



CEO EXCHANGE PROGRAM #408 TRANSCRIPT

“THAT’S ENTERTAINMENT: New Ways to Enjoy TV, Movies, and Music”

FEATURING BOB WRIGHT AND DOUG MORRIS

TAPED ON APRIL 10, 2006 AT THE FORDHAM GRADUATE BUSINESS SCHOOL IN NEW YORK.

TEASE

New technology is creating dazzling opportunities and brutal competition in the entertainment business. From the Fordham Graduate Business School in New York, two CEOs with great track records, NBC-Universal’s Bob Wright. “We want to find a way to bring programming to the internet. There are a lot of people that want that.” And Universal Music Group’s Doug Morris. “Well the low moment was when I got fired and the high moment actually is right now.” That’s next on CEO Exchange.

SPONSOR SPOT

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OPEN

One world, many ideas, inspiring the next generation, shaping trends and forging the future, ideas that change the way we live. CEO Exchange. And now your host, Jeff Greenfield.

JEFF GREENFIELD

Thank you. Thanks and welcome to CEO Exchange. I’m Jeff Greenfield. What a kick it must be to run a big worldwide entertainment company. The stars, the glamor, you rub shoulders with the rich and famous, and oh yes, that sound of the earth opening up underneath your feet. Because the entertainment business, as our two CEOs do it, when they began their work, has been shaken to its roots. How it is

delivered. Where it's seen and heard. How and even if it is paid for. And even if past doomsday scenarios haven't come to pass, TV didn't kill radio. VCRs didn't wipe out movie theaters. The brave new world of the web and the iPod means that our guests not only have to find the content that you want, but they have to make sure they're the ones delivering it. No one has seen more changes in the music business than Doug Morris, whose 40-year career has taken him from songwriter to running the largest record company in the world today, even if they don't make records anymore.

We'll be talking with Doug Morris, who is the Chairman and CEO of Universal Music Group in just a bit, but first, NBC-Universal, and yes, it used to be part of the same company as Universal Music Group, but it isn't anymore.

The second most famous scene in *The Graduate*, you all remember the first, but the second one depicted young Benjamin Braddock getting some unwanted advice from one of his dad's friends, who told him, "The key to success in life could be summed up in one word. Plastics." In Bob Wright's case, that piece of fiction became reality when he took a detour from his job as a General Electric lawyer to become head of the Plastics Division, handpicked by GE's legendary Jack Welch.

When GE bought NBC in 1986, a lot of entertainment insiders said that Wright was the wrong man to run a network. The result, one of the longest tenures of any media executive ever.

BOB WRIGHT'S BACKGROUND PACKAGE

"Let's go to the SNL mode here for a moment." Standing in the state-of-the-art control room for Saturday Night Live, Bob Wright is monitoring the future. "This is a complete visual control room. It's tapeless, filmless, everything goes to a hard drive." Television has evolved a bit in the 20 years that Wright has headed NBC. The biggest change? "When I got here, we were black and white, now we're color. No, no." (Laughing) Just joking of course, but back in 1986, Wright's appointment was no laughing matter. NBC's news and entertainment divisions viewed him skeptically. A corporate suite installed by owner of General Electric, to bring some discipline to the network. Now he's become a true media mogul. His typical day? "In early morning, I try to have four, five hours of browbeating subordinates, that's the earlier part, then I like to have a long lunch, maybe two, three hours, and then basically watch television and films the rest of the day." (Laughing)

Not really, but it's a nice fantasy for a middle class kid from Long Island, NY. Wright attended Catholic School and then Holy Cross College and the University of Virginia Law School. Moving his family 11 times in 10 years, Wright first went to General Electric as a lawyer. Left to join a law firm, came back to GE's Plastics

Division, left again to become President of Cox Cable, then returned to GE for good. Wright's cable background prompted him to launch CNBC and MSNBC. "In our cable businesses, we have tremendous fee revenue and we have advertising revenue. That's the best model of all.

Wright weathered the early storm when he took over NBC, thanks to a string of hits that made the network #1 for most of his tenure.

TOM LOWRY, MEDIA EDITOR

"He has been able to under the financial constraints of General Electric, build NBC from a single broadcast network into you know, one of the big four, five media conglomerates out there."

KEVIN SMITH – CEO, NY

Two years ago, NBC took steps to broaden its universal reach. It bought Universal Studios & Theme Parks from the French conglomerate _____, adding a big movie studio to Bob Wright's repertoire. "It is a done deal. The ____ Universal Entertainment and NBC completing their merger as of...."

By all accounts, the acquisition has worked out well, though there was some controversy when Dream Works, a long time Universal partner, sold itself to Paramount Studios instead. David Geffin of Dream Works claimed NBC Universal renegeed on its deal. "He found someone else, quite frankly, and much better terms than he had from us. So you know life goes on."

Looking ahead, Wright has cut deals to license NBC shows on iPODs and other mobile devices.

HAROLD VOGEL, AUTHOR

"Doing nothing with your programming is not an option anymore. You have to go on the iPOD, you have to go on internet distribution. You have to investigate how you get films out to the audience and how you advertise and there's going to be different..."

Ever confident, Wright says, he's not too worried, that NBC is currently in 4th place in prime time. "The last time we fell in a ditch, we ended up with like 12 years of the strongest performance that NBC's ever had."

Certainly a rerun of that success story would make Bob Wright as proud as a peacock. For CEO Exchange, I'm Kevin Smith in New York.

JEFF GREENFIELD

Ladies and gentlemen, please welcome the Chairman and CEO of NBC Universal, Bob Wright... (Applause)

BOB WRIGHT

Thank you.

