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Dean's Executive Leadership Series - Pepperdine University / DELS 2007-2008

Transcript of Presentation by Andy Bird, President of Walt Disney International – Part 2

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Start

Voice Over: The Graziadio School of Business and Management at Pepperdine University, proudly presents The Dean's Executive Leadership Series. This podcast invites top business practitioners and thought leaders to share their view on the real world of business.

Andy Bird: Thank you.

Dean Linda Livingstone: Yeah, great.

Andy Bird: Sadly it's very addictive. You start humming the tune in the shower.

Dean Linda Livingstone: Has a good beat to it, doesn't it?

Andy Bird: It's a good example of how you can take something that's very, very American and start to introduce local culture and local relevance into the brand, and introduce the audience and the consumers to what we're trying to do. And then from that maybe the goal is to create a complete Indian version of *High School Musical* that may be based on cricket, maybe based on something else.

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Dean Linda Livingstone: It'll be interesting to watch how that involves as you guys move forward with it.

Andy Bird: It will be interesting, yes.

Dean Linda Livingstone: Well, what we want to do now is kind of move into a discussion time with Andy. And I'm just going to kick off with one question and then I want to open it up to the audience and see what else you would like to ask him about based on what he has to say here, other things that he didn't touch on that you think would be interesting. But as you were talking about what you're trying to do at Disney, I heard words like "transforming the mentality", "adapting culture", "breaking the paradigm." So you came in from outside. You've been there about four years. That's a lot about change—changing the mindset, changing the way things are done. Disney's a very established company with a very deeply embedded culture. How do you go about doing that, changing the mindset, breaking paradigms in a company like Disney to accomplish what you need to accomplish globally?

Andy Bird: Well, I think first and foremost communication is key, actually clearly outlining your strategy and then going out, hitting the road—which I do a lot of—and visiting people face to face to actually say, "Look this is what it's about." With change-- the word most commonly associated with change is fear. The challenge you have when you're trying to instigate change is to reduce fear. Most people do things wrongly or don't do what they should be doing because-- either fear, or ignorance or sheer bloody mindedness—those are sort of three main reasons why people don't sort of comply to change, and now if you can start to eliminate those. The sheer bloody mindedness you treat one way.

Dean Linda Livingstone: A little harder to deal with, right, than the other two.

Andy Bird: A little harder to figure it, but it's very important that you do treat it, by the way. Nip that in the bud, otherwise it's harder to get the changes you want through. But I find communication is very, very important and clarity of message—which will probably surprise you given the way I stumbled around in my presentation today—but having it clearly defined, and positioned, and then getting out and communicating it.

Dean Linda Livingstone: Wonderful. Well, I want to see what questions you have for Andy as we have a few minutes here, so... There are really bright lights in my face, so...

Andy Bird: Yeah, you should put the lights out because I can't see anything.

- 2 -

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Dean Linda Livingstone: I can see a hand over here. Those of you right in the middle do not exist anymore, but over here to the left.

Andy Bird: If you can put the house lights on.

Dean Linda Livingstone: Yeah, right here. Uh-huh?

M1: This is-two part question here. The company that you have in China and India, how much of a percentage of the executive team or even the company there-- are they hired domestically versus you bringing people from America to help bring their strategy and brand to help them understand it. And the second part of that question is trying to set about Americanizing the Indian culture through *High School Musical*. Do you find there's a little bit of resistance in these markets that they don't want America to come in-- they want to keep their own sort of national pride?

Andy Bird: Yeah, good questions. The first part of the question, in terms of what type of people do we hire-- one of the things that I'm very strong on, it's not a hard and fast rule, but certainly all the managing directors that I named in those five countries and all the key executives are indigenous to that market. And I'm a very, very strong believer if you're going to create a company and a series of brands that are relevant you have to trust and empower the people who actually grew up and who are the experts in that market. There was a great case a couple of years after we started this. And, by the way, so we went from no people in India to now to a couple of hundred, probably something like that, and we went from no business run in China three years ago—and we had a staff of about 20 people who were all managed from outside of mainland China—to having an employee base of about 400 or so, and every single business managed from inside China. We've made two acquisitions as well in that period of time.

