

Great Brands, Great Content, Great Audiences

An Interview with Philippe Dauman,
President and Chief Executive Officer, Viacom Inc.

EDITORS' NOTE Before joining Viacom, Philippe Dauman was Co-Chairman and Chief Executive Officer of DND Capital Partners, L.L.C. from May 2000 until September 2006. Prior to co-founding DND Capital Partners, Dauman served in several positions at Viacom, including as a Deputy Chairman and Executive Vice President of Viacom Inc. He is a director of National Amusements, Inc.; Lafarge S.A.; and the KIPP Foundation, as well as a member of the Academy of Motion Picture Arts and Sciences and the Business Roundtable. He serves on the Executive Committee of the NCTA, the Board of Trustees for The Paley Center for Media, the Board of Trustees of the North Shore-Long Island Jewish Health System, the Executive Committee of the Lenox Hill Hospital, and the Board of Trustees and Dean's Council of Columbia University Law School.



Philippe Dauman

COMPANY BRIEF Viacom (viacom.com) is a leading global entertainment company delivering content to its audiences via television, motion pictures, and a wide range of digital media. With nearly 170 media networks, Viacom's brands include MTV, VH1, CMT, Logo, BET, Centric, Nickelodeon, Nick Jr., TeenNick, Nick at Nite, Comedy Central, TV Land, Spike TV, and Tr3s. Paramount Pictures, America's oldest film studio, continues today as a global producer and distributor of filmed entertainment.

To what do you attribute Viacom's growth and how has the business performed so well for so many years?

Viacom is a content company with great brands, and it's that focus that has resulted in the success we have enjoyed.

When you have great content, you can take advantage of the existing and emerging distribution technologies. The developments in technology are exciting for us because they give us new ways to reach our viewers, our Tweeters, and our audiences everywhere they live. We are developing new kinds of content and more of it for our audience on these platforms.

It's that focus on creativity that has made us successful. We also have a lot of good people who know how to monetize the great content we produce.

In addition, on the movie side, we have had a powerful lineup of franchises.

How do you balance digital with traditional revenue?

We do it holistically. Our digital organizations used to be separate from the traditional producers of television for example, or from those who sold ads. We have, over the past few years, made it all one because people no longer distinguish how they get their content delivered. They want great content wherever it appears.

When we look at advertising revenues, affiliate revenues, or distribution revenues, we look at it as a whole and we manage it that way. We look at the different partner relationships we have and what kind of content we give to each. This gets replicated outside of the U.S. as well as domestically.

International growth is also a big part of our story. All of the great content we're producing here can be exported through channels reflecting our brands, be it MTV, Nickelodeon, Comedy Central or many other brands.

We are also developing new content internationally, some of which is coming back to the U.S.

New technologies and international growth are the pillars of the future development of Viacom.

How strong is the economy in the U.S. and will much of your growth be international?

We're seeing a low level of growth in the U.S. compared to previous periods of recovery.

Some of it has been driven by low-interest rates, which have persisted, but they can't stay at the level they're at, so we need fundamental growth and investment.

Part of the problem is there hasn't been a quick enough recovery in areas like housing and exports. There have also been unclear government policies, or policies that are not always geared towards improving growth.

There are some signs we can draw some optimism from. We are seeing better growth in Europe in our own business. We also see continued opportunity in a number of emerging markets around the world.

We hope there will be more pro-growth policies coming from different federal and local branches of government, promoting investment,

having a more competitive tax structure from a corporate tax standpoint, and having business confidence translate into more capital investment, which ultimately is necessary to drive the economy.

How significant is Viacom's growth in the U.K. market?

The U.K. is currently our highest-performing international market from a bottom-line standpoint. We have over 20 cable networks in the U.K. and we have announced the purchase of the Channel 5 Broadcasting Group in the U.K.

Because we are programmers, we're excited by the possibility of creating more original programming for Channel 5 to add to its current slate, and we can bring that programming to our networks around the world, including the U.S. It's part of that virtuous programming cycle. We're spending more every year on creating content, and to the extent that we can disseminate it to more geographies and technologies, the more programming we can then create, which goes through that whole cycle again.

Is content really king?

Yes, but we also believe in great brands. We create a passionate relationship among brands and our audiences, and the content is developed to fit those brands.

We put out close to 15 movies a year, many of which are associated with brands. For example, we have an animated features division that will start releasing movies in February with SpongeBob, which is tied into our Nickelodeon brand. Some of the freestanding franchises are brands unto themselves, such as Transformers, which ties in with Hasbro toys. We participate in the consumer products revenue that Hasbro generates from the characters in the Transformers movie.

