

**Dean's Executive Leadership Series - Pepperdine University / DELS
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**Transcript of Presentation by Bruce Rosenblum, President of Warner
Bros Television Group – Part 1**

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Audio: The Bronx Video School of Business and Management at the 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.

Dean Linda Livingstone: Related to the strike, from what you can talk about, what do you see is going to have to happen to bring that to conclusion in the near term? What are the major issues around that that will have to be worked through?

Bruce Rosenblum: There is a press blackout so I actually am very limited in what I can say. Having said that, we're really encouraged by the progress that was made in the last ten days with the Directors' Guild. We are optimistic that we will be able to sit down and begin informal conversations with the writers tomorrow. What happens beyond that I can't share or I frankly don't know, but the template and the groundwork that was done by the directors in their three weeks of negotiations certainly leads us to believe that there is a formula that can work for all of the guilds that have an interest in this.

To cut through it, the three issues that are the most relevant and certainly the ones that are most talked about are how the guilds are compensated when the studios download their product on the Internet for ownership by the consumer. What is their share of revenue in that downloaded product? The second bucket is: How do we share revenue with the guilds when product is streamed online, not for ownership,

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but is streamed online on an ad-supported basis? And then finally and probably the most relevant for what I was talking about is: What is the Guild jurisdiction for original content that's produced for broadband? You can go online and go to the DGA site and read what the model is that was developed with the DGA to handle jurisdiction in particular. But essentially, when programming costs a certain price point, once you get to that price point, then that kind of content is covered by the DGA. What we are obligated to hire DGA, pay PH&W, Pension, Health and Welfare. Everything else is up for negotiation. They did not negotiated minimum compensation but they do have jurisdiction once the price point of that original production exceeds a certain level. So, we're hopeful that that template will move us forward in a much more positive way with the writers than we got to back in December. Obviously a work stoppage isn't good for anybody and it's in all of our best interests to sit down and figure this out and get everybody back to work.

Dean Linda Livingstone: From a risk perspective, business continuity perspective, how do you and your industry and at Warner Brothers plan for and prepare for something like this that could happen? Independent of this particular incident.

Bruce Rosenblum: Well, this was not unexpected. Certainly the smoke signals had been out there for many, many months so we knew this was coming. You accelerate your product. Whatever it is you are manufacturing, in our case it is television shows, you accelerate as much of that as you could. That was very, very minimal at the time. You make no long-term commitments that you would be obligated to pay during a work stoppage and you encourage your executives and your employees to do everything they can to plan for minimizing expenditures during however long that work stoppage takes.

However, when you are in the business of manufacturing television programs and there's a work stoppage that doesn't allow you to produce television programs, there's going to be an impact. It does not impact our distribution side of our business; our worldwide distribution business is still flourishing and is going on, on a daily basis. Our first run syndication business is still very, very active. *Ellen* is producing, *Tyra* is producing, *Extra*, *Judge Mathis*, *People's Court* and our TV animation business is moving forward. But our core business, which is producing primetime television shows—as it is at all the other major studios—shut down and you're going to have a financial impact.

Dean Linda Livingstone: How has your international operation evolved in change in recent years? Where do you see that going in future years and being a significant part of what you do in your business?

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Bruce Rosenblum: International has always been a very, very important piece of any television studio. The revenue that comes in from the international side of our business, ideally, offsets the production deficits that we incur on the product that we produce for primetime. The good news is that in the last five years, the international marketplace for US television content has been vibrant. Part of that is due to nothing that we've done, which is simply the devaluation of the dollar creates a situation where the international revenue is that much more valuable when it comes over here. So, that certainly has helped us on the international side. It doesn't help clearly on the domestic side.

Second, there is significantly more competition around the world to acquire you as product. There's more networks being developed. There's more buyers of US content and it's simple. The more demand there is for your product, the higher the pricing can be. Third, US Product is doing well internationally. In the last five or so years, the price point of US products has risen dramatically, which isn't good news for somebody sitting in my chair but when you see product like *Lost* and *Prison Break* and in our case, *Sarah Conner Chronicles* and *Pushing Daisies* and those price points are getting so high, it's theatrical content, theatrical quality content on television, the international local marketplace can't compete with that. The local product does not look competitive next to programs that cost three million dollars an episode. So, our product is performing better internationally.