JEFF GREENFIELD

Well thank you for being here. You left GE as a young person to become a law clerk, and then you came back. You left GE to work in cable and then you came back and I'm reminded, not in terms of the product of the company, but you know that famous line from Al Pacino in *Godfather III*? "Every time I think I'm out, they bring me back?" But is there – was there something about the culture of GE that that kept bringing you back? That it was a special kind of place as opposed to just another big company?

BOB WRIGHT

No, clearly, it's all just a huge meritocracy and if you're good and you really want to press it, you can, because there is – it's such a big company, you can accomplish a great deal, or you can leave and say, I've had enough. I'm comfortable doing – I'm going to go do something else.

JEFF GREENFIELD

A meritocracy, in which first among equals for many years, was a gentleman named Welch, who you got to know at a fairly, fairly early part of –

BOB WRIGHT

I worked for him, yeah. He gave me a business to run over 30 years ago. And that was a big, big stretch. He was just dynamite at bringing, bringing the competitiveness out in people and I enjoyed that a lot.

JEFF GREENFIELD

One of the things that he did that put you right into it, when G.E. got NBC, your tapped to run it, you don't come out of the creative community. I don't think you ever wrote a television script or a movie. And clearly, some of the insiders, the entertainment guys, as I mentioned in my introduction, were skeptical. I think that would be a fair statement.

BOB WRIGHT

I think that's probably a fair statement.

JEFF GREENFIELD

Even Mr. Letterman had some fun with you. I think he said you were developing a mini series about the history of the toaster oven at one point. (Laughter)

BOB WRIGHT

At least.

JEFF GREENFIELD

But the question is as a CEO, did you have a conscious strategy that took into account, okay, I'm coming into this thing facing much more skepticism than if I had gone to a different division of General Electric, and if so, what kind of strategy was that?

BOB WRIGHT

Well I had the benefit, I was 43 at the time, and I had the benefit of having run three other large companies before that. So I had seen what happens when a strategy doesn't work. I've seen what happens when you have no strategy, and I also had been in the cable television and broadcasting business in the early 80s, so I already came armed with views about what we would have to do to be successful in a predominantly television business going forward. And you know, from many respects, the NBC people had a very hard turn in the early 80s, and we're finally heading wonderful programming. They wanted to kind of like take that snapshot and hold it, but the way the world works does, and then too, you just have to be looking forward. So we needed to get into cable television. We needed to get into satellite television. We needed to do a lot of other things, but initially there was a good deal of resistance.

JEFF GREENFIELD

Wondering whether or not there was a learning curve for you? Whether you said, you know what? I can deal with these people, but I'm going to have to figure out a different way than when I was dealing with the people in the plastics division, let's say.

BOB WRIGHT

Yes, it took some – it took time to get to know the people. It took time to get to know the people. It took time to get to see the dynamics. I was very fortunate; we had Brandon Tardikoff, who was the head of programming at the time. And he was really hot as a pistol. But he was also somebody, who, you know, I could really lean on for advice, for thought and I watched him, you know, he suffered through his decisions. He was the hottest thing in television at the time, and he suffered through every decision.

JEFF GREENFIELD

Well he didn't put on Frazier and say in two seconds, "oh yeah that'll be a hit."

BOB WRIGHT

No.

JEFF GREENFIELD

Cheers or Cosby or whatever it was.

BOB WRIGHT

Oh the greatest story there is when I was out there early on and he told me that he had a show that he really liked, but he wasn't sure it would really make it to network. And so he went in to see it and it was the first episode of Seinfeld and it didn't have Julie Louis Dreyfus in it, she wasn't in the first episode and Brandon saw it and he said, "you know," he said, "I think it's too Jewish." (Laughter) He said, "I don't think the audience is ready for this show." And he was always pressing, because he really liked the show, but he never, almost never let on, that he really thought it was that great a show. But he was always pressing people for – and if you said, "Gee, I think it's really funny. I think it's just plain funny. I mean the Jewish thing isn't such a big deal here. This show is just funny." And he said, "Okay maybe we'll take a look, you know, and it took us, you know, we only ordered three episodes and then the next – we ran the three episodes and then Kramer became a part of it, Julie Louis came in and then we did, we did six episodes and then we did 13 episodes so it was three years before it got a full season order.

JEFF GREENFIELD

Has the business changed to the point where I hear this all the time from people in the creative community and I hear it every generation that the decision makers are less and less patient . That it's harder and harder given the business, to give a show time to develop or is that not true?

BOB WRIGHT

I don't think that's true. We have exactly the same situation with The Office that we had with Seinfeld. The parallel was strikingly similar, done a lot of years later. And many of us liked it and some of us didn't like it. And we gave it a shot and I thought it was a great show. I knew that everybody wouldn't like that show. They wouldn't get it. They wouldn't understand what was going on. But it was funny. And we put that show on, and we only had, we only had three of those initially and then we had six. I think we still haven't got a full order. So it's – so you can do that. I don't think that's really you know, I don't think that's really changed.

JEFF GREENFIELD

Okay now you take on Universal Studios. Now you're in the movie business. And one of the first things that happens is that the Chairman of Universal Pictures says, "You know what? I'm leaving. The bean counters are taking over" and I'm just wondering if you – when you heard that, you thought to yourself, here I go again. You know?

BOB WRIGHT

You know we were very disappointed that Stacy didn't want to stay. There were all kinds of reasons that she had, and you know, people like to make things up, just because they want to do something different. But the reality of it is, we ended up with appointing two people as co-chairs and we really, and we changed the organization quite a bit to do that, and it's opened up a whole new level of people that were there, but now have more senior positions, and I think we're in excellent shape.