Is there interaction among brands?

We coordinate where it makes sense. We have a lot of networks that are run by managers. These networks are bundled into network groups where there is a logical tie-in. We have a Nickelodeon group and several networks within that, such as Nick at Nite, TeenNick, Nicktoons, and Nick Jr.

Then we have the music group, which includes MTV, VH1, CMT, and Logo; The entertainment group, consisting of Comedy Central, Spike, and TV Land; and BET Networks, which also includes Centric.

In the context of developing or acquiring programming, because we run third-party programming, we try to coordinate among our networks and there are many cases when we can cross-market shows. When we have a tent-pole event, we can promote it not just on the network running the event, but also on other networks that we own.

Will there be more opportunity for partnerships like those you have with Amazon and Twitter?

We know a lot about technology – we have engineers and data scientists working for us, but we need to partner with others who focus in technology areas.

We have worked closely with Twitter from almost its inception. We were the first to have Twitter VJs and we worked with them on our events, and our events tied to programming.

We did a big deal with Amazon, involving a lot of our content for their Amazon Prime product, which was primarily a product aimed at getting people to shop on Amazon, but now has great video content as well.

So we work with different partners where it drives our business while also driving their business.

Is it challenging at your size and scale to maintain an innovative culture?

It's very important to drive innovation in any company. It's a very competitive global world and you can't sit still. You always have to find the next hit show and you have to find new ways of delivering it. We pay a lot of attention to it.



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A core value for us is innovation. We drive it throughout the organization and we try to make sure we don't get bureaucratic in requiring too many levels of approval to start an initiative. We give people free rein to exercise their creativity, which is not just in the show or movie arena, but also in business creativity – finding innovative ways to do business and avoiding the idea that the old way is the only way.

We have always welcomed new companies that have emerged. We talk to them all. Sometimes we help them fashion their ideas to reflect the world as we understand it.

In some cases, we're not prepared to be their partner right away and, in other cases, we embrace them and we find that they add to our ecosystem.

How critical is it that the workforce mirrors the diversity of your customer base?

Inclusion and diversity are core parts of our culture. We have to reflect our audience, and we also get more good ideas with more diversity of thought and people inside the company.

We have Employee Resource Groups, so to the extent that we have programs that are geared to the Latino audiences, we will show the programming to our Employee Resource Group, which is called Somos. It engages our Latino employee population. It's not just a way for them to socialize and attend presentations; they truly are a resource for us.

These activities allow us to attract more diverse talent. We've created these kinds of groups internationally as well.

We also provide mentoring opportunities for employees coming into the company and mobility programs, so we have diversity at all levels.

How important is corporate responsibility to the culture of the company?

At any one time, Viacom is involved in about 50 core social programs across our networks. In some cases, it is a cause that has been adopted by one of our business units, at a network for instance.

Spike has maintained a Hire-a-Vet program for the past couple of years, which has become a core cause for them and an initiative through which they have engaged corporate America.

Get Schooled is another organization that we created, which is an umbrella cause for all of Viacom, related to improving a level of public school education in the U.S., which of course is good for business but also for society.

We also get involved in environmental issues, health campaigns, and in encouraging people to vote, which is a global effort.

It's gratifying to see how the younger generation of our employees is, in particular, socially engaged. When we do our annual Viacomcommunity Day event, where our employees get the day off to volunteer for events, we set record participation levels every year.

You are also Co-Chair of the Partnership for New York City this year. What makes the Partnership so effective?

It was created at a time of crisis for New York. David Rockefeller engaged the business leaders of that day in a nonpartisan effort to save the city from financial crisis. It proved its effectiveness back then and it's that legacy that has been carried through, and the business leaders of New York have really responded.

It has from that time on been recognized as an organization that makes a difference, and that can engage with Democratic or Republican governors and mayors, and public officials, and can make things happen.

You can get anything done in New York if people want to tap into that energy and expertise. I've found the leaders of New York businesses to be very engaged in their communities and we cheer each other on.



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New York is a great city because of the combined effort of the public and private sector, represented in part by the Partnership for New York City.

The reason that New York is such a great draw for tourists around the world is because it has become a safer city over the years, and it's important for that to be maintained. Because New York has had great real estate development and world-class cultural facilities, we draw businesses to New York and provide more employment opportunities.

There is a lot more to be done. We have in the Partnership and have had for many years a great leader in Kathy Wylde, who knows we're all busy but will tap us for help when needed.

We think it will be a force for good for generations to come.

What makes for an effective leader in a role like