What we're going to be doing in the next couple of years to expand our international business is one: begin to produce more content in local language in the local markets. One or two of the other studios have built a business around this. We've built that business on our theatrical side. We have not built it yet on the TV side and we're going to go and expand our local language production internationally. And the second, as the new media space evolves here domestically, it's evolving a hell of a lot faster internationally. What we will be doing is quickly building a much more robust Internet distribution, broadband distribution, of our content in local territories.

Dean Linda Livingstone: The issues of piracy are—domestically and internationally—are significant. What are you doing to manage that risk for the company?

Bruce Rosenblum: A couple things. One, we're trying to get ahead of the curve and learn from what happened with the music industry by crafting consumer-friendly legal ways to access content. Are we succeeding 100%? No, I don't think you can succeed 100% but we're making legally acceptable, technologically-friendly ways of accessing content for as low a price as you can. And second, you work with as many as—if not all—the technology companies to enforce your DRM as effectively as you can. Piracy is not going away. It's a problem for our theatrical side of our company. It's a problem for our

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home video company. It's certainly a problem for the TV company but we're managing it as best as we can. We've thrown a lot of resources at it.

Dean Linda Livingstone: Warner Brothers is part of a large conglomerate; Time Warner. What challenges does that pose for you as a group that is trying to be innovative and entrepreneurial? What opportunities do you get from leveraging the other units within Time Warner?

Bruce Rosenblum: I don't think we ever see it as an impediment. I think the ability to pick up the phone and deal with AOL certainly helps you when it comes to some new media issues. I think being able to pick up the phone and deal with the Turner companies, whether it's Cartoon Network on the animation side or TBS or TNT on the primetime side is a benefit. The magazine division is ripe with ideas for content. Even the cable company, DMOs, we own Time Warner Cable here in Los Angeles and dealing with VOD issues. Dealing with technology issues around the distribution of content is helpful. So, anytime we can get together with our sister-- And HBO is a great relationship. So, we don't ever see it frankly as an impediment. I think we at the TV side think as a small company. We try to live what I talked about, which is to be nimble, to be reactive quickly. To not be bound by bureaucracy as much as possible. But, we also take advantage where appropriate of being part of a much larger company.

Dean Linda Livingstone: how do you think that much larger company has been able to develop that kind of a culture that allows that to happen?

Bruce Rosenblum: Well, some will argue that it's not a great thing. If you study management, I don't know if you would say silos are a good thing or a bad thing? They have good days and they have bad days. But we are known to be a silo-ed company. By being a silo-ed company, Warner Brothers- while we cooperate and collaborate and while HBO cooperates and collaborates, every day our job is to say how do we make Warner Brothers better. Secondarily then, how do we make Time Warner better. That's just an ethic of our company and it's been that way for-- I've been there 21 years. It's been that way since I've been there.

<Crew talk>

Dean Linda Livingstone: In our podcast earlier, we talked about leadership qualities that you feel like are important and how that's evolved. You talked about 'business ethic' and the importance of values

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working in the television business. Our mission as a school is to build values-centered leaders. Why is that so important to you personally and in the business that you are trying to accomplish?

Bruce Rosenblum: We work in a business that is different-- I am a lawyer by training. So, I'm used to things being by contract, being precise and going to the letter of the contract. And for 21 years, I've worked very hard to break all of those bad habits because we work in a business that's not driven by contract. We like to say if you ever have to go look at the contract to determine an issue, you've failed miserably because it's irreparably damaged whatever it is that forced you to go back and look at the contract. We work in a business which is field with egos. It's filled with a lot of people who don't follow the notion that you should have business ethics. And yet we work in a business that's driven by handshakes and verbal agreements and contracts that are just simply never signed.

If you craft a relationship as an executive, or more importantly, if you craft a reputation as a company that is one that can be trusted, that is one whose word is good and will be followed through, through thick or thin-- And I mean that because that's not just an individual reputation, it's a company reputation. If you hire people and work with people who follow that work ethic and you get rid of people who don't follow that work ethic, it will make your life a hell of a lot easier in dealing with the rest of our business. You got to be able to shake somebody's hand in a room and close a deal and then let the lawyers figure out how to document the paper because if you ever have to go look at that paper, you screwed up. That comes from my boss who I've worked with for 21 years. He has surrounded himself with people who follow that and believe that. I've tried to follow in his footsteps as we build our television team.