JEFF GREENFIELD

Your news division has made news in recent days, as you probably are aware, with Miss Couric going to the CBS Evening News, you're getting Meredith Viera to the Today Show. Does it startle you? I mean, you know, if you put – if G.E. and another business put out a new product line, it probably wouldn't get quite the attention, I think it's fair to say, that the change in the Today Show has gotten. What happens when your news division becomes the news?

BOB WRIGHT

Well I mean that doesn't happen all the time, but yeah, Katie was there for 15 years doing this job. She didn't just show up yesterday. And she really wanted to do something else. And she wanted it for personal reasons, for professional reasons and so, I understand that. Actually her going over to CBS has given more attention to that nightly news half hour show, all of us, than anything we could have done. I mean we haven't had that much publicity since Brian Williams took over for Tom Brokaw. Those aren't bad things, you know? Those aren't bad things to have. So I'll live with that.

JEFF GREENFIELD

Before we meet our second guest, Bob, we want to take a question or two for you from the Fordham Graduate Business School students and some other members of the audience. Please come to the mike and tell us who you are please.

FROM THE AUDIENCE

Hi, Mr. Wright. My name is Deni [...]. My question is in regard to the FCC's heightened response to over-the-air indecency. How do you deal with that, especially competing with hard hitting cable network shows?

BOB WRIGHT

Well, the FCC's regulations on decency, only apply to the broadcast networks. The cable networks have various sorts of self-developed criteria and we've actually offered to do more along that line. But they don't really apply to cable and some might like them to do that, and some might not. But today, they don't apply to cable. They only really apply to broadcast. The challenge is, if you only apply them to broadcast, does that make broadcast become less attractive rather than more attractive? And that's a debate we'll always have I'm afraid.

JEFF GREENFIELD

I think we have another question from the audience.

FROM THE AUDIENCE

Hi. Barry [...] from Bravo HR Services. Mr. Wright, when you go to hire a manager or executive in your organization, are you looking for someone who has specific or certain managerial experience or are you looking for the creative individual?

BOB WRIGHT

You're always looking for people that have a lot of potential or real creativity about them, because that's what distinguishes good managers from great ones. But I'm particularly conscious though, that a lot of people aren't really good managers. And if they aren't, that can really hurt you, because the people that report to them will figure that out very quickly, and that kills morale.

JEFF GREENFIELD

Thanks for the question. But what interests me is that for 20 years, you've been running a television network and now a movie studio, in which the principal people that you may have to deal with, actors, producers, directors, writers, journalists with over-inflated egos, are some of the least disciplined people that I could think of in the world. So how does that background that you brought to this job work in your daily life, dealing with people who might not have full respect for that kind of value system?

BOB WRIGHT

Well, I have – I like a broad array of people. I mean I'm not a stereotype individual. I like to hang around with people that have talent, ability, people that come in different flavors, that have different ways of demonstrating it. You know, some people are

outrageous, some people are reserved. Some people are very personal and other people aren't. I can – all of that is a mix to me. I like being in businesses, I always have, with a lot of people, but I especially like businesses where there are a lot of very talented people and whenever you have talented people, you're going to have – you're going to have mixes. Big, broad mixes and if you don't enjoy that, it's not going to be very much fun.

JEFF GREENFIELD

Bob Wright will be back with us shortly. Thank you Bob. As we say, stay tuned, we'll be back in a minute. (Applause)

A lot of people dream about having a career in music and some actually make it for a moment or two, but how many of you think get a four decade run, that ends up as head of the world's biggest record company? As a young man, Doug Morris, wrote the Chiffon's hit, "Sweet Talkin' Guy" and produced "Smokin' in the Boys Room", but his real career began when he joined legendary Ahmet Ertegun to run Atlantic Records, then headed Warner Music, and I think most significant, he fought his way back after a mid-career derailment and wound up turning Universal Music Group into the world's largest record company. With artists as diverse as U-2 and Shania Twain, and L Cool J and Mariah Carey, it's a pretty safe bet that no matter what your taste, Doug Morris has your ear.

DOUG MORRIS BACKGROUND PACKAGE

"This is Sting." Doug Morris knows them all. "This is a picture that Bono, Jimmy Ivene and I took in the South of France." From Sting to Bono to Pete Townsend of the WHO, but among the dozens of photos in his office, a few stand out. "This is my grandson. Actually, he's the one who gave me the idea to charge for the streaming of videos." As CEO of Universal Music, Morris oversees dozens of ____ labels like Def Jam and Interscope. It's the ultimate job for a kid from Long Island, who just wanted to write songs. "I started by writing songs, when I was about 14." Years later, Morris wrote Sweet Talkin guy for the Chiffons. The record went top ten in 1966, song writing success that still comes in handy. "I understand the dream of the artist." Morris's days as a songwriter and record producer, give him a unique perspective in dealing with artists. "It's always about money. That's the first problem. If they sell a lot of records, well they come and renegotiate." And if they don't sell a lot? "I remember when years ago, I signed Debbie Gibson, and her first record went to #1, the first single on her album, and the second single went to #11, and she wanted an explanation. And there's a simple explanation. More people liked the first record."

A decade ago, Morris was already on top of the music world, as head of Warner Music Group. But Morris was fired. The loser in a corporate power struggle. He's rebounded by turning Universal from an also-ran into the #1 music company in the world. Part of his strategy, hiring talented executives who keep him in touch with artists that show promise.

UNIDENTIFIED SPEAKER

That's one of the best performance bands I've seen in a long time. That _____ gives it to you.

