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Graziadio School of Business and Management

Dean's Executive Leadership Series - 2008-2009

Transcript of Interview with Ann Weiser, Chief Human Resources Officer for Activision Blizzard

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Start

Announcer: 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.

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

Dean Linda Livingstone: Thanks so much Rick it's good to be here today.

Rick Gibson: I understand the Deans Executive Leadership Series is going well this year.

Dean Linda Livingstone: We've had some fabulous speakers and I think our listeners will be particularly interested in today's guest.

Rick Gibson: Well tell us a little bit about Ann Weiser.

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Dean Linda Livingstone: Well Ann is the Chief Human Resources Officer for Activision Blizzard and for those who are not quite so familiar with video games they do Guitar Hero, Call of Duty and when they just recently merged with Blizzard now do World of Warcraft, so it was a fascinating study of the video game industry and I think our listeners will be quite interested to hear what she has to say.

Rick Gibson: Well I am sure that's right. Well let's invite our listeners to sit back and relax and to enjoy this conversation with Ann Weiser, Chief Human Resources Officer for Activision Blizzard.

Dean Linda Livingstone: If it's okay I thought we'd dive right in. On our drive to the studio this afternoon you noted that many top executives at Activision are from the consumer products industry. With so many different consumer product companies to choose from such as Mattel, PepsiCo, Clorox and so on, what is it about Activision that attracts brand marketers to your company?

Ann Weiser: I think that what attracts CPG people a company like Activision, my background is consumer products as is our CEO and our CFO and most of the people on our management team is that consumer products companies are big and sometimes lumbering and because the size and scale of the organizations it takes a lot as an individual to make a real difference in a company like that, to leave your imprint on a brand or a product and, you know, nobody wants to mess with the crown jewels of Velveeta or Tide or Clorox and so you don't mess with the formula on successful brands like that.

At a company like Activision we have all of the same attributes in marketing, it's just a much faster paced organization, you know, a game in two years in development, it's six months on the shelf and then it sort of fades into oblivion for most products and so you're constantly working on new products, new franchises, new ways of marketing a product. So it's very fast paced and because it's such a new industry and relatively small and the marketing teams are relatively small, a great chance to leave your imprint, your impression on the business and so people come to us because they want to be able to use all the tools and skills that they learned in a more traditional employer but do it in a more fast paced, upbeat, growth oriented industry like video games.

Dean Linda Livingstone: So, as you think about your role in HR, and as you're out looking for the right kinds of people to move the company forward, what kind of qualities are you looking for in individuals that might be a bit different given the nature of the industry that you're in, different than a more traditional industry?

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Ann Weiser: You know, the first thing that comes to mind for me is that we really look for people who are comfortable with ambiguity. Because it is a new and a relatively new and very growth oriented industry, there's not always a clear path on how to get from point A to point B and the businesses and franchises can grow at an exponential rate and, you know, I think Guitar Hero is a perfect example of that. When I joined the company in 2007 Guitar Hero was planned to do about 250 million dollars in top line revenue. At the end of the year, after 2007 we delivered over a billion dollars of revenue with Guitar Hero; it just caught fire.

Dean Linda Livingstone: Amazing growth in such a short period of time.

Ann Weiser: And so you have to be willing to say "Gosh I'm not sure exactly what to do but I'm willing to jump in and try to make it happen" and when I talk about ambiguity it's that kind of ambiguity that the path's not always clear, the direction a product is going to take is not always and it's not routine and somebody who's comfortable with that sort of uncertainty that like that level of excitement, it's a very high velocity business so you look for somebody who's got a huge amount of energy and I think, you know, it's going back to the point I made earlier, you do look for that little bit of dissatisfaction with sort of traditional business or bureaucracy, you want somebody to say "I'm itching to make a difference" because they'll have a chance to do it in a company like ours. And even in the year plus that I've been with the company we went from being a, you know, relatively small two billion dollar publicly traded company, we went through sort of a life changing merger for the organization and more than doubled in size.