Part of Warner Brothers is-- I've been there 21 years and I'm relatively the new kid on the block. If you look in my building, most of the guys and women have been there far more than 20 years. And there's a reason for that. We attract a type of person who gets-- There's a culture there. There's a culture at the other companies too, for good or for bad. I get asked a lot now-- I get asked by my kids, because they are of that age, advice. The one piece of advice I always give is go find a place where your personality and your work ethic fits. I'm pretty good at what I do and I would have failed at several of the other companies. And there's people who are very good at what they do and are successful at those other companies who would have failed at our company. Not for good, not for bad. It's just different. And we have found a group of people who all seem to be on that same level playing field from a work ethic standpoint and I like that. That's a nice place to work and that's a nice environment within which we succeed. And when somebody at our company says, "Done, I agree." It's done. It doesn't matter what the paper-- I mean, it does matter what the paperwork says. That's trite. But you shouldn't have to go look at the paperwork to figure out what did you just agree to.

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Dean Linda Livingstone: I want to open the discussion to the floor. We have a question back here.

F1: To what extent is your strategy aligned with your theatrical film side of Warner Brother?

Bruce Rosenblum: A little bit different. I think the theatrical side is more focused, appropriately so, on transitioning from the packaged goods of DVDs to digital downloading. How do you manage the transition from an analog business of walking into a store and buying a piece of packaged goods? How do you manage that to an electronic sale through transaction, which is a digital transaction? Because that's really the primary focus on the theatrical side.

On the television side, we've done a really good job of training people to watch commercials. Now, mind you, most people will fast-forward with TiVo but it's still an advertiser-supported model and an advertiser-supported medium. So, we're focused more on how to transition from an analog, linear-- come watch NBC Thursday night at 8:00. You'll watch the 8:30 show. You'll watch the 9:00 show. A very linear model to over the next five, ten, 15, 20 years, how do we manage the transition to a digital model much more on demand but we believe much more on an advertiser-supported basis? So, those two are a little different.

The second part of that question, which you didn't ask, but the silo piece. Our view doesn't bump up against but isn't always consistent with Turner for example. Because they're a very network-centric model. So, you have to think in terms of am I thinking as a network? Or am I thinking in terms of a content supplier? I've been trained after 21 years at Warner Brothers to think as a content-centric executive. If I had worked at ABC or NBC or TNT for the last 21 years, I'd be thinking as a network-centric model.

A network-centric model is challenged, is threatened by a disaggregating technology. And On Demand is a disaggregation technology. Networks are all about aggregating content. If you're ABC, NBC, CBS, Fox or TNT or USA, you're about aggregating content and bringing people into your tent. If you're on the content side of the business and you take this out to its extreme, that's a disaggregation model of VOD. Those don't necessarily dovetail together. They're often times in conflict. So, even within a company like ours, you will see two different sides of the discussion. Again, it's healthy. You need to figure it out. You can't stick your head in the sand and say oh no, that's not going to happen. You need to figure it out.

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M1: How do you manage relationships because some of these people actually do shows and movies for the studios?

Bruce Rosenblum: Ideally, it's church and state. If we are doing our job right, it's church and state. Honestly though, before-- Who made the anti-Semitic comments?

Dean Linda Livingstone: Mel Gibson.

Bruce Rosenblum: Mel Gibson. I did get a call. It was early on. I did get a call. We have this story, what do we do? I did the appropriate thing, which was pass the buck to my boss. I called him and said, "Okay, what do we do?" "You got to run it." So, I'm hopeful, given that our company's core heritage goes back to Time, Inc., I'm hopeful that we maintain church and state. We have not yet faced the George Clooney situation but I'm hopeful. And I would certainly come out on the side of church and state and you have to do it.

F2: Thanks for coming here.

Bruce Rosenblum: My pleasure, I always wanted to see what Pepperdine looked like. By the way, I went to USC. We had the exact same view all four years that I-- I said to Scott, ours was a mural on the side of the wall. Damn, how do you guys ever go to class?

F2: Do you have any formal structure for strategic planning for doing scenario forecasting or environmental scans? Is that a constant process?

Bruce Rosenblum: We have a strategic planning department, which is a full-service department that works for all of the core businesses at the company. We also have executives within. A good a strategic planning department is one that you don't stay there more than two or three years. You move into one of the line jobs. So, we have people dispersed around the company who had strat planning experience. Independent of my meetings with each president of each of the divisions on a weekly basis, we have a digital core group that meets every two weeks; every other Tuesday morning. And a lot of that is strategic planning. A lot of that's thought. A lot of that is just a two-hour roundtable where everybody's throwing out what is going on in their operation.