Antonio "L.A." Reid was fired by rival, Arista. He was immediately hired by Morris.

ANTONIO "L.A." REID, DEF JAM

For many, many years, you know, I grew up wanting to be a performer, so it was the me game. It was all about me and I quickly learned that, that wasn't the way to really have success. I learned from Doug that you can really defer to others, and other people can actually be right.

And Universal has been right lately, from breaking new bands to revitalizing Mariah Carey's career. (Her song playing)

But the challenges for Morris and Universal are many. Piracy, free downloading, they're taking revenue at a time when CD sales have been falling.

GREG CLARKIN, CEO EXCHANGE

There have been positives from technology as well. Last year, its estimated Universal Music took in about \$500 million dollars from music lovers downloading songs to their cell phones. They're known as ring tones. You simply go to a web site, select the song that you want and download it to your phone for a couple of dollars, and every time a call comes in, that song will be played.

Morris knows the online and digital world holds vast potential for Universal. But first and foremost, he's a music man. "What it's still all about is the music. That's it. Without the harp, which is the music, you're a dead company."

For CEO Exchange, I'm Greg Clarkin in New York.

JEFF GREENFIELD

Ladies and gentlemen, please welcome the Chairman and CEO of Universal Music Group, Doug Morris. (Applause)

Welcome. Lot of fans out there. They may have even heard Sweet Talkin Guy. I danced to it. Not well. I want to fast forward this because you had an experience that many people in business have and many of them describe it as a – well it turns out to be the most significant and in many ways, positive moment of their career, even though at the time, it didn't seem like it. You come to the business as a writer, and you become a producer, and you become an executive. It's a straight up path for you. And now you're at Warner Records, and it's 1995, and the head of HBO, Michael Fuchs, also takes over that era, and you suddenly find that you are not there anymore. I'd like you to tell future CEOs, perhaps, what that's like?

DOUG MORRIS

Well I don't think anyone goes through life unscathed. And I think that everyone who is going to really move up has got to go through some trauma. And it's like if you get past it, people respect you more. I'm much more respected in my new job, than I was as the head of the Warner Group, because I survived being, you know, thrown out the window, going splat on the concrete, and walking - I remember walking down Broadway, getting a ham sandwich and saying, oh oh, what happens now?

I wasn't scared or anything. I just felt time to start again. I know my job and we're going to start from scratch and here we go. But all of the top people that I've come in contact with have gone through trauma. Whether they got beaten like a piece of meat, and suddenly, were able to throw that off and come back. And like last year, the perfect example is, Mariah. She went through a horrible period of bad publicity. They paid her a lot of money but when you're a great artist like she is, it's not about the money and suddenly, she's being disparaged everywhere. And I went and saw her. Actually EMI paid her \$27 million dollars to please leave.

JEFF GREENFIELD

I'm trying to get CNN to do the same deal with me. (Laughter) They're just not –

DOUG MORRIS

Well by the way, she came back and she was very brave and she's very talented and she had probably the best year of her life this year, so it's that kind of experience that I respect and I think, I think all of you as you go through your life, are going to have moments of stress and you get by it. Well I told my kids the same thing. You're going to get beat up at some point and the thing to do is get up and walk up the hill.

JEFF GREENFIELD

Well you not only walked up the hill, you now run, as we mentioned, the large, I don't know if you still call it a record company by the way.

DOUG MORRIS

I do.

JEFF GREENFIELD

Okay, when was the last time you saw a record?

DOUG MORRIS

You're right. (Laughter)

JEFF GREENFIELD

Okay. So it's back in the 1950s when I remember driving my father crazy, by trying to do my homework listening to the AM radio or Alan Freed, _____ or began playing rhythm and blues records, of black artists for white kids. That's what hooked me for life on that music. What hooked you?

DOUG MORRIS

Same kind of music. Back in the 50s. There's a huge change from the _____ of the world, to Danny & the Juniors and all the pop artists of that moment. I'd be home and just taking those simple C, F, G chords and scouting lyrics and melodies over them. And it seems simple, except the songs weren't particularly good. And I remember how many, in those days, it was dimes, you put in the telephone and how many calls I made to publishers, trying to get appointments, so someone could listen to it. And, when I think back on it, those were very very exciting days, because when I would get an appointment to see someone, and go in and play the songs, if I got a bite, it was like trolling. Got a lot of lines in the water, and one day, Lou Levy said, "You know, I like these songs. I'm going to put you on salary." And I said, "Wow!" Course the salary was \$25 a week, which you know, was good at the BBQ place, next door. We had lunch for 99 cents.

JEFF GREENFIELD

There were also, I mean based on the histories I've read of that time, so fairly I'm going to use a very polite word, of colorful people in the record business.

DOUG MORRIS

Well, the guy who finally brought me up to \$80 a week was a guy named Bert Brahns, who was probably the only person in the industry I really was awed by. And he wrote incredible songs like "Twist N Shout", "Little Piece of My Heart", or "Hang on Sloopy" or he produced the Van Morrison record "Brown Eyed Girl". He was brilliant. He had played – well all of them sounded like "La Bamba", but I was so impressed with him, and that just furthered my desire to continue in the business.

JEFF GREENFIELD

Which you did.

DOUG MORRIS

Which I did.

JEFF GREENFIELD

You got to work with Ahmet Ertegun, who was the founder or co-founder of Atlantic Records, really probably is as responsible as anybody else for making rhythm and blues music and early rock n' roll what it was.