We have a majority shareholder in a French owned company Vivendi, we have a brand new board of directors and so in the short span of 14 months sort of my world and my stakeholders and the people I interface with and the needs of the board are dramatically different than what it was when I joined the organization, you know, fast growth but sort of a little sleeper kind of company if that's possible in a video game company to something now that has really global proportion with a board that is chaired by a guy who runs a 70 billion dollar company out of Paris, so a very different kind of organization. So I think somebody who is prepared for that kind of change is also one of the key characteristics we look for.

Dean Linda Livingstone: Let's talk some about that transition when Activision and Blizzard came together and merged because that was a significant adjustment for the company, it was very soon after you came on board in the HR area and as we know, anytime you do a merger like that of two companies you're bringing cultures together. In addition to sort of the business side, there is the huge cultural piece of it that influences the employees. Talk a bit about how you went about making that merger successful both from a business perspective and a cultural perspective.

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Ann Weiser: Let me start first on the business side and I have to talk a little bit about Activision's acquisition strategy to have this make sense. We've grown both organically but we've also grown through acquisition as example, Red Octane the business that started Guitar Hero was an acquisition of Activision's and over the last seven years or so we've probably bought 13 development studios, you know, ranging in size from 40 people in Iowa City to, you know, 150 people in Liverpool in the UK. Our strategy has been to maintain a level of independence with those studios, they all continue to be run by their founders and we give them a fair degree of autonomy and we do that because we think that aids the creative process, it allows for a lot more innovation. They don't get corporatized like a lot of other acquisitions might and so that willingness to give an acquisition room to be itself and room to have its own culture and, you know, sort of the physical and not so physical distance and space to be its own company is very much a part of how we have operated and one of the things that has made us successful over the years.

We approached the acquisition with Vivendi in very much the same way, Vivendi essentially had two halves to its company, it had Vivendi Games which was a mix of different types of game delivery models, mobile, casual, console games, much like Activision but on a much smaller scale and then you had Blizzard, Blizzard was the behemoth that had a completely different business model mostly online and PC based games. So as we approached this it was clear very early on that the element of the Vivendi Games acquisition that was going to be important to the combined company was Blizzard and so we approached Blizzard like we would a big studio acquisition and said, you know, you guys obviously know how to run your company, you're very successful. We will provide the services to you that you need but we're going to give you all the room to do what you do well and so they operate very much like a standalone business unit within the Activision Blizzard organization.

I think the one thing that is common however is that there is respect for on both sides, so Blizzard looking at Activision and Activision looking at Blizzard, respect for the quality of game development and their business success and so I think that mutual respect for what each of the respective organizations and leadership teams have been able to deliver over the years allows us to listen to one another, allows us to look for points of commonality and compromise where we need to have it but also to respect what makes their company unique. So that's one aspect of it. I think the second was the corporate functions of Vivendi Games and Activision were not dissimilar from one another, the corporate offices were five miles apart, we recruited and attracted very similar kinds of people. In fact Vivendi had many former Activision employees and Activision had many former Vivendi employees, people who get into the industry seem to stay in the industry and so the cultural mix of the hundred plus employees from Vivendi that came over to Activision's corporate office was very easy and we were delighted by the quality of talent that Vivendi had harnessed in their business.

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So that piece has worked very well, so I think that the culture and the business-- the way we've approached the business and the culture of the companies have really complemented each other. I think at the end of the day when you take a look at when everything sort of shakes out and that the final business model emerges in the organization, I think what you're going to see are, you know, two very strong sort of equally sized, equally profitable operating companies in Activision Publishing which is primarily console games and Blizzard which is primarily online games. You know, I think the fact that they are about the same size and about the same profitability they're twins in many ways, they're even now and so I think that leads to an understanding and a respect for, you know, they're the best at what they do, Activision is the best at what they do and that the respect for what we've put together sort of the marriage of two very complementary partners I think has allowed everybody to maybe overlook some of those inevitable early skirmishes that you have in mergers. I've been through a lot of mergers and things that have been called mergers in my career and actually think this is one of the smoothest ones I've been through.

Dean Linda Livingstone: Another aspect of that merger was the fact that Activision only had sort of a small piece of its function outside of the US, but Vivendi had a fairly significant presence outside of the US. How did that aspect of the combination of the two companies work and has that presented some unique challenges that you've had to deal with?

