

PEPPERDINE UNIVERSITY

Graziadio School of Business and Management

Dean's Executive Leadership Series - 2010-2011

Transcript of Interview with David Hendler, Senior Executive Vice President & Chief Financial Officer, Sony Pictures Entertainment

About DELS: The Dean's Executive Leadership Series at the [Graziadio School of Business and Management](#) features in-depth audio or video interviews with today's top business practitioners and thought leaders. [Listen or subscribe](#) to the podcasts to hear their views and insight on the current challenges and opportunities facing the business community.

Rick Gibson: Hello, and welcome. My name is Rick Gibson. I'm the Associate Vice President for Public Affairs here at Pepperdine University and I am joined by Dr. Linda Livingstone, Dean of the Graziadio School of Business and Management. Welcome, Linda.

Dean Linda Livingstone: Thank you, Rick. I'm glad to be here today.

Rick Gibson: Well, it's hard to believe that we've already come to the end of this terrific series. Tell us a little bit about how the series has gone, how it's been received, and then tell us who your final guest is this time around.

Dean Linda Livingstone: Well, we've had four speakers; a couple from the IT industry. We had a venture capitalist and we just concluded about a month ago with the insurance industry and Paul Hopkins with Zurich Financial Services. So, it's been a diverse set of individuals and from industries that are quite interesting right now with all that's going on in the economy. We conclude our series this year in the entertainment industry, which is certainly appropriate in Los Angeles. We have with us David Hendler who's the Senior Executive Vice President and Chief Financial Officer of Sony Pictures Entertainment and he's really responsible for all of the financial information technology and strategic planning activities at Sony.

Rick Gibson: Well, I'm sure our listeners will enjoy this conversation very much. Let me invite you to sit back then and listen and enjoy this conversation with David C. Hendler.

PEPPERDINE UNIVERSITY

Graziadio School of Business and Management

Dean Linda Livingstone: Well, I'd like to welcome our audience to our last Dean's Executive Leadership Series of the Year and we're quite pleased to conclude at Sony Pictures Entertainment with Dave Hendler who is the Senior Executive Vice President and Chief Financial Officer, but certainly more importantly for this series, he's an alum of the business school and Pepperdine. He has actually taught a little bit for us. So, Dave, welcome. We're so glad to have you to conclude our series this year.

David Hendler: Thank you; glad to be here.

Dean Linda Livingstone: So, Dave, you're in a really interesting industry, but you didn't start there. You started, I believe, working for a company that had bowling alleys.

David Hendler: Yes, recreational service—bowling alleys, tennis clubs, and restaurants essentially back in Baltimore, Maryland.

Dean Linda Livingstone: Yeah, you were an accountant I believe. So, talk a little bit about the path you took because you then had been CFO at three major companies and brands at PepsiCo and then Disney and then now at Sony Pictures Entertainment. So, I think our listeners would really like to hear the path from Baltimore and the bowling alleys to Sony in California.

David Hendler: Well, I was going to school full time and I had to pay for my own education and I was working a lot of jobs and trying to make ends meet and get my education. Along the way, I decided that would it be a good idea to get full-time experience and work full time for two years while I finish my education at night. That way, you know, I'd get out of school and I'd have some work experience underneath me as well as having my college education. A lot of people were graduating in that time with, you know, a degree, but no experience. So, I figured that would give me an edge up. So, I happened to look in the newspaper and get a job for a recreational service company that was all over the United States, privately held company, or publicly held company I should say, and had the opportunity to travel all over the United States as an internal auditor. I got a company car when I took the job. So, at a very young age, I was 20 years old, I had a lot of great experience and had to essentially, you know, make sure that internal controls were being followed across the broad company. And so, I got a lot of really great experience working and having to tell older, more seasoned people what to do and how to do it, which was really great experience for me. I did that for a while and then I decided to study and take the CPA exam, which I did. So, they promoted me to manager. I got seven years there. I had my CPA, I had my undergraduate degree and I had seven years' experience. I came out to California on vacation to visit my brother and, again, thought, "This is a great place to live. Why not see what's out there?" I just