DOUG MORRIS

He was one of the people, and probably the primary person who was responsible for changing what they called "race" music into pop music. And I had my own record company, and it was an interesting story. I put out a record on my own label, and it came on the Billboard Charts at about #70, and I got a call from Ahmet Ertegun, saying, "what are you doing putting out the same record that I put out four years ago?" And it was some attorney who had sold me the same record that they had had, and had stiffed. And he asked me for a meeting and we got together and shortly after he bought my record company and I started working there as the President of what was called ATCO Records and the custom labels. Now ATCO had no hits, and the custom label was Swan Song, which was Led Zepplin and Bad Company and the other label was Rolling Stone Records which was the Rolling Stones and Peter . So for me, this was like landing in heaven. I was a fan. It was incredible.

JEFF GREENFIELD

You would sit there and you'd listen to a piece of music coming down the hall from Ahmet Ertegun's office and say, "I like that." And he'd do the same to you. Is it 25 labels that are under the Universal Music Group?

DOUG MORRIS

I don't know if it's 25, but it's four major labels. There's two on the West Coast, one is Geffin Records run by Ron Fair; one is Interscope run by Jimmy Ivone, who is a great story. In New York we have Island Def Jam, where two guys run it. You got Antonio "L.A." Reed, who is, if I could give him a hug right now, and then Jay Zee, who is President of Def Jam.

JEFF GREENFIELD

Can you pick out a song that's going to work if it's from a genre that you just aren't part of, you don't listen to it. You don't even particularly like. Can you do that with rap? Can you do that with reggae?

DOUG MORRIS

No, I wouldn't suggest that I could do it with hip hop. But I can do it I think, I like to think I can still do it with pop and R&B. And I love country music. And we have – by the way, I don't have to do that. I got great people who do that. (Laughter) And, and they're much better than I am and I bow to them. They're the stars of the company.

JEFF GREENFIELD

Are there times though, as a CEO in the pinstripe suit, you know, got nothing against pinstripe suits, that you personally will say, "you know I heard something, and boy, I'm telling you, this is going to work!"

DOUG MORRIS

You're getting me excited now, because there's a record right now, that listen for it, it's a group called Blue October, and there's a record called "Hate Me" and this album is probably the best album I've ever heard by an unknown band. And the lyric of the song is, and reacts with women particularly well. It's hate me for all the things I didn't do for you. And it is the most amazing record and I expect this album will probably be one of the biggest albums of the year. And no one knows about it. So I just love the record!

JEFF GREENFIELD

So this passion that you had as a young boy, ten years old, it's still there?

DOUG MORRIS

More than ever. That's remarkable right? Crazy person. (Laughter)

JEFF GREENFIELD

Yeah it seems to – well I've often said to people that, you know, if you want to be where you gotta be, you've won. And it sounds like you're at where you want to be.

DOUG MORRIS

Well, you know, if you get bitten by the music business, you're in trouble. Because you either become successful and end up singing at weddings or at bar mitzvahs. (Laughter)

JEFF GREENFIELD

We'll look for ya. (Laughter)

DOUG MORRIS

You're right. (Laughter)

JEFF GREENFIELD

Once again, we want to take a couple of questions from members of the audience. Just step to the mike.

FROM THE AUDIENCE

I'm Ann [...] and I'm also a student, MBA student at Fordham. I had a question specifically, you mentioned earlier having your own label and kind of doing it yourself. What are the advantages with the internet coming out and the various things that are at the entrepreneurs fingertips? What are the advantages as a musician, of having a big label?

DOUG MORRIS

Well, look at My Space, or at the old MP3, there was – there's hundreds of thousands of bands. And I don't believe any of them have become successful in a big commercial way. And the reason for that is, there is no one to filter it out and promote it. There's enormously talented people in My Space and in MP3, but you need a record company. It's really a filter that takes the music and then promotes it, and brings it to the attention of a lot of people. Without that, it's very hard to be successful.

JEFF GREENFIELD

Thanks. Bob Wright is going to join us again in just a few minutes, but first, we want to take a guided tour of the Fordham Graduate Business School with MBA students, Sandra Martinez and Paul Burke.

SCHOOL TOUR PACKAGE

(Music)

Hi, I'm Paul Burke, and I'm Sandra Martinez. We're both Fordham MBA students at the Graduate School of Business.

We're here to take you on a tour of our campus in the heart of New York City.

The financial and communications capital of the world. (Music)

Fordham Graduate Business School offers students an exceptional MBA program, along with the traditional business majors like accounting and finance, Fordham also

provides students with the concentration and communications and media management. One of the first in any business school. Our location in the Big Apple provide a welcome opportunity for our students, with access to major television networks, finance firms and a large alumni network, our students get to play in the world's most prominent playground in the business arena.

Fordham's faculty is internationally diverse with many coming from China, Eastern Europe and other countries. Fordham is the first American school to offer an MBA program in China.

My experience at Fordham has been amazing. I was able to transition from a background in science as a high school biology teacher, into a career in finance.

Well that will about do it.

Yeah, we better be getting to class.

Hopefully we'll see you around campus some day. Bye.

Thanks. (Music)

JEFF GREENFIELD

So let's thank Sandra and Paul and the Fordham Graduate Business School for hosting our program today. (Applause) Thank you. Okay, there's clearly a huge public appetite for the inside scoop on the business of entertainment, television, movies, music, so Bob Wright, please come on down and join Doug Morris. (Applause)

I want to talk about the changes _____ in both your business and I actually came up with a perfect example to begin with for both of you. And for you, Bob, it's this. You have a program called Law and Order on about 80 hours a week on NBC. (Laughter) And SVU is on Tuesdays at 9 o'clock, right? Tuesdays at 9?

BOB WRIGHT

10.