Ann Weiser: Well challenges and some great benefits for us. In the US and Europe Activision on the console side was stronger, larger and more profitable than Vivendi Games and so I think and the sales force represents both product lines to customers. So we have a single sales force in the US and a single sales force or will have a single sales force in Europe that present to one of our big customer's products from both the Activision portfolio and the Blizzard portfolio. So I think Blizzard looked at the strength of the sales organization and the size and scale of the sales organization in the US and Europe as a real benefit to them and a case in point is Blizzard did their very first launch of a new game through the Activision sales force since the merger, so this was the sales force test for their ability to really deliver on a Blizzard launch. Across Europe we held over 2500 what are called midnight store openings where a store that sells video games will open at midnight to sell one company's product and so in the case of Blizzard it was *Wrath of Lich King*, so I got an email over the weekend from the sales leader in Europe who talked about, you know, standing in front of a store in London with 3000 customers waiting in line to buy *Wrath of the Lich King* and this was replicated in 2500 locations across Europe.

Dean Linda Livingstone: That's going to be a great feeling when you hear those stories.

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Ann Weiser: Absolutely and so I think the strength of the sales force in the US and Europe was a wonderful complement and a real benefit to what help Blizzard looked at the combination. On the Activision side while we had that strong footprint in primarily North America and a growing footprint in Europe, what we didn't have was a presence in Asia that Blizzard has been so successful in growing and so we look at their experience and their footprint in Asia as a real opportunity for us to learn and to leverage and one perfect example of that is Vivendi had put in place and developed a studio in Shanghai to do art, outsourcing art is a very common practice in our business and helps manage the overall cost of the development project and we had never been able to pull together the resources or the wherewithal to really get a footprint in China to do outsourced art and so we used contractors.

So once the acquisition was put together, many of us started talking about Studio Chin, Studio Chin, what are we going to do with Studio Chin and finally we convinced the Chief Technology Officer to make a trip out to Shanghai and visit Studio Chin and make an assessment of what they're capabilities are and I think he went with a little bit of a jaundiced eye saying, you know, we're so much better at, you know, a company, how can they have anything that's worthwhile and he walked in, spent a couple of days and came back out and said "This is a great opportunity we need to keep this studio going, we may need to reshape it slightly" and so those are the kinds of learning's that I think we're able to sort of fast adapt if you will that for us to be able to have a free standing facility in Shanghai would have taken years and incredible legal expense and all kinds of local knowledge in order to be able to establish it and sort of in one visit we were able to go from not having anything to having, you know, 70 plus employees and so it's that level of learning, those relationships that I think will really benefit Activision in Asia because it's an incredibly untapped market for consoles and especially for western publishers and Blizzard seems to have figured it out and we're anxious to learn from them.

Dean Linda Livingstone: We're clearly going through a really challenging economic time around the country right now, how is that being viewed at Activision Blizzard and how are you preparing for that, what are you sort of anticipate and how do you even from an HR perspective beyond what the company's doing manage through a time like this?

Ann Weiser: Wow that's a big question and there's a lot of different ways to take the response to that; let me start with the public answer, which is last week during our earnings call we reaffirmed our business plans and our profit projections for 2008. One of the few companies in our industry and in industry in general who have been able to do that, we're very optimistic about the quality and the number of games that are coming out this holiday season from Activision and Blizzard. Mention the *Wrath of the Lich King* that was just released and we have a new James Bond game that was just released this weekend, a new Guitar Hero game and the list goes on.

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So we feel really great about the slate of products that are being released and the number and the range of potential audiences that might be attracted to a particular game, you know, one customer is going to buy *Call of Duty* and another customer is going to buy *Madagascar*. So we feel good about we have in the market place, what is still I think a great uncertainty for any company such as ours or anybody who sells through retail is, you know, will the customers really show up and you know, our five big customers in the US, Target, Wal-Mart, etc. very cautious about their holiday season and, you know, Wal-Mart's continued to do well but some of the other retailers have had a tougher time and are concerned about what the holiday season will bring for them. Circuit City was a big customer of ours and they filed for bankruptcy; they will continue to operate but it puts us in a different situation in terms of dealing with them.