Nimbleness is very, very important as well. And there was a great time in China when Stanley, who's our managing director there, hired a person who didn't speak a word of English, and this created great consternation amongst certain people in the organization. They're going, "But we don't understand what the person is saying," and I said, "Great. I don't care. As long as Stanley understands what he's saying that's fine by me." So that's to answer the first point. Very important. And we try so we have Russians in Russia, Indians in India. Sometimes we supplement where there's a skill shortage, because the other great challenge is imbibing in, just the people we're hiring, at such a fast rate the Disney culture.

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We spend a lot of time on people. I should have touched on that. It's very, very important that they understand both from an ethical perspective, but also from just trying to understand the brand. We bring a lot of people over here, as many as we can, or to Paris, or wherever so they can understand the experience.

In terms of Americanizing, I mean, fortunately, the majority of Disney product that we seem to make seems to have universal appeal whether it's our movie products such as *Pirates of the Caribbean* or animated movie like *Ratatouille* or *Cars* to the *High School Musicals* and the *Hannah Montanas*. They travel well, and the general tastes of teenage girls, or whoever the constituency happens to be, tends to be similar.

But as I hope you saw, what we do invest a lot of time and effort in is actually trying to make that more and more locally relevant. It's not so much-- Disney's very fortunate and I sometimes get asked that question about, depending on the political climate, about how associated Disney is with Americana or America itself. And, fortunately, as a brand, people understand that we're an American company but they separate Disney from-- Disney's Disney.

Dean Linda Livingstone: Right, sort of independent of the political climate that happens to exist.

Andy Bird: Exactly.

Dean Linda Livingstone: Yeah, right here.

M2: It seems clear that localization is really the key to globalization of the Disney products, and you have the three brands, ABC, and Disney, and ESPN. They each have, it seems like, a location—much like real estate is a localized type of an industry, that through your brands have followed a type of real estate type of a model in that I can go and consume, or the user can consume any one of your brands at a particular location. Either it's a park or a retail center or it's a filmed entertainment where they would see it at a movie studio, or though broadcast television. So what seems to be missing is the next big distribution model for your intellectual property and the other IT internet protocol. What is the Disney strategy for really creating a localized type of a field in your non-localized internet community?

Andy Bird: Very good question. We have a very proactive-- we have three strategic criteria as a company, and it's one of the things when Bob became CEO we sort of sat down and espoused, again,

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communicated to everyone there's creativity, technology, international, three course strategies for the Walt Disney Company universally.

And technology is a very, very important part in terms of how we grow each of those three businesses, ABC branded, Disney branded and ESPN branded. We are a platform-agnostic company. We're in the content production and we see the advent of new technologies and new platforms as only good news, because if you make quality branded content, the new platforms, the new distributors whoever they happen to be gravitate toward you because they want to use that product to help promote their device. Whether it was we were the first people to do a deal with iTunes, and not only did we go on there with video product, but then Apple started using our product. If you remember back in the day when they launched video iPods they were using *Lost* and *Desperate Housewives* here in the United States to promote video iPods, which was free promotion for our ABC properties.

And we also invested very heavily here in the United States with abc.com, where the day after a show is broadcast on ABC it's available for free in HD on abc.com streaming, and you can get previous shows of that. Since we launched that just over 12 months ago we've had over 160 million streams of our videos, and we limited the ad capacity in those videos, and we have an 87 percent recall of viewers who remember who the advertiser is in the particular episode. And we've also found that rather than cannibalize network viewing, even heavy viewers of network television shows don't have the time any more, very rarely, to commit to every Sunday to watch every single episode of *Desperate Housewives* for the entire season, so this is a great way of catching up. So I missed an episode, I can go onto abc.com I can just watch a new episode and go.

With Disney, which is probably the greatest opportunity we have in the non-linear digital world, because in a world that is increasing fragmented, having a brand that has such strong values and is such highly regarded both by parents and by children as Disney is as a form of aggregator around our content we believe is very, very important. And we've recently in the U.S. we've relaunched disney.com earlier this year and that has been both a critical success but also a commercial success, and we're in the process now of launching versions of that out into international markets. Whether it's in Korea, where you get digital mobile television, or in Europe, with video on demand and digital services, we've got to be very aggressively into that space and to capitalize on it.

Dean Linda Livingstone: Wonderful. Let me see, I've been on this side of the room, let me see if we have any questions over here, back at the back, yes?