PEPPERDINE UNIVERSITY

Graziadio School of Business and Management

happened through a recruiter to find a job at Taco Bell, which is a subsidiary of PepsiCo. So, I kind of landed in a big Fortune 500 company through a subsidiary of that company. I went to work, moved out very quickly, out to Taco Bell and went through a series of different jobs with Taco Bell, each with increasing responsibility. In the meantime, I got my degree at Pepperdine, which helped me immensely, I have to say, with my career. Along the way, I decided that accounting is great, but if you really wanted to be a CFO someday or even, you know, be a president of a company, you need to have strategic skills. So, one of the primary things that I tried to focus on was moving into responsibility where I got strategic planning experience, and I was able to do that and get into a corporate planning type of role. That really helped me understand, you know, the strategy of the business and what makes the business work. I really enjoyed that a lot. So, I did that for a couple of years and I was recognized for my efforts. Pepsi was really good about promoting people across the division. So, a Fortune 500 company has a tendency to do that. So, you could go to Frito-Lay or you could go to Pepsi Cola or you could go to Pizza Hut and they asked me to move back to New York to go to Pepsi Cola as the director of accounting. Now, even though I had been in more of the planning side, it was a good way, again, to get back into the company in the accounting area, learn the nuts and bolts, and then, you know, move on from there. So, I did that for a while. I went into a planning job from there and then I moved back to California as the CFO of the Western Division of Pepsi Cola, which was a great job because now I had the strategy, I had the accounting, I had a good background in, you know, restaurants, real estate, you know, that type of thing and was able to come out to California in that job. While I was at Pepsi, a guy that I worked with who I did some strategic planning work for actually had gotten a job out at Disney, as the CFO for Disney. He kept asking me, "Come out. Come out. Come out. I want to talk to you." I thought, "I'm in California. What better place to work, in an entertainment company." They had a job at the time in accounting as the VP of accounting, corporate accounting and I thought, "Well, I'm already a CFO. Do I really want to, you know, work backgrounds," but the thought was I could get in, learn the nuts and bolts of the business again, understand all of the divisions and then figure out where I go from there. And so, that's what I did. I went in and for about a year and a half, I learned about the business. I decided that video at the time, this was way back in 1988-'89-'90, was the growth area for the company and I moved right over in a year and a half to the CFO of Worldwide Home Entertainment and Paid Television. So now, what happened is I got the opportunity to have global experience. That really helped in kind of managing my career and also in kind of manufacturing, distribution and marketing of entertainment product, which is another area that really allowed me to grow. So, I did that for a while, for about four years, grew the entertainment business. This was in the height of all of the sell-through video and *Lion King* and *Little Mermaid* and all the great titles back then, and I had some television experience as well. And then, there was an opportunity to move in a smaller division, which was a startup division, called Disney Interactive. That was, you know, computer games and what they called entertainment at the time. They were starting up the Disney online service. So, that was a great opportunity to move over as the CFO of a small startup in a big company, but to get that kind of experience, again, global experience. Now, it's more on the software side, expand my horizons in a different area and try to grow with that. So, we started up three

PEPPERDINE UNIVERSITY

Graziadio School of Business and Management

separate businesses, really good experience from that standpoint, and after a while I realized that that business wasn't going to be a billion dollar or \$2 billion or \$3 billion business. And so, an opportunity came up to go to Warner Brothers in the music division. I always liked music. I used to play in bands in high school, in college or whatever. They also supported the video division for Warner Brothers. So, it was a good way to come in and transfer my skills I learned in the video side of the business, pick up the music side of the business who hadn't changed in 40 or 50 years and figure out a way to try to drive and grow that business. Great experience, however the music business after a few years just started- you know, went way down. So, it was all about cost control, laying off people, and although I had done a lot of that while I was at Disney because we went through major, you know, cost control, whatever, I decided after five years of that that maybe I could look for something more exciting. So, I tried to leverage my experience in the entertainment side and a job opened up at Sony as the CFO. Sony also has a big music division, so I thought someday I could leverage their skills. I was able to move over to Sony as the CFO of the Filmed Entertainment Division. I think, again, getting the background in accounting and strategic planning, getting global experience, getting multidivisional experience across different businesses really helped me to kind of move into those positions; long answer for a short question.