JEFF GREENFIELD

But not in my house. Because we have DVR. In my house it's on whenever we feel like watching it. And while we love the show, it's very good, we haven't seen one of the commercials in two years, because we fast forward through them, cause we hate

commercials. Now as a business that exists on advertiser money, doesn't this not give you pause?

BOB WRIGHT

Well most people don't hate commercials. They may not love them but they don't hate them. And if the commercials are good, people actually like them. Now we know that because we do all kinds of testing. We ask people – we ask people at the end of testing, to tell us what they remember about a particular commercial. And what we find is that in sports programs, they generally remember the commercials and they can remember what they liked about it, because they're sports related.

JEFF GREENFIELD

People watch sports live because it's that kind of an event.

BOB WRIGHT

And in scripted materials, it is a little bit different, but it's erratic and a lot of people, a lot of people don't like the disruption of TIVOing. It's not uncommon at all for us to find in research, that people just don't like the idea of erasing programming. So I think there are a lot of you out there, but there aren't that many of you.

JEFF GREENFIELD

To follow this up though, from what I've heard, the advertising industry thinks there are a heck of a lot of us out there, and they seem to be a little less willing for the yearly 10-15% bumps that you guys put on the cost of advertising when there are people like me saying, "vshht, uh uh."

BOB WRIGHT

Well there really aren't that many of those boxes out there, but that is exactly what I'd be saying if I was a buyer too. It's very self-serving. (Laughter) You know the reality of it is, if commercials become an issue in terms of their presence then there are other ways to deal with it. The material can go in the programs, can surround them and do other things. You know, we're going to find out how much of an issue this is, as time goes on. But it's a controllable issue, clearly at this stage.

JEFF GREENFIELD

The question for you is, even though the Napster issue has at least temporarily been put to bed, just on the issue of piracy and it obviously covers not just your industry but DVDs and everything else. Doesn't that pose if not a mortal threat to your business, at least a pretty serious one?

DOUG MORRIS

No, I think that what happened is the technology has caught up with us, and the technology made it easier for people to steal music. So, what did we do? We supported the iTUNES of the world. Which was a very easy to use, it was a complete thought. It went from the store, the retailer, to the iPOD and went click at a very reasonable price. Now what's happened is, the physical sales have been going down, but the digital sales have been going up.

The big thing that happened was in a major market like Japan, the digital sales now have gone higher than what we lost in the physical sales and my view is this is going to happen all over the world.

JEFF GREENFIELD

Now that's at least temporarily good news for you and I see, Bob, that in one way or another, you and your competitors in broadcast are trying to figure out some way to monetize stuff on the net. Disney, as we're taping this, announced that they're going to put stuff for free on the web, but they're going to make it so you can't fast forward through the commercials. CBS is going to sell some old shows for 99 cents a pop. I think your network is developing more internet specific items, right?

BOB WRIGHT

We have the #1 shows on the iPOD. My favorite show The Office is #1 day in and week in and week out. It -- we do it for two reasons. One, we -- we want to find a way to bring programming to the internet. There are a lot of people that want that. So we know that's true. But we want to find a way to do it that's reasonable. We have to protect the intellectual property rights. We can't be giving it away.

JEFF GREENFIELD

You had mentioned that you can't really get successful just on the internet, but I believe this term of viral marketing, where people pick things up, without the benefit of large institutions, I mean nobody sold Friendster or Craig's List, that happened word of mouth. Is it not conceivable that if broadband grows, and if the technology spreads, that a band is going to say, "We don't need to deal with Doug Morris.

DOUG MORRIS

I don't think so. It's been years since there was MP3, and no band has ever gained popularity from one of these internet sites. Not one. With My Space, there's not one band that has sold more than 100 – 200,000 copies.

JEFF GREENFIELD

Now.

DOUG MORRIS

What's the difference? What's the difference now? They're downloading billions. They're trading maybe a billion music files a month. There's no band that's gained popularity. Isn't that amazing? In the record business, what we did, is most of the records that start breaking now, are young entrepreneurial people, who make their own record, because the recording equipment is very inexpensive. They record it. They put it out, goes on a local station. We monitor all of those all around the country. If something starts selling a lot, we try and buy it. We try and make a deal with them. We hire the people, that's where a lot of people come from. On the internet, my guess is, if I'm going to be thoughtful about this, you may very well be right. We'll be there trying to make a deal with people who come off the internet. It's all about talent.

BOB WRIGHT

We finance people with good ideas. We give them our money to go and do what they're going to do. If we thought that you could be that successful doing it on the internet in that way, we would be financing it. You know, a simple, a simple television comedy can be, you know, a \$1.5 million dollars an episode or more, depending on who's in it. And you just can't make 10 of those on a lark.

JEFF GREENFIELD

We want to take another question or two from the audience. Just like Bob Barker says, "C'mon down."

FROM THE AUDIENCE

My name is Louis [...]. I'm from Fordham University. My question is directed for both of you. Piracy of music and video entertainment has been rampant in overseas markets like China. As a global media company, what strategy or business model do you think it will take to succeed and capitalize such a large and lucrative market?

BOB WRIGHT

It's very hard. China is you know, we can't really operate in China. It's just too difficult. I think the simple answer to it is, we need to try our very best to get every country to have some intellectual property guidelines, rules, laws, but I think we also are going to have to be very careful that we get the price points that we offer material, at the lowest possible level. If we think we're trying to sell DVDs to average people, then we better get prices that are reasonable for average people where we're selling it. So I think great price discrimination around the world and getting down to those levels is going to have to be part of the case, whether we're doing it on a file service basis or we're doing it on hard copy.