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M3: <inaudible>

Andy Bird: Piracy, unfortunately, is a global phenomenon. And what's interesting with it-- we actually-- we are the most proactive in terms of analysis of piracy, I think, of all the studios, and it's interesting. We have technology—each print that's distributed worldwide has watermarks embedded in it, so if we get a pirated DVD from anywhere in the world, we can figure out exactly which cinema the ultimate source that first came from, and you can trace. Unfortunately one of the by-products of the internet is it doesn't matter if something is camcordered in Canada, it can end up in India or in Brazil, but it's coming off a source. And so unfortunately it's a global phenomenon, both with video, and to a lesser extent with our apparel and our toys.

It's something we take a serious and very strong defensive approach to, but also we're very, very strong believers that you also have to take a pro-active approach in terms of utilizing new technology and actually trying to give consumers our products in the matter that they're demanding, and trying to react to consumerism and consumer taste in a way that gives them a legitimate alternative to piracy. It's something that is really, really at the heart of not only what Disney's doing but other companies. And there's a number of interesting initiatives. We trailed something, actually, with UCLA in terms of, you know, with actually-- with students about monitoring those that were downloading and we'd just send them a little note saying, "Hey, we know what you're doing."

Dean Linda Livingstone: And what did you find out when you did that?

Andy Bird: Boy, did they stop.

Dean Linda Livingstone: Did they?

Andy Bird: Yeah, stopped very quickly.

Dean Linda Livingstone: And none of you do that, right? None of you download things without paying for it, right?

Andy Bird: No, don't do that. It's not good, boys and girls. It's not good. I have two young children and no, no.

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Dean Linda Livingstone: Along those lines, and you were talking about this with employees and certainly hiring people around the world, and then certainly the issues of piracy and all, and you talked about the ethical components of what you're trying to get across, certainly, with your employees or cast members. How do you do that kind of training with employees around the world and is it done differently in each country as you do other things differently in each country? And are there certain values that are sort of inherent in being a part of Disney that you try to instill across all of these different cultures?

Andy Bird: Yeah, I mean, firstly it's imperative, particularly as we're entering to these markets, and you get these reports and you see the corruption index is, in some of these markets, is way off the charts. It's important that a) we're following sort of the ethical guidelines laid down. We're regulated by the U.S. laws and everything. Because we're Disney we're also held to a higher standard, which is actually a good thing and it's something that we have to value. What we do is we ensure that every single person who joins our company goes through what is basically-- roughly exactly the same presentation, and we use a lot of online resources to do that, but we also-- there's one gentleman and his team and he goes out—and he's very imposing — and he addresses a group of people just like this and puts the fear of God in them, and we closely monitor it. But we take it very, very seriously. I mean, we're the first to know if we're in any way, whether rightly or wrongly, perceived to be doing anything wrong. Our brand is very important to us and we take that aspect, particularly — not only here in the United States post-Sarbanes Oxley and all of that that has been brought—but as we enter these new markets. And that's then coupled with trying to instill, as I mentioned, the Disney culture into these people.

You're stuck 5,000 miles away in 12-and-a-half different time zones in the middle of a little office and you've got to try and imbibe the same Disney values and sense of what it is to work for the Walt Disney Company as one of 50,000 cast members down in Orlando. That's a completely different challenge and experience and that's why we spend and invest a lot of time in the people side of our business—both in the recruitment and selection. It took me a year to find the MD for China, just going through to find exactly the right person, because that person was going to be key to building the rest of the team moving forward.

Dean Linda Livingstone: Let's take a couple more questions. So let me go...

Andy Bird: I'm sorry, I spoke for too long. I don't want to keep you.

Dean Linda Livingstone: That's okay, no, no. Let me go right here in the middle.

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M4: You spoke of different things done internationally with Disney movies and *High School Musical* and so on. What about your other brands, ESPN and ABC, are you able to take those internationally as well?

Andy Bird: Yes, indeed, in a couple of different ways. We have a very thriving — and I apologize for just focusing primarily on the Disney branded business — we have a very thriving ESPN business. In Asia — and talking about cricket rights in India — we have a joint venture with News Corp throughout the whole of Asia. It's called ESPN Star Sports. It's a 50/50 joint venture where we both own 50 percent of the totality, and that is the number one portfolio of sports channels throughout Asia and from China through to the Middle East. In Latin America, we have a very successful ESPN in Argentina and Mexico, Chile, Brazil and we've just been launching the seeds of ESPN in Europe where the challenge in the traditional television route is somewhat-- it's more challenging because the soccer rights, which are the big drivers of sports in Europe, are often times bid up by the platform owners, BSkyB, because they use their soccer rights to drive the sales of their subscription sales.

