

**Dean's Executive Leadership Series - 2009-2010**

**Transcript of Presentation with Jim Gianopulos, Co-chair and CEO of Fox Filmed Entertainment – Part 2**

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#### Start ####

**Man 1:** 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.

**Dean Linda Livingstone:** Here's Jim. I'm not sure how you follow that. That's kind of tough.

**Jim Gianopulos:** Yeah, well, so there you go. And there's about two-and-a-half hours that looks pretty much like that. But there's a real powerful story in the heart of it. It's a story about-- you know, and there are allegorical elements to it. There are some subtle and, you know, maybe not so subtle social, political connections and references that give greater depth to the story and to the journey of the movie. And, you know, it's truly an extraordinary work. And as a narrative, an emotional, very powerful film. And, you know, you're seeing it here in 3D, which is really the ideal way to see it, but hardly the only way.

Jim said, "You know, you"-- he said or I said, I don't know who gets the copyright. But we said, you know, you could watch this movie in 1D and it would still be, you know, spectacular. Most of the material, of course, the people will see of the film and have seen of the film in the marketing campaign, is 2D, because they're watching it on their television sets. So I can assure you that just watching this in 2D is the equivalent of closing one of your eyes. And the images and the story and the power of the film are all very much apparent. So something we're very, very proud of and expect will be very, very successful.

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**Dean Linda Livingstone:** You know, one of the things I think about watching this is, I mean, the technology's amazing and the 3D. And it's really, kind of, a breakthrough way of seeing a movie. But it also has a great story, which really is what separates a great movie from just a good movie or an interesting movie to watch. How do you know when it's a great story to put all that cool technology around? Is it, sort of, science or art? Or how do you pick the great stories?

**Jim Gianopulos:** Well, it's ultimately, you start with great filmmakers and great writers and great scripts. And clearly, you know, the story is always the foundation of any film. And when you have special effects like this, and especially when you have technology of this caliber, it's critical that the technology is in the service of the story, rather than replacing it. And there are examples of that and some of those films can be very, you know, entertaining. Check your, you know, brain at the door and come in and watch real spectacle. And, you know, it has its place and it's fun. But the ideal and the paradigm is when you have the foundation of a great story, a great filmmaker knows how to tell that story visually as well as that. And then, you add the dimension-- and I mean that both in terms of the 3D dimension, but the added contribution of amazing visual effects that are able to convey the story even more strikingly.

You know, you go back to *Titanic*, which was a fantastic film, obviously, and a wonderful story. And you, you know, remember that people think about that and the story of that very powerful romance, which resonated all over the world. In every country, every language, *Titanic* was by far and still is in most countries of the world, the number one film. What people remember of *Titanic* is the relationship of those two characters and the power of that emotion and the power of that romance. But they also remember, you know, watching *Titanic* had been made three times before, actually. And, you know, people remember that ship in the middle of the Atlantic vertical. And the spectacle of that certainly a contributing factor, but hardly the power of the movie.

**Dean Linda Livingstone:** Well, Fox has done so many blockbuster movies like this, and that doesn't happen easily. And you and Tom have done this in amazing ways over the last decade. How do you put together an organization that can continually produce successful movies like this? What is it from an organizational perspective that makes this happen?

**Jim Gianopulos:** Well, you know, a lot of that I do really attribute it to the culture of News Corporation. If we had failed too often, we wouldn't be here. And if we do at some point in the future, we won't be here. And we understand that because the stakes are high and the risks are high. And it's enormous capital utilization. This is a very capital-intensive business and it's a risky business. Because ultimately, you can have all the elements can be perfect and still have, you know, a creative disappointment. So you start

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with the best people you possibly can find. And we have, I believe the best team in the business across every area of the company, every discipline. From the development and creative and production people to the marketing people and distribution people and technology people. You know, we're very, very proud of the team we've assembled. And many of us-- I think one of the other great characteristics we have here is longevity. And I've been here almost 20 years now. Tom's just a few years fewer. And most of the people, when we have our senior staff meeting on Fridays-- tomorrow morning, actually-- around the table are the heads of all the various divisions. And when you look around that room, most of those people have been here, I would say, the average tenure is eight to ten years. And not always in that position, of course, having worked their way up through the food chain like the rest of us. So there's that.