So we are cautious in light of what we're hearing from our customers. There are many who view the video game industry to be recession proof, in part because it's a relatively cost effective product, it's a great value for the money if you think about the amount of times someone spends playing a game and in comparison to what other entertainment venues might cost, it's a lot more expensive to go to a football game or buy a book or go to the movies than it is in terms of minutes of entertainment hours or minutes of entertainment relative to the cost. So we provide a great value and so we think people will see that and so we're hopeful about that piece of it. So on the business side we're cautiously optimistic, we have looked at where we see great sale through of our product, *Guitar Hero*, *Call of Duty* have been very successful in the market place so far.

In the places where our products are not as-- we're not seeing a stronger sale through, there's some very dedicated promotional activity that's going on literally as we speak on how we shore up and promote in a more aggressive way products that don't seem to be as popular as some of our other products, you know, we want to make sure that we're not relying on just one or two games to sort of get us through the holiday season, we want them all to be successful. So that's what's happening in terms of sort of shoring up those places that may appear to have a little bit of potential weakness. On the HR side, you know, many companies have made some and you read it in the newspaper every day, have made some very dramatic decisions about layoffs, about hiring freezes, people temporarily or permanently suspending the companies match to a 401K plan, reducing the merit bonus budget, you know, all kinds of things going on.

Dean Linda Livingstone: We've experienced some cutting back on their educational reimbursement programs as well unfortunately.

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Ann Weiser: Yeah so I think lots of employers are looking for every opportunity to sort of manage their expenses going into '09 and either in response to what's happened in their industry or in preparation for what could happen in their industry. We have traditionally been a company that doesn't live high on the hog and we have a CFO who keeps a pretty, you know, pretty tight handle on the purse strings and we have a good discipline and rigor in the company around managing operating expenses. As an example we're going through the budgeting process right now and so we have been asked to submit two budgets, our budget and then a contingency budget in the event we are asked to be flat to current year. So it's those kinds of anticipatory practices that we are putting in place that I think are reflective of a more disciplined operating expense culture.

We have had the discussions about, you know, what if, what if, what if and we've said, you know, we're going to ride it out, we don't have to make some of these decisions until into '09, we're a flexible and nimble enough company that if we have to make some decisions about some of these benefits or things of that sort that we will, if we have to. Our feeling at this point is we feel like we're going to have a good holiday season and we're not going to have to take those kinds of actions. But rather than really taking advantage of great years and then falling really sharply when we don't have as great a year, we're a company that's tried to be more conservative in the management of our operating expenses and I think that's helped us.

Dean Linda Livingstone: So now to the real serious question of the day, do you play your own games and what are your favorite ones that you have at Activision?

Ann Weiser: I think my favorite is Guitar Hero and, you know, we actually have a new version of Guitar Hero that I think is really terrific which is Guitar Hero on the DS, so it's the hand held and what I love about it is that it is portable, you can take it wherever you go, you can play it on an airplane, you can play it, you know, sitting on a train or sitting in the back seat of your car. But what I think is really cool about this is the technology that went into the development of this.

We have a small development studio in Albany, New York of all places run by two brilliant brothers who started their software development company, their video game company when they were in high school, I think in their parent's basement and this particular studio is known for innovative technology and looking for ways to take an existing product and really expand its use and so they have a little innovation lab in their studio and they came up with the attachment to the hand held that has four chords on it and so you can actually plug it into the back of your hand held DS and, you know, put it in your game and with the stylus, it looks like a little pick for a guitar and you can actually play it holding it in your hand and I think it's

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a great application of not only a fun and really enjoyable game in Guitar Hero but a really creative use of technology, in a way that people would never have expected. So I think today that's my favorite game.

Dean Linda Livingstone: When it's those kinds of innovations that will allow you to stay ahead of the competitors and to continue to be successful as a company, hopefully even in these early difficult economic times.

Ann Weiser: Absolutely and, you know, things like the DS appeal to a younger audience and or travelers and so we're able to get into niche markets that we wouldn't have normally.

