a mistake to assume that the leadership team, as an intact unit, could relocate elsewhere.

Sound and stable financial position. PPPA has maintained an unbroken history of positive financial performance under various leadership teams over the past 20 years. With an all-time high of $25 million in cash and investments on hand, it continues to enjoy sound financial health and has the capacity to address future needs.

Positive company culture. PPPA has highly motivated employees who conscientiously fulfill their responsibilities while being mindful of how their work habits, attitudes and performance affect others in the workplace. Effective and efficient corporate culture is developed over time and could not be automatically replicated elsewhere by the transfer of some or even all of the employees.

Plant and facilities. PPPA is situated on 61 acres of land and is housed in a facility of 180,780 square feet that was designed for efficiency in workflow. PPPA has a full line of printing and bindery equipment, and a web press that was completely rebuilt several years ago. The equipment line is not used to its full capacity. PPPA has “print-on-demand” equipment for smaller orders. Over the past decade the company has invested more than $1 million in IT infrastructure, not including desktop computers and printers. As a result, the publishing, production and distribution operations are highly integrated. The publishing house uses state of the art offsite backup facilities in Boise for its intellectual property.

Location. PPPA is located in a metropolitan area that is not congested and offers attractive amenities such as a low cost of living. The Forbes ranking of 100 largest metros places nearby Boise, Idaho, as No. 2 in Best Cities for Raising a Family.

Source: Case studies prepared by Review and Herald and Pacific Press on behalf of the General Conference and North American Division.

How publishing plan aligns with Ellen White's advice

Approved June 17, plan contains explanation on how the restructuring is in line with advice offered by Church co-founder

June 18, 2014 | Silver Spring, Maryland, United States | Andrew McChesney/Adventist Review

A plan to overhaul the Seventh-day Adventist Church’s publishing operations in North America was approved on June 17. The plan contains the following explanation on how the restructuring is in line with advice offered by Church co-founder Ellen White:

"In large measure the success of the publishing work in the Seventh-day Adventist Church has come from the inspired counsels and visionary advocacy of Ellen G. White. Though other publishing houses came into existence during her lifetime, she had extensive personal experience with, and provided specific counsels to, the two publishing houses in the United States—Review and Herald and Pacific Press. These publishing houses had enormous influence in the overall publishing ministry of the church. Many of her messages to these institutions came during a period marked by tension between the two. Less than cordial relations prevailed and there was talk of
“take over” and “consolidation” of all publishing operations at Battle Creek, Michigan. Ellen G. White strongly objected to such plans and gave pointed messages about the danger of centralizing control of the denomination’s publishing work in one institution.

Ever since those days, Ellen G. White’s counsel (i.e. that there should be more than one publishing house) has informed subsequent discussions about the publishing ministry structure in North America. In addition to extremely valuable insights on the role of the publishing work in the mission of the church, Ellen G. White underscored principles that should inform the establishment and operation of publishing institutions serving the church. These include:

1. Large institutional concentrations in one locale are not the best way for the church to fulfill its mission. (Much of what she wrote on this subject was written prior to the major denominational reorganization in 1901 and can be more fully understood in the context of pre-1901 organizational realities and tensions.)

2. No single individual or small group of individuals should have sole determination of the content or expression of denominational beliefs and teachings. A single publishing house for the entire denomination was not to be seen as God’s plan.

3. Ellen G. White recognized a fundamental hermeneutical principle in the use of her writings. “Regarding the testimonies, nothing is ignored; nothing is cast aside; but time and place must be considered.”* Changed circumstances call for ‘common sense’ application of principles.

In this light, the proposal to restructure the relationship of these institutions should be viewed as fully respecting the counsel of Ellen G. White in regards to the publishing work and the obligation to apply reason and common sense in regard to time, place and circumstances. The restructuring that is now under consideration preserves two distinct publishing houses, rearranges the actual printing and production operations for efficiency and economy, and provides more direct involvement of the North American Division in organizing the publishing ministry for mission objectives in its territory.*

* Ellen G White, Selected Messages, Volume 1, Chapter 4—The Writing and Sending Out of the Testimonies to the Church.

A real-life publishing parable found in a broom factory

Adventist Treasurer Robert Lemon says Church must be careful not to follow the fate of a broom factory at his former college

June 18, 2014 | Silver Spring, Maryland, United States | Andrew McChesney/Adventist Review

Robert Lemon, treasurer of the General Conference, says the U.S. publishing work of the Seventh-day Adventist Church must be restructured if it doesn’t want to follow
the route of a broom factory at his former college.

Lemon attended Columbia Union College, now Washington Adventist University, in Takoma Park, Maryland, in the late 1960s, and fellow students helped pay their tuition bills by working at a campus factory that produced household brooms.

The factory, profitable in its early years, had been operating for about 50 years by the time that Lemon, a young accounting student, was invited to attend a board meeting on whether to shut it down.

"I will never forget," Lemon said. "One of our laypeople who was a businessman got up and said: 'You know, I've heard you talking about how we need better managers and students don't work as hard as they used to. But have any of you looked at your houses? Is there anywhere in your house where you still use a broom?''"

The businessman went on to remind the board members that their homes contained wall-to-wall carpeting. He told them, "You guys should be making vacuum sweepers and not brooms."

"It taught me a lesson very early in my career that we as a church can say, 'Well, if it worked 50 or 100 years ago, then it will work today,' Lemon said. "The reality is the world of publishing and the world of reading is totally changing and we're not willing to accept that. We say, 'If we just had a better manager, if we just had this or that, we could produce as many books as we always have.'"