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We've made an intentional decision on the TV side not to centralize our digital businesses. We think it is better to let each of the divisions of the television operation manage and be involved in the transition of their business from analog to digital. Our three production entities are each involved in producing original content. Our distribution operations are involved in distributing original content online. TMZ came out of Telepictures Productions, which is the team that produces *Ellen* and *Tyra* and *Extra*. That's where TMZ came from; the animation websites going through the animation division of our company. So, we bring everybody together every other week. They all throw out ideas. They all talk about what they're working on. It's a brainstorming session. My favorite part of it is we have guest speakers come in and explain all this. I didn't know what a Wiki was until not too long ago and somebody came in and did a whole-- I kept reading this going, okay. I'm 50. I don't know what this means. Circling it and saying somebody come explain this to us. So, it's as much educational as it is brainstorming.

Dean Linda Livingstone: Your 20- and 16-year-old could have answered that.

Bruce Rosenblum: I should have called my daughter.

F3: <Inaudible>

Bruce Rosenblum: No, my boss, Barry Myer. A couple of things. One, because we never owned a broadcast network and our core business is producing content for broadcast networks, we had to figure out different business models to make ourselves attractive to these broadcast networks. When the financial interest in syndication rules were eliminated and the broadcast networks were able to align with studios and, therefore, could become our competitors, when your buyers become your competitors, you're in a lot of trouble. And that's what happened to us. So we by necessity had to be as creative as we could in our deal-making process with our buyers and newfound competitors. So that really came from my boss. I had the luxury of having a couple of mentors along the way who all were very creative and outside the box thinkers, which is a trite saying but it's true. I think I do my best to pass that along to the people we work with but it comes from my boss.

Dean Linda Livingstone: In our discussion with the podcast, you commented on not seeing yourself as particularly creative but you surround yourself with creative people. How has that evolved for you being in a creative industry but not necessarily seeing yourself as such?

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Bruce Rosenblum: I grew up on the legal side and then I came up through business affairs. It was clear to me I can't read a script. I can't make casting decisions and I can't look at rough cuts and give notes because that's not what I do for a living. We have a lot of very, very, very talented people around us who know how to do that. That's what they do. That's what they love to do. And our job as managers of this television group is to surround ourselves with experts and exceptional people in each one of those areas.

I wouldn't for the moment, know how to talk to Ellen DeGeneres about coming and doing a talk show for us. That's just not what I do. Hilary Estey McLoughlin excels at that. She runs Telepictures for us. She just brought over Bonnie Hunt to do a talk show. She knows how to produce talk shows. She knows how to talk to talent. She knows how to make them feel very comfortable. I know how to look at the business model and I know how to look at the P&L statement. I know how to talk to the stations to structure those deals but I know to stay away from the set.

My boss is very much the same way. Know your strengths, know what you're good at. Do that well and then what you're not good at, hire really good people. Don't be afraid to hire people who are better than you at what you do as well because they only make you stronger. The only way I've been able to move up over the course of 20 years is when there was somebody that could take the job I was doing. Because if I'm looking to promote somebody, the first question I ask, even though it may be the absolute right thing to do is, "Well, who's going to do that job?" And unless there's somebody ready to step in and take their job, I'm going to think twice about making that promotion because I need to get that job done too. So, I always wanted to make sure there were people that I worked with who were certainly better than I was in the areas that I'm weak in and equally if not stronger than I am in even the areas I'm strong in.

Dean Linda Livingstone: It speaks to succession planning.

Bruce Rosenblum: Next is my daughter, she can have the job.

F4: You seem to be very passionate about what you do. <Inaudible>.

Bruce Rosenblum: One is really good media training. No, I'm kidding. You know, I've been really lucky. I got bit with the bug-- When I was in law school, I was a tour guide at Universal Studios. I remember watching the people on the tram and watching their faces. You drive down the street and show them a Styrofoam rock from the Six Million Dollar Man and they'd pull out their cameras and take a

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picture. That moment just said there's something magical about the entertainment business. Then I went off and decided to become a tax lawyer. I studied accounting at SC. I went to UCLA and studied tax law. Made fun of all my friends who were taking entertainment law courses. And I spent six months as a tax lawyer and realized I made the most horrific mistake of my life. So, every day I think about how much my life would be miserable if I was still a tax lawyer. And that will make you passionate about doing television.

I also get to work at a place that I really, really like with people that I really, really like. Granted, the last 12, 14 weeks have been rather stressful for all of us so it's been a tough, tough time. But up until the writers' strike, we lived a very charmed existence. We get to make television shows. If you don't step back and realize that this is playtime and this is fantasyland and there are a lot of other jobs that suck a lot more than this. How are you not going to realize that? So, that's number one. Number two, I love all this new media stuff. I am passionate about that. I do think that that's a really fun part that I get to play because I have a relatively senior role in an exciting time in our business. I get to have an impact and ask some questions and make some decisions about where we're headed with that. And that's fun. That's inspiring. And finally, we work with a really cool group of people, which makes it fun to come to work every day.

Dean Linda Livingstone: What do you do personally to help deal with those stressful times? Do you do anything in particular?

Bruce Rosenblum: No. People are out of work. People are losing a lot of money. These are people that we're very close to that we work very closely with; that we make a lot of money together with. You can't get past that. Sure you go and work out and run and scream and listen to loud music. But that doesn't help. It's a stressful time. If you didn't feel stressed from people being out of work, then something is wrong. It's an unhealthy time for all of us. We need to figure out a way to get past this.

M2: From a storytelling standpoint, it's been documented how the reality show framework works and how cost of production is going up. Where do you see the future of content?

Bruce Rosenblum: It's more cost-effective for the networks, not for the studios. You have to separate a little bit the networks and the studios. The studios don't make a lot of money off of non-scripted programming. The non-scripted programming is primarily owned by the broadcast networks or by independent companies like Endimol [ph?] or the company that owns *American Idol*. So as a content supplier, as a studio, it's in our best interest to get back to the scripted business.

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Where we make money is selling our product internationally. It's selling our product on home video. It's keeping our scripted programming on broadcast networks for as long as possible. In 1988, the last Writers' Guild strike, there was a shift towards a greater percentage of content being unscripted. *Cops* came out of the 1988 strike. It's certainly realistic and I think we already have one in *American Gladiator* that more non-scripted programming will come out of the 2008 strike. But broadcast networks want scripted programming because it is, with the rare exception on the non-scripted side, it's far more valuable to the advertisers. It's an environment that the advertisers want to advertise in.

At the end of the day, when people ask what you do for a living, when I'm in a cynical mood I say our job is to fill in the time in between the commercials because that's what we do. We're there to bring eyeballs to watch the commercials. You want to do content that has the highest value for the advertiser and that's primarily scripted content. A scripted show that works really well can be a very profitable asset for a broadcast network and for a TV studio. What you're going to find though is that the networks, because the price points are escalating so quickly on the scripted side, they're having to manage a portfolio of non-scripted and scripted to bring their average cost of programming down. I don't foresee a day where they go to 100% non-scripted because that's not necessarily what the consumer wants. It's certainly not what the advertisers want. So, you'll see a blend as a reaction to the strike but also you'll see a blend as a reaction to the escalating costs so that they can average down their programming cost budget.

Dean Linda Livingstone: Any advice you would give students or alums on anything they can do to prepare themselves if the entertainment industry is an interest they have professionally?

Bruce Rosenblum: I can't come on the creative side. If you want to be a writer, you want to be an actor, you want to be a director, there's channels for that. On the business side, a couple of things. One is internships — summer internships. Unless you go the lawyer route and then go in as a lawyer, which is a trade, if you're going to go the non-lawyer route, you got to be willing to start at the bottom as much as I hate to say that. The agent training programs are fantastic. Most network executives running broadcast networks today started on the desk somewhere. Dawn Ostroff who runs the CW started on Les Moonves's desk. Steve McPherson started I think at the CIA training program or ICM. These guys all started somewhere on somebody's desk. It's not demeaning to do that. It's great experience. It's learning who everybody is. It's learning the process. It's learning the time cycle that the- I can only speak to television; that the television season goes through. When is pilot season? What happens in May? What happens in August? What happens in September? Being on somebody's desk certainly helps with that.

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Once you find yourself inside an entry level job, you got to work your ass off. You've got to make yourself noticed because there's a lot of people looking for that entry level job. But those young executives, and not young necessarily in age but young in experience, who stand out, stand out. I mean, you see them. You know within the first couple months who's going to make it. Who you need to start nurturing. Who you need to pluck out. Who you need to put on a better desk. Who you need to give more experience to. Who you need to give scripts to, to write coverage for at night. Who you want to pay attention to. You can tell really quickly who's gonna stand out. It's the hardest question I get asked. It is. It's the hardest question I get asked.

Dean Linda Livingstone: Thank you so much for coming out.

Bruce Rosenblum: Thank you for coming out in the rain.

Dean Linda Livingstone: Thank you all for joining us. We hope you'll come back on March 4th where we go from television to toys with Robert Eckert.

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