Dean Linda Livingstone: Well I know my family enjoys the games because my husband loves Call of Duty and my daughter doesn't have Madagascar but I bet she would love it, so we may have to go out and get it and we certainly all enjoy playing Guitar Hero when we have a chance to do that. To kind of bring our discussion to a close today, we in the Graziadio school talk about developing value centered leaders and really advancing responsible business practice; so would you kind of as we close today talk a bit about the role of values and thinking about that in the context of what you do at Activision, how that's important and how that plays out in the context of your work.

Ann Weiser: I have two great stories to tell related to that, we have a process within our company that we call the OGSP, O for Objectives, G for Goals, S for Strategy and P for Plan, so it is our one page strategic plan and it is a exercise that the management team uses as our guide book if you will for managing the business every year and as part of the OGSP, very prominently on the top of the page we have our mission and then we have our values and our values are creativity and innovation, ethics and of course I'm gonna forget the third thing, accountability, of course and so I think there's a constant reminder in our leaders that it's one thing to have a great strategic plan, to have really well thought out tactical efforts to accomplish those strategies but if you're not doing it in the context of the values of the company then your work is sort all for naught.

And as we approach the '08 planning year, I remember very clearly the CEO sitting at the table with his management team and saying, you know, last year, you know, we were spot on in terms of getting our strategies right, measuring the right metrics, having a great planning process, we didn't talk as much about values in the context of our work as we will in '08 and he said I really want us to think long and hard about how we make the values more prominent in our business. One of the takeaways for us in HR is we're just launching next week our first ever leadership development curriculum for our Director and Senior Director level and one of the things that we've built into our-- it's about a four month training

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program, one of the things we've built into that are case studies around our values so that we can break the group up, there's about 35 participants, break them up into small groups and we have sort of tough challenging ethical or compliance related questions that we want the group to grapple with, to discuss and then share their perspectives and thoughts with the rest of their audience or the rest of their peers in the group.

Our view is that people really need to sort of wrestle with those tough issues and really sort of sort out how they would deal with those things that they might face in the business. So that I think is the sort of the macro answer to your question and how we have incorporated values into the way we operate our business both at a very strategic level and also how we integrate it into our work in HR. The second is I had a meeting today with our Corporate Compliance Officer and she came to see me about an idea that she has on setting up a steering committee for the compliance effort and we talked about, you know, who should be on it, what are the kinds of subjects that we need to cover, you know, what are the things that she wants the committee to weigh in on.

We talked about having our-- we have a board member who is her point of contact for the compliance committee, having him come in and speak to the group, so it's very much a part of how operate our business every day and I've come from companies that have had very well established ethics and compliance functions and that is one of the other benefits of recruiting people from big companies like Proctor or Pepsi or other organizations like that, they've got more established business disciplines like an ethics committee or a compliance function and so when you talk to the CFO about wanting to do this kind of thing, he gets it, he has the experience with it, he knows its value and I think that's one of the other great benefits of Activision is that while we have the look and feel and the flexibility of a small startup in some ways in a fast growing industry, we've got very talented, seasoned leaders peppered all throughout the organization who come from more disciplined established regulated organizations and we can bring that value to this fast growing, you know, adolescent company.

Dean Linda Livingstone: Well Ann it's been fascinating visiting with you today and thank you so much for sharing your insights and wisdom with us, we appreciate it so much.

Ann Weiser: Thank you very much it's a pleasure.

Rick Gibson: Well Linda that was certainly an enjoyable conversation.

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Dean Linda Livingstone: It was, we really enjoyed our discussion and hearing about the work that they're doing in the gaming industry.

Rick Gibson: Well tell us who we can look forward to hearing from next?

Dean Linda Livingstone: We start after the first of the year on January 20th with Julia Stewart, Chairman and CEO of DineEquity, DineEquity supervises the restaurants Applebee's and IHOP brands, so it'll be a very interesting conversation with Julia.

Rick Gibson: Sounds like a tasty interview, so. Well let me invite our listeners who are enjoying these podcasts to subscribe by going bschool.pepperdine.edu/DELS and we'd like to invite you as well to go to our YouTube channel or iTunes; until next time, thanks for listening.

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