JEFF GREENFIELD

Same issue with you?

DOUG MORRIS

Yeah.

JEFF GREENFIELD

Okay. One of the things that both of you deal with. Most CEOs don't - this is directly. It's the whole issue of the social responsibility of what you produce. When I was a kid, Hank Ballard and the Midnighters did a song called "Work With Me Annie" that nobody put on the air. And we all remember what happened to Elvis. You couldn't shoot him below the waist on Ed Sullivan. And then there was the Rolling Stones on Ed Sullivan, they couldn't sing "Let's Spend the Night Together." Is this the same or is there something about cop killer/gangster rap music and music about sex, the lyrics of which I could not and you would not repeat on this show, that are different?

DOUG MORRIS

Well, you know, the music, the rap music today is what the rock music of yesterday was. It's the most provocative music. It's the most rebellious music. And it's the music that the parents of the kids hate the most. And we're not censors. And we sticker everything and we do not advertise explicit product, anywhere near where children are involved.

JEFF GREENFIELD

So if a lyric and as I say, I'm not going to repeat the lyrics here, talk in the most graphic ways, not about sex, but about the most violent, imaginable treatment of women, including the most brutal and sadistic kinds of acts. In your view, this is no different from "Good Golly Miss Molly, you sure like to ball?"

DOUG MORRIS

Well, let's talk about Eminem. Okay? Now Eminem is mainstream. He got an Oscar. He's gotten some - he's gotten every award that can be given and his music is the most graphic music and I think some of it probably people would say it's homophobic. Now look what happened. Elton John called up and said, "I want to work with this genius." They appeared on the Grammys together, and they worked together. What's happened is times have changed. The way young people interpret lyrics today is very different from the way you and I did when we started. I watched the whole thing. When I started, you couldn't have the word "damn" in a record. It

was beeped. Today, basically anything goes because the F word or anything like that, it's not interpreted the same way.

Now the real answer to your question is, who's the artist? What's the purpose of the language? Is there a reason for it or is it just garbage meant to provoke people? That's really the question record company executives have to make.

JEFF GREENFIELD

Cable can do pretty much what it wants in terms of language and what it shows. You could not put the Sopranos on NBC using the language that they use.

BOB WRIGHT

It's funny how people react. People see cable as different, but they don't want it to be too different from the television that they've seen for a long time.

JEFF GREENFIELD

But one thing I've noticed and it's not – God knows not confined to your network, is it does seem to me that the broadcast networks have clearly pushed in that direction. Not just the material, but particularly the promos. I don't remember the last time I seen a prom to a sitcom where the subject matter wasn't essentially sexual.

BOB WRIGHT

They're designed to, you know, be exciting, be interesting and provocative. There's no question. You know, the intention of broadcasting is never to be out of pitch, out of rhythm with the – it's a broadcasting service, it's got a broad base of viewers. So what was appropriate you know, 20 years ago, now may seem awfully out of date today.

JEFF GREENFIELD

There's a great story about the movie business that a friend of mine told me, apparently real. Back in the 50s and this movie studio invested a fortune in a movie, biggest stars, biggest director, biggest writer, the executives are in New York. Opening day and they're in Times Square looking at the big theater, Loews Aster, whatever, nobody shows up! And one turns to the other and says, "How did they know?" (Laughter) And I'm wondering whether or not there is an element to that, that for all your research and all your tests and all the people who work for you, that there is a part of what you do, where you just – you don't know what's going to be the hit, you don't know if it's going to tank?

BOB WRIGHT

Well I'll tell you what you do know. When you see something developing and it's no different whether it's a film or it's a television show. If you hear about it developing great script, great ideas, and so forth and so on, coming along all very well and you've got into casting and you're looking at a lot of people and all of a sudden, late in the stage, you hear that they're going with some enormously expensive individual. You know, right away, there's a problem, you know? Cause what they're doing is, they're saying, "this didn't actually come together the way we hoped."

JEFF GREENFIELD

It strikes me in both of your cases, the human capital issues you deal with are utterly different than most CEOs deal with. The people that you hire would often make tons more money than you do. And in some cases, their fans regard them as Gods, which at least in some cases, as musicians and actors and even journalists, perhaps they've come to believe that they are Gods. So are there not special skills if not, heavy drugs that will help (laughter) deal with these kinds of situations?

BOB WRIGHT

Well you know when the success arrives, there are lots of authors of it and there are a lot of people who want to participate in it. That's a very natural thing. So if somebody has the great fortune of just becoming enormously successful, you know you're going to get that knock. You know you're going to have that conversation. Now how you handle it is, you know, there is no pat way to do it. It's a question of where you're going and what the options are and so forth. But I think it's human nature to have some of that. Most people, even the most decent people we deal with, have lawyers and agents and managers and other kinds of representatives who make their entire living you know, telling them that they're doing something for their talent and that something is usually saying, "Well you're woefully underpaid, you really aren't getting a good deal here. You should be doing much better."

DOUG MORRIS

Well I'm very fortunate, because in my career, I've wanted to be an artist and I was a songwriter and a producer, and I know the first time I ever heard a song of mine on the radio, it was like one of the greatest rushes I ever experienced. So understanding the dream of the artist is a very big advantage. And they know that I get it.

JEFF GREENFIELD

There were times in your career when you would – you had a year or two and say you've taken over a record company and the first couple of years, you invested in and things didn't click. It took a while. You had a long run as the #1 prime time network, you are not the #1 prime time network and you've been very candid about this. But my question is, as a leader, is how do you communicate to the people who work with

you, a sense of confidence, a sense that we're going to get through this, when they take up the papers every day or the trades and see unpleasant news?