And I think, going back to this culture of News Corporation, you know, we work for one of the great visionaries, you know, Mr. Murdoch. And he's a taskmaster, but he understands that being bold and being innovative and taking risks are part of any great achievement. As I was saying earlier, you know, one of our guiding mantras is that if you take a risk all of the time or none of the time, you fail. And so the management of the risk of the creative process and the investment in films is very much at the core of what we do. I couldn't do that. Tom couldn't do that. None of us can do that. But James Cameron can do that. And the question is, you know, do you take that journey with him, and put those resources just as you do with every filmmaker? So it is a process of nurturing and developing people and giving them the confidence, both, to advocate movies.

And, you know, you have to realize that, probably, 10,000 submissions of various forms come into the studio every year. Of those, we develop-- actively pursue and develop, probably, 250, 300 projects, at any one time. And we have one of the lowest ratios of development to actual production in the industry. But we're all pretty much clustered around the same 10 to 15 development projects for every movie you make. So choosing from-- you know, distilling down from those 10,000 to those 250 or 300 to the 20 that you actually make is an arduous and difficult project and process, and a very subjective process. So you need people to advocate their film to have the passion for it. Not just the filmmaker, but the executive team, the creative executives, the marketing executives. To ultimately say, you know, "We're crazy not to make this." And to have the confidence to be able to say that. And to have the confidence that they can be wrong. Not too often, but they can be wrong. Because if they don't have the ability to be wrong, they'll never be right. You know, and that's where that notion of, you know, if you never take risks, you just make the same boring movies over and over again. The audience figures that out. So it's nurturing talent. It's providing an environment that's, you know, goal- and task-driven. But that also conveys the understanding that we won't be right all the time and that that's okay. Because otherwise, it would never happen.

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**Dean Linda Livingstone:** I want to engage the audience in this. And we have microphones on both aisles. So if you have questions, come to the microphone on the side. And we would love to take some of your questions and let you pick his brain about *Avatar* or anything else that you would like to ask about. I did notice when I was watching that movie, I did get sucked into it. Because my motion sickness and my fear of heights began to kick in fairly quickly.

**Jim Gianopulos:** Yeah, it's very...

**Dean Linda Livingstone:** I may have to sit at the back of the theatre...

**Jim Gianopulos:** ...very dynamic.

**Dean Linda Livingstone:** ...when I watch it in the theatre.

**Jim Gianopulos:** Absolutely.

**Dean Linda Livingstone:** All right. We have a question over here.

**Man 2:** Yes. I have a question. Do you think that this is going to be set up the standard for 3D for other movies to follow?

**Jim Gianopulos:** Yeah, you know, a lot has been-- that comment and that insight has been mentioned in the context of *Avatar* many times. And we've actually downplayed-- because it speaks for itself. People will realize it. You know, there's a certain-- it's not a great advantage when you're marketing a movie to saying it's the greatest thing in the history of film. And in fact, you know, it will-- clearly, it's breaking through new ground. But there will be other filmmakers that will follow and use the technology. And Jim has had a procession of the best and the brightest of filmmakers come to the production facility where this was made. So yeah, I think it does. I think, clearly, it sets a new standard for 3D. One of the things that it's done is it has dramatically advanced the infrastructure of 3D cinema, which is, for another reason, a tremendous advantage to us as an industry. Because it's a distinguishing characteristic of distinguishing media from the home experience. And just before Thanksgiving, I saw a 50-inch flat panel screen television set that I had bought a few years ago, a couple few thousand dollars. And it was selling for \$680, a 50-inch home screen. So to me that's great news. Because it expands people's ability to

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enjoy entertainment in a really striking way. And at the same time, it requires that both that what you put on that screen, whether it's in video or in video on demand, or ultimately, on, you know, even broadcast television in high-definition, obviously, but that that be compelling programming. But also that the experience in a theatre be distinctive. And that there's a reason why you come to a theatre like this, and you sit, and you see a screen of that size, and you are completely transported away. So that also translates into economics.