Dean Linda Livingstone: Well, it's quite a varied and interesting career for sure. So, a couple of things that you talked about that I think, again, particularly for our students who are thinking about their careers and everything, obviously your background was financial and that's how you started, but your role has broadened a lot. There's a significant sort of managed, but a strategic piece to that and you're, I think, known for your collaborative management style. How did you kind of develop that broader perspective over time? I mean obviously the MBA had something to do with that, the skill set. How do people who maybe start in a more narrow financial track sort of build over time a broader skill set to give them more opportunities like you had at higher levels?

David Hendler: Good question. Two things; one is there's always project-related work in any company. The idea to seek out projects that lend themselves more towards strategy and planning and business analysis kind of get you engrained in that area and then you prove yourself and then people recognize your efforts and your ability to think strategically and act strategically. Then when other positions open up that allow you to move into that type or role, you're one of the first people that are considered. I think it's also being involved in broader meetings and having an opinion and expressing it. People like to hear ideas and new ideas and people who sit in a room and really don't offer up any kind of additional information won't go anywhere. You really have to be not outspoken per se, but you've got to be able to communicate, express yourself and be recognized for your ideas and that kind of moves you in that realm. The MBA, by the way, did help a lot - trust me.

PEPPERDINE UNIVERSITY

Graziadio School of Business and Management

Dean Linda Livingstone: We hope it does.

David Hendler: It did. It absolutely did. I mean part of it is, you know, you will be less considered for a strategic role if you don't have an MBA. I have to say, you know, having that MBA in my background certainly helped quite a bit in terms of being considered for positions. Checking off the boxes in terms of having the accounting and the CPA in the background added to that value so that when I was considered for particular roles, I knew I had a combination of those skill sets.

Dean Linda Livingstone: The other thing in your background is, I mean obviously your more recent history has been in the entertainment industry, but you started at Taco Bell and PepsiCo, which are very consumer oriented in a very different way than the entertainment industry is. How hard was that transition, and any advice you would give our listeners if they really do want to transition industries even if the functional area might be similar, what you learned from that experience that might help them as they might prepare to think about a different industry for their career.

David Hendler: Sure, yeah, well, it's two things. It's industry and then it's also culture. So, I went from a very blue chip culture to a very crazy, entertainment, you know, driven culture. Obviously, the first thing you want to do is get in and understand the business. So, I made it a point really throughout my career to really get out and understand the operation. So, when I first came to Disney, for example, I went out and met with all of the operating executives of the division and asked them about their business, tried to understand their business, what could we do for them differently, what's not being done, etc. I also went in and actually went on, you know, television sets and film sets and, you know, went over the Disney Channel and I really went in and actually tried to understand the operations of the business to have a perspective. I think that really helped out a lot. So, very quickly, I had a real good sense of how the business operated and, you know, again, finance skills can transfer, I think, pretty easily, but you to have the real relationship with the operating executives, you've got to understand the business and that's what I've tried to do.

Dean Linda Livingstone: So, obviously, the important part is the level that you are in organizations, putting together the right team to work with you to accomplish what you need to. The industry that you're in, entertainment, is changing dramatically and has changed dramatically in recent years. How has that affected how you put together a leadership team and the skill set that you're looking for in people that you want to work with you as you kind of face a bit of the uncertainty and the change that's going on?

PEPPERDINE UNIVERSITY

Graziadio School of Business and Management

David Hendler: Sure. I think it's a combination of a couple of things. One is you want to be able to promote within and take existing talent that really understand the business and move them up in the organization. I really believe in that. I think it's a combination of bringing in people from the outside as well. So, you want fresh blood. You want fresh ideas. Since the business is changing dramatically-- for example, you know, I look for people who have, you know, more digital experience, for example, today to bring into the organization who are more new age thinking, who understand what the consumers are looking for from a product standpoint. And so, I think it's a mix of, you know, bringing people in from the outside and promoting within your organization. I think that really helps to make it work.