DOUG MORRIS

Well the people that I work with, they are animals. They just want to win. They're the most competitive group of people I've ever met. I would not like to be between them and whatever they want. It's about who you pick to run your companies. We have the good fortune to have the Michael Jordans of the record business. They're all in one place.

BOB WRIGHT

In broadcast what we wanted to do is, we wanted to get down from #1 to #4 so we could finally say, "you guys can do better! You guys can do better, you know?"
(Laughter)

JEFF GREENFIELD

But more seriously before we turn to the final set of questions. In more recent years, you devoted a lot of attention to something outside the office and that is your work in trying to raise money for autism. And I'm interested in knowing whether or not you feel that's changed the way you look at what you do?

BOB WRIGHT

Well I have a grandson who is 4-1/2 years ago, who is autistic. And he was diagnosed two years ago and he, you know, he has some tremendous difficulties. He didn't have anything to do with this. His mother and father didn't have anything to do with this and he was developing very well and he talked and was potty trained and he was developing very well, and all of a sudden his ability to learn just shut down. And he has withdrawn and you can see him in there, but you don't know whether he understands you. You don't know – I thought well this is something we can fix. I thought we could do this quickly. We could get the right doctors and then I realized we had a condition here that was not only not fixable directly, but it was involved in almost two million other little boys, little girls and older people. And that 1 in 166 children born in this country will be autistic. So we decided that we would go out and try to raise a lot of money for awareness, to tell people what we had found out, because I was shocked. And people don't get reimbursement from insurance companies. They don't get – in many school districts, they don't get attention. They don't get government help either. They're really outside the medical system. I've been lobbying Congress for years. I go to see them about this topic and you know, in

many ways, they're you know, they're much more interested – they're much more attentive as they know, you know, this isn't – this isn't a political issue.

DOUG MORRIS

I'm very interested in a charity that's called Robin Hood, which is a charity that helps poor people in New York But see my problem with all these charities, when I get involved, I'm always relegated to the same job, which is begging for talent for these shows that raise – like last year, Stevie Wonder performed for Robin Hood and raised \$31 million dollars in one night.

JEFF GREENFIELD

Going to take a few final questions from the audience and please remember to identify yourself

FROM THE AUDIENCE

Hi, good afternoon. My name is Patricia [...] and I'm a student at Fordham University's Graduate School of Business. My question is for both gentlemen. What's the one thing you wish you knew when you were 25 that would have made your life easier today?

DOUG MORRIS

The truth is for me, I don't think, I just think you have to live your life and you learn the lessons on the way, and you have to prepare for things that aren't always going to go your way.

BOB WRIGHT

I would have worked harder when I was 20, 1,2,3,4 and 5. (Laughter) Because it would have made – it was – you learned later how much you could have learned earlier. But I tell you I was an optimist. I've always been an optimist and it served me very well. So I would never give it up.

JEFF GREENFIELD

You didn't ask me, but I'm taking moderator's prerogative. I wish I had known how utterly unimportant the opinions of so-called important other people judging you are. I wish I knew how much more important it is to go on your own beam, because you know, the rest – there's a gold Amish expression "so soon we get old, so late we get smart." If I had known that earlier, it would have saved me a lot of unnecessary stuff, cause you don't have to sweat that. Thank you. I think we've got another question from the audience.

FROM THE AUDIENCE

My name is [...] and I'm a first year MBA student at Fordham. You two have been CEOs for a long time. Can you reflect on that tenure and pick out a couple of the highest moments and a couple of the lowest moments of that tenure?

BOB WRIGHT

Well for me, the highest moment probably was the launching of CNBC, which is something I really wanted to do. And it took a lot of effort and time. The lowest moment was probably the launching of a thing called the Triple cast, during the 1992 Olympics, where we had three channels of programming for \$149 and my family and I bought most of those. (Laughter)

DOUG MORRIS

Well the low moment was when I got fired and the high moment actually is right now. I've never enjoyed myself more and it's a lot of fun.

JEFF GREENFIELD

Thank you. So before we close, we're going to the last part of the show is something that we have come to call the lightening round. In which I'm going to ask each of you some very short questions, and I'd like you to just go with the first thing that pops into your head and no consultation of any wireless devices that you may be brought with you. So it's your last meal. What is it?

DOUG MORRIS

Yeah, frankfurter. (Laughter)

BOB WRIGHT

Pepperoni pizza.

JEFF GREENFIELD

By the way, these gentlemen, who probably have the means to order somewhat classier food (laughter), are choosing cholesterol rich, unhealthy food. Before I get too old, or infirm, what I really want to try to do is?

DOUG MORRIS

Continue what I'm doing.

BOB WRIGHT

Finish my role with autism and spend a lot of time in art history, architecture.

JEFF GREENFIELD

Favorite movie?

DOUG MORRIS
Godfather. (Laughter)

BOB WRIGHT
The Gladiator.

DOUG MORRIS
(Laughing)

JEFF GREENFIELD
This is going to be tricky for you. Favorite song?

DOUG MORRIS
I like the U2 song, It's a Beautiful Day.

BOB WRIGHT
Hound Dog with the King.

DOUG MORRIS
With the King.

JEFF GREENFIELD
Well as a well known content provider of his day once said, "Our revels are now ended." I'd like very much to thank Bob Wright of NBC Universal and Doug Morris of Universal Music Group for letting us into their high-powered, as they say, world. And if this meeting of the minds has helped contribute in any way to the world's marketplace of ideas, that is the business of CEO Exchange. I'm Jeff Greenfield. Thanks so much for watching. We'll see you next time. (Applause)

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