You know, the 3D screens of films that have already been done generate two-and-a-half to three times the revenue, the box office, that 2D screens do. One of the reasons for that is it's a more compelling experience so more people will go to the 3D than the 2D screen. Not that the 2D's not enjoyable, but the 3D's an enhanced experience. And there's a premium. There's a three-dollar, roughly, average around the world now, is pretty much the standard incremental cost of a 3D ticket to a 2D ticket. Well, obviously, that's desirable for the pure financial benefit of it. And what's happened with *Avatar* is that it has exploded the-- it's really overcome any remaining reluctance. And then, from reluctance, it turned into a rush to convert as many 3D screens as possible. So it plays out on a number of levels, setting a new standard for filmmakers to now to aspire to. For audiences, of course, to expect, which is, you know, a challenge for us. But also, to expand the infrastructure of what is a new form of entertainment, you know, for the future.

**Dean Linda Livingstone:** I think that's Craig, yeah.

**Craig:** Yes. Hi, Jim. Thank you for that profound gift. I would've been happy with three minutes. And 30 minutes is amazing. You talked about confidence. And the confidence you displayed in putting that before us, at a time when, you know, you've been burned in the past with the early *Wolverine* things and that type of thing. How do you continue to walk in confidence at a time when so much of the industry is completely driven by fear? To take an even bigger risk at a time when people are becoming more fearful? Talk to me about that kind of leadership.

**Jim Gianopulos:** Well, you really, you know...

<conversation about adjusting Jim's mic>

**Jim Gianopulos:** You can't manage in fear. You can't lead in fear. You can't, you know, live in fear. That becomes hopeless and paralyzing. The incident that you're referring to with *Wolverine* was, you

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know, a very, very unique-- very tragic, but very unique, but also, a good lesson in the continuing battle to protect and retain custody over creative materials and such when you're at this phase. But there's nothing but pride and confidence in showing something like that. In addition, one of the things that's a great advantage of 3D is it takes a lot more work to copy that image off the screen than, you know, it does a 2D image, which is another great advantage.

**Dean Linda Livingstone:** Take another question over here.

**Shaheen Orion:** Hello, Jim. My name's Shaheen Orion. I've been working with the company for about four months now and had a great opportunity to work with a lot of great people in television distribution. One of the things I've been wondering about is, in terms of life experiences, there's a balance of success and failures. And a lot of people tend to learn more from the failures and the setbacks than they do from the successes. So I'm just, kind of, curious what do you think has been one of the most significant setbacks that you've experienced professionally? And what did you take away from it?

**Jim Gianopulos:** Well, at one point, I thought I had-- and it was very early after we became Chairmen of the studio. I had a project, which was a-- I thought I had achieved the coup of a lifetime. It was with Steven Soderbergh, who is coming off of having made *Traffic*, *Erin Brockovich*, was about to make *Ocean's Thirteen*, I think, at the time. And had been nominated the same year for two Academy Awards for *Traffic* and *Erin Brockovich*, a fantastic filmmaker. A classic book of science fiction called *Solaris*, which is a story about a guy who, again similar somewhat to this, space station, no one's heard from them. A guy is sent up there, an astronaut. He arrives at the space station. He finds everyone has been somehow demented or has had some psychological trauma. He lies down in his bed to rest, the first arrival there. And his wife enters the bed with him and they make love. And the problem is his wife has been dead for eight years. So there's this-- we learn that this planet has the ability to put into your consciousness the things you fear the most. So that leads to all kinds of wonderful things. And it was produced by James Cameron. And Steven Soderbergh wanted to take it and have it financed separately, and I talked him out of that. And got Jim to be involved, and Jim was always involved, but be enthusiastic about it. And we were about to start moving forward, and Steven Soderbergh called and said, "Oh, by the way, I think I have some good news for you. George Clooney wants to play the lead." So it was, "I am the smartest, greatest executive in the history of the motion business." The movie was a total-- it was a beautiful, brilliant, metaphysical, surrealist, intellectual exercise that nobody saw.