And so we've been quite active in the online area-- cricket, we just bought an online website called crickinfo. We own a website called soccernet. It drives all of the ESPN soccer coverage on a global basis. And ABC's probably the most interesting because although we haven't gone out and replicated the ABC network what we're doing is we're taking the versions of the U.S. shows and creating local versions of them. So in Argentina and in Venezuela and Columbia and in Brazil we did local versions of *Desperate Housewives*, which was fantastic. We built an entire Wisteria Lane in Buenos Aires. You know how raunchy the U.S. desperate housewives are; imagine how desperate the desperate housewives are down in Argentina. But we built the entire Wisteria Lane just outside of Buenos Aires and we took the scripts from the U.S. series and we adapted them and cast them to make locally relevant changes and then started filming them. They were fantastically successful and we're looking to do the same with *Grey's* as well and some other series. And so just creating, taking that IP, which traditionally would have been, "Hey, it's made here and no one else touch it," it's very important, it may not seem it to you, but for us step change in creating a product like that and making it locally relevant.

Dean Linda Livingstone: Great, last question right over here.

Andy Bird: Sorry.

Dean Linda Livingstone: We need to wrap up here in just a few minutes

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M5: Thank you. I thought your presentation was quite clear, actually.

Andy Bird: Thank you.

M5: Because you had a theme, case studies, so that was nice. Since we're in an educational institution, and I know Walt Disney himself founded the Walt Disney Educational Media Company, I had the good fortune to work for, a few years ago, and so my question really is: What can Disney do, and I'm thinking of this in the light of its self interest, to educate people in using the Disney characters, or is that even part of your strategy?

Andy Bird: Very interesting question because that is something we have spent a lot of time, particularly in some of these emerging markets, looking at. And we had already some, as you're probably aware of, we have pure educational products, Baby Einstein is a very good example of that as an acquisition that's now doing very, very successful around the world, through to-- what we don't want to necessarily be is sort of in the curriculum business directly, but in the curriculum support business. In our publishing division we already have a number of products that we believe works very well in that area. And we're investigating a number of options in some markets as to some other products. And again, if they come to fruition we're going to trial a couple of them in a couple of markets. Unfortunately, I can't tell you publicly what they are, but they're going to be businesses that we're not in in the U.S. They're going to be completely different businesses and it's going to be very interesting to see how it works.

It's very important that, at its heart, the Walt Disney Company is still an entertainment company, and we've got to make sure that we don't cross over to becoming something that's not what where, ultimately, our core competency is at, but it's an interesting area. There's an enormous amount of demand. The aspirational-- the desire of these emerging markets is unbelievable in the rate of change. People who've had nothing who suddenly have even a little bit — that little bit means so much to them and all they want to do is ensure that their next generation can have a little bit more. And they grow that little bit to something else, to something else, to something else. It's something that just can't be underestimated. And I find-- I think I'm very privileged to be able to experience that as I travel around the world, and I just find it very, very enlightening, very fascinating.

Dean Linda Livingstone: Wonderful. I hate to cut us off, because I know there are a million questions in the room.

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Andy Bird: I'm sorry. I should have not talked for as long.

Dean Linda Livingstone: No, what you had to say was fascinating and really gave us wonderful insights into what you are doing. You really had to think globally in maybe a different way than a lot of companies do and so we really appreciate you being here and being a part of that.

Andy Bird: It's a pleasure. Thank you very much.

Dean Linda Livingstone: This is really wonderful having you with us, so thank you.

Andy Bird: Thank you very much.

Dean Linda Livingstone: Thank you. If you want to hear more of what Andy has to say we did record a podcast this afternoon.

Andy Bird: I'm available for weddings, bar mitzvahs.

Dean Linda Livingstone: There you go. And so that will be online shortly and on iTunes. So and we did touch on a few different things in that conversation. Please come back on January 22nd and join us for Bruce Rosenblum.

Andy Bird: He's great, by the way. I know Bruce and he's a good speaker.

Dean Linda Livingstone: Yeah, that'll be a great evening as well, but thank you so much for being here. We look forward to seeing you again in the near future. Have a safe trip home.

Andy Bird: Thank you.

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