Dean Linda Livingstone: So, one of the things about the entertainment industry-- you're sort of running the business side of the financial and strategic planning business side, but in the entertainment industry, there's also this huge creative piece of what goes on. Those are very different mindsets, oftentimes different approaches to thinking and working. And so, the entertainment industry probably more than some other industry sort of has clashing cultures within its walls because of the different mindsets and approaches and ways people have developed. So, how do you work to bridge that, being that you're coming from sort of more of the business side, but obviously having to work closely with the more creative and artistic side? How does that play out and how do you make that work?

David Hendler: Yeah, it's difficult at times. I mean you have to respect the creative process. So, you know, my role is not to tell them whether they can or can't do a project, either a good one or not, because I'm not the creative executive. All I can do is point out to them the financial ramifications of their decisions. So, you know, we put together a P&L. We run different scenarios. We say, "Look, if this is what you believe, the box offices, for example, this is what it's going to generate in profits. By the way, you can only spend X amount of capital because that's all we have as a company to spend and, you know, you need this level of profitability and how does that fit into the overall strategy for the company." So, it's a real balance. It's not like you make a product, you deliver a product and it either works or it doesn't work immediately. The process is also extended. So, you know, we start movies and TV shows, you know, a year and a half in advance. We put up a lot of capital up front. We put up a lot of marketing up front and you don't reap that for seven to 10 years down the road. So, it is a very long process and sometimes it takes a long time to prove one way or the other whether the product was right, wrong, or indifferent. So, you can only just, you know, offer advice and guidance in terms of parameters to work under through the process.

Dean Linda Livingstone: So, if you think about the many projects that you've sort of provided advice on, were there any in particular that surprised you because it was much more successful than you thought it was going to be, or you thought maybe from a financial perspective it would be great and it really wasn't?

PEPPERDINE UNIVERSITY

Graziadio School of Business and Management

David Hendler: Oh, pretty much every movie is that way.

Dean Linda Livingstone: One way or the other, right?

David Hendler: Yeah, yeah, I mean, you know, and I'm just a consumer. I only know what I like, but, you know, we have some incredible creative executives that have a really good feel for what works in the marketplace and you have to trust them at the end of the day. I mean there's been many projects that you look at it and you say, "There's no way this is ever going to, you know, make back our investment" and they outperform and then other ones, it's exactly the opposite. It's very difficult. I mean it's difficult for me. You can imagine how difficult it is for them. And you roll the dice. I mean one day something works great for consumers; the next day it doesn't. You know, sometimes a TV show works and sometimes it doesn't. Sometimes a network will promote it a lot and sometimes they won't. You know, sometimes a movie on paper looks great, financially works great and then all of a sudden, you know, you get squeezed in a release date and some other movie comes out right on top of it and it doesn't do great and sometimes it's the opposite. So, it's very, very difficult. But yes, there's many, many, many, many of those occasions.

Dean Linda Livingstone: One of your responsibilities is strategic planning and when we think of strategic planning, often times we think of sort of a long-term picture of what's going on in the organization, but things are changing so rapidly, particularly on the digital side of things. How do you approach doing strategic planning when things are changing so rapidly to try to move the organization forward, but also to be flexible and adaptable?

David Hendler: Yeah, I mean, you know, we do actually a five-year plan. We always kid ourselves that probably the first two years are the only really good years in that plan, but we really try to use industry information. We try to use trends. We try to look at, you know, what's going on internally across the companies, in the other businesses. We try to look at, you know, what's happening in the digital world per se and we really try to look at where consumer preferences are going. We try to put all that together and then try to figure out what the impacts are to the business. I mean generally, we're a fairly mature business. I mean you put out movies and you put out TV shows, you hope that they work. What happens in the distribution side of the business and how do you maintain that level of profitability? So, trying to anticipate where that's going and try to force a change is very, very difficult, but we're always on top of it and we do the best we can essentially. But, it is difficult.

Dean Linda Livingstone: So, if you kind of look at the trends that are out there, what do you see for the entertainment industry? I know that's a big industry, so you could pick any segment of it, but we'll talk

PEPPERDINE UNIVERSITY

Graziadio School of Business and Management

more broadly and you can narrow it down if you'd like to. What do you see as some of the key trends that you're watching and which ones do you see are some of the greatest opportunities versus the ones that you see as maybe the biggest threats that you have to be cautious of?

David Hendler: We'll start with the risk because that keeps me from sleeping at night.

Dean Linda Livingstone: I'm sure it does.

David Hendler: Across the board entertainment industry really one of the biggest impacts is just the decline of the DVD business, the hard goods business. It's had a dramatic impact. Versus 2006, you know, the numbers are down; down significantly at the height of the business. So, the opportunity is to figure out a way to grow the number of transactions broadly across the world. So, the idea is that in every home in the world, to be able to get every movie that's ever been made and every TV show that's ever been made in how they want it, when they want it, and for a price they want to pay for it, broadens the world. So, people who don't go to movies today, people who don't go to Blockbuster today to rent movies or wherever they go, you know, have access to the product. That access increases the amount of transactions. So for every sale that we lose in the sell-through business where you buy a product, hopefully it's made up in the rental transactions. That is a potential for huge growth for the business in my opinion. The other opportunities on the TV side are obviously the ad market and the expansion in the cable and the syndication markets of the product. So, shows, you know, are working really well outside a typical network business today. They work well on cable. We're really big in the cable drama business today. You know, you can make a lot of money in that business. Consumers, you know, they're shifting. They want more variety and we're delivering it to them. So, that's another opportunity for us. The international markets, the global markets are a big area for us. The channels business internationally is very, very big for us; the TV local production business. So, what we're finding is, consumers in individual territories around the world are looking for more localized product. So, we're finding areas where we can develop that localized product and TV shows and delivering, and movies for that matter, into those marketplaces.

Dean Linda Livingstone: So, as you kind of look outside the U.S. where do you see the biggest sort of opportunities and how are you thinking about those? Are you really trying to localize by different regions of the world? How do you approach your strategy as you look outside?

David Hendler: Yeah, certainly India's a big area for us. You know, we have channels in India. We have a great theatrical distribution business in India. We have the TV production business in India; huge growth

PEPPERDINE UNIVERSITY

Graziadio School of Business and Management

opportunity. The penetration of, you know, TV households is still not at its peak. Russia's another area for us; big opportunities. It's grown to be a huge theatrical market for us. Some areas in Latin America, hopefully someday in China; we'd like to be there, but there are definitely some big areas of undeveloped, untapped potential for the entertainment business around the world. We have really strived to develop, as I was mentioning, localized programming and the ability to produce shows for those countries because they want more than just American shows translated to their own language. So, we're moving in that direction.

Dean Linda Livingstone: So, we talk about in the business school, and you might recall this from when you were a student, we spend a lot of time talking about how we're developing value-centered leaders and advancing responsible business practice. So, we spend a lot of time talking about values and how that drives who leaders are. So, as you sort of reflect on your leadership and who you are, what would you identify as, you know, two or three sort of core values that are important to you that you sort of draw the line in the sand on?

David Hendler: I'm going to talk about that tonight too.

Dean Linda Livingstone: Oh, good.

David Hendler: Certainly, honesty and integrity are important, particularly in a finance role. I think it's absolutely critical. Teamwork and collaboration is key. Balance of work and family is a value that, you know, I want my people to understand, and then really understanding and communicating about the business. It's not necessarily a value, but it's kind of a trait that's extremely important for my group, particularly in the finance area.

Dean Linda Livingstone: So, I'm going to pick on one of the three. You talked about balancing work and family. I haven't quite figured out if you can really do that for me personally, but how do you sort of think about that for yourself given the kind of work you're in and the high pressure position that you're in? Do you have any sort of great strategies or tactics that work for you and your family that make it possible to do that?

David Hendler: Yes, I do actually. You know, I think the important thing is being able to leave your job at the job. So, you know, I'll work as hard as I have to get the job done, but I make sure I take time for my family. When I am home, my work stays at work. I don't bring my BlackBerry to dinner. I don't take my

PEPPERDINE UNIVERSITY

Graziadio School of Business and Management

BlackBerry to bed. If we're in a family setting, I'm not on the phone all the time. The other thing that I try to do is I bring my family into the business. So, they come here. They enjoy it. We have "Bring Your Kid to Work" day, which I've done in the past. Obviously, it's easy because I work for an entertainment company.

Dean Linda Livingstone: Right. It's a good place to bring your family too and I'm sure the family loves doing it.

David Hendler: I mean they understand what I do and a quick example; you know, my daughter was working as an intern on the lot for the summer. So, she worked 80 hours a week during the summer. We couldn't go together because her hours were completely different, but she drove the same hour and ten minutes to work every day back and forth that I did. She'd come home on a Friday and just be cursing and whatever. She finally got what I went through. So, they get an appreciation for what you actually do when you're working, you know, those kinds of hours, what it really takes to get there. And she used to give my wife a hard time about, "Why are you so nice to dad when he comes home?" She said, "Because he works for the family, and now she finally got an appreciation for that. You know, what do you expect when you come in the house? You want, you know, whatever. You don't want to hear about 20 million problems. You want to just enjoy the family."

Dean Linda Livingstone: Right, relax a little bit.

David Hendler: And honestly, I've had bosses, including my current boss, that, you know, understands and appreciates family. I've been really lucky in that regard. So, if I say, you know, I need a week vacation, I get a week vacation. If I need to go to a baseball game, you know—they know I'm going to work whatever it takes to get the job done. So, I think that's a good way to have a great balance.

Dean Linda Livingstone: That leadership around and above you is really important and giving people sort of the freedom to do that. It certainly makes them happier and better employees I think as well.

David Hendler: Yeah, you bet.

Dean Linda Livingstone: So, you're in the entertainment industry and your company produces lots of interesting movies and television shows. So, if you had to picture one of your favorites, what would you pick and why?

PEPPERDINE UNIVERSITY

Graziadio School of Business and Management

David Hendler: Well, and I actually thought about this and again, it wouldn't be a popular choice, but believe it or not, one of my favorite movies is the movie *Ghost* with Demi Moore and Patrick Swayze and the reason why is because it's kind of good versus evil and good wins and I like those kind of movies. It had a romantic twist to it too. It was very unique and different and not the run of the mill, I've seen this, you know, give times before. So, that was one of my favorite movies I think.

Dean Linda Livingstone: Yeah, it's interesting because that movie is actually very significant for my husband and me. We watched it I think the first time it was not too long after his father had died and so it just had this sort of interesting take to it given the storyline and everything. It is an interesting one, but it's really great, great movie.

David Hendler: Great movie. So, it's one of my favorites, yeah.

Dean Linda Livingstone: Wonderful. Well, Dave, we have enjoyed so much having you with us and it's always wonderful to have alums with us in our Dean's Executive Leadership Series. It's a real treat and we just wish you all the best and great success with your continued efforts here at Sony.

David Hendler: Thank you very much; appreciate it.

Rick Gibson: Well, Linda, that was a most enjoyable conversation with David.

Dean Linda Livingstone: Well, we always love hearing about the entertainment industry and David's particularly interesting because of the work he does at Sony, but also because he's a member of our Board of Visitors and alumni. So, he cares deeply about Pepperdine and can really relate to our students and alumni.

Rick Gibson: Well, it has certainly been a marvelous series this year. It is always exciting to meet these guests. I'm assuming you plan to continue the series in the year ahead.

Dean Linda Livingstone: We certainly do. We will be finalizing over the summer our speakers for next year and it will be a wonderful line up just like it has been in the past. So, we look forward to our guests joining us again next year.

PEPPERDINE UNIVERSITY

Graziadio School of Business and Management

Rick Gibson: Well, very good. Let me invite any of our listeners who have interest in learning more about the Dean's Executive Leadership Series here at the Graziadio School to visit our website at bschool.pepperdine.edu/dels and until next year, thanks for listening.