**Dean Linda Livingstone:** Did anybody here see it?

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**Man 3:** Oh, yeah.

**Dean Linda Livingstone:** Oh, see. No. There were people that saw it.

**Jim Gianopulos:** I mean, well, this is an intelligent crowd.

**Dean Linda Livingstone:** That's right.

**Jim Gianopulos:** No. But seriously, it's the kind of movie people like in this room would enjoy. It was well reviewed. Not by everyone, but by many. And it was a really intelligent, moving story. But it was certainly not what people were expecting from a George Clooney movie. And, you know, if we had made it for a fraction of the price, it would've been a great thing. But it was a humbling lesson in the fact that, you know, you need to really be in sync with the vision of the filmmaker. And that you can never take for granted even the best elements. You can never be absolutely certain of the end result. And so that was, you know, a humbling experience. And you can take from that experience, again, the paralytic fear of, you know, nothing's ever going to work. Or you can recognize that you're still alive after having, you know, done that. And that's what's really important. So that was a tough one.

**Dean Linda Livingstone:** Great. Let's go over here.

**Dimitri Sellah:** Hi. My name is Dimitri Sellah. I'm from Cyprus and I'm a film production student at Chaplin University. I just want to ask a brief question on the respect of financial aspect of the *Avatar*. What do you think will achieve internationally? Because as everybody knows that in the States it's going to be a huge success, because the target is children and teenagers that will obviously go and see that. What do you think internationally will...

**Jim Gianopulos:** I think it'll be bigger internationally, probably, maybe very substantially bigger. I mean, I came up through the international side of the business. And one of the things that you know, you realize, is that first, in reality, there are teenagers all over the world.

**Dimitri Sellah:** Yeah, that's true.

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**Jim Gianopulos:** You know, and there are film lovers all over the world. And in particular, Hollywood is unique in its ability to put a spectacle like that in front of an audience. So, you know, we have the great films made in France and in Germany and in Greece and Cyprus and China. But no one can really achieve this level of scale and I want to say quality, but to put that much up on the screen with a filmmaker like Jim Cameron. So it is a unique event. And, you know, the fact that people-- what I always just say is that, you know, when the international side of the business equaled the U.S., all the guys on the international side, "Well, that's great. You know, we're on par." I said, "Well, here's what I don't get. There are 300 and something million people in the US and there are 6 billion people out there. So it's a 20 to 1 ratio. Why are we such slackers? You know, there are a lot of people out there." So I expect it will be substantially bigger.

**Dimitri Sellah:** Thank you.

**Dean Linda Livingstone:** We'll go back over here.

**Tim Devine:** Thanks. My name is Tim Devine. I run an Internet television network called Webcastr and I have a question that I think a lot of people might be interested in. Without giving away any, kind of, you know, inside secrets or anything, can you, kind of, generally tell us how the deal structure works? I know this is an exceptional project that probably has a lot of unusual circumstances. But in terms of, you know, when they bring it to you, how much work have they done in advance and invested themselves, in terms of script development or story development? At what point do you step in? How much will you commit up front? Are there benchmarks for achieving additional financing steps? And then, on the back end, how far do you go with ancillary rights? Obviously, there's going to be video games and theme park rides and all other kind of potentials here, sequels or whatever. What are the basic parameters of a structure for a deal like this?

**Jim Gianopulos:** That's a very extensive and complicated question, I think.

**Dean Linda Livingstone:** And I'll give you about two minutes to answer it, yeah.

**Jim Gianopulos:** Yeah, the first thing...

**Tim Devine:** What's the two-minute answer?

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**Jim Gianopulos:** In terms of how far along it is, there are times-- you know, the film *Day After Tomorrow* was a film that Roland Emmerich and we were able to, kind of, get everybody else out of the way and grab that property. That was a property that went on auction, literally, in the town. And was made available at the CAA office first thing in the morning one day. And it was, "What's your best bid at five o'clock today?" And it was fully baked. The script was written. The images and the visualization of the film were not just in the director's mind, but also laid out in some material that was available. And it was an on/off switch. "Give me the money. Go make the movie."

By contrast, *Castaway* was a movie that had been conceived initially, actually, by Tom Hanks and a collaborator, and gestated in various forms for about a decade. Championed by the president of one of our two main production divisions, Elizabeth Gabler, who retained the passion for the project and the interest of Tom Hanks over a ten-year period, while this very difficult-- everything looks great when you look at it now. But, you know, the idea of a guy being on an island for 40 minutes and not saying a word because there was no one to talk to is a pretty daunting thing. So that's truly the range.

And in the case of the economics, it also varies greatly. But I think one of the things that we have been very concerned about, and I think, has finally started to-- partly because of the economic crisis and the withdrawal of some of the loose money that was around. I guess, you guys know a lot about that. And how much capital was flowing into all kinds of businesses without the real adequate was, you know, sufficient scrutiny. But what's happened is the relationship of risk and benefit with talent has shifted. So that you don't have these deal scenarios where by the time the studio has recovered its money, the talent has made 50 or 60 or 80 million dollars. That has changed. It's still, you know, the best and most desirable talent is still very, very amply compensated. And, you know, the marketplace defines that. But I think there is an increasing scrutiny and an understanding that there needs to be some balance of risk and reward.

**Dean Linda Livingstone:** I'm going to take one more question, given the time. And I'm sorry, because we've got so many people that are standing, wanting to ask questions. I'm going to go over here and let you ask the last question. And then, we'll need to wrap up for this evening.

**George Granados:** Thanks, Dean Livingstone. Mr. Gianopulos, I'm George Granados. I'm a Pepperdine MBA student. I've actually been with Fox, now, interning since May, first, in domestic home entertainment retail marketing. Now, I'm in new release brand marketing. And I have a question for you. I'm doing a project for my department. And I noticed that the last two years a queue for theme has been Blu-ray adoption. Next year, I think that the base will be there. And one thing that I noticed in one of my

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store checks is 3D TV that's set to debut next year. I know that Disney didn't feel that the technology was there to release *Up* on 3D Blu-ray. But what is your opinion, in a year from now, will there be an *Avatar* Blu-ray in 3D, for a queue for 2010?

**Jim Gianopulos:** It's not that the technology-- I mean, everything you said is correct. But one slight variant in that is that for Disney and *Up*, and even for us with *Avatar*, it's not that the technology isn't there. I mean, I've seen 3D Blu-ray. It's just that, you know, it's the only one in existence. I mean, simply a prototype. So the technology is there. But as you said, they're only beginning to sell-- in fact, they haven't-- I don't think they've fully clarified which of several alternative 3D formats will be the standard for that. But looks like that's getting worked out. So the point being that there is no established base of 3D televisions and no established base of 3D Blu-ray. So it doesn't really make sense to take a movie like this and put it out there with 100,000 televisions installed in the home. So I think what we'll probably do-- we haven't decided, yet. But it's most likely that we'll do a 2D or some initial form of 3D. We haven't decided. But really wait until the base is there and then do it right because, as you can see, it deserves it.

**Dean Linda Livingstone:** Well, Jim, thank you so much...

**Jim Gianopulos:** Well, you're very welcome.

**Dean Linda Livingstone:** It was fabulous...

**Jim Gianopulos:** Thank you all for coming.

**Dean Linda Livingstone:** ...having you with us this evening.

**Jim Gianopulos:** Take care. Appreciate your time.

**Dean Linda Livingstone:** I wish we could continue this discussion. It's such a rich conversation and so many interesting things we could be asking Jim about. But thank you so much for being here. I did interview Jim earlier. It will be on a podcast on iTunes University. We actually talked about some different kinds of issues than you heard tonight. So if you want to hear more from Jim, you can listen to that. It will be up shortly. And then, certainly, this will be on video you can access through our website or on YouTube, as well as the other DELS speakers that we've had. We had Carolyn Nahas from

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Korn/Ferry and Brian Moynihan from Bank of America earlier. And so you can certainly see those if you were not able to be with us. So thank you so much for being here. It was a wonderful evening. We look forward to seeing you again in the spring when we start these up again. Have a safe trip home.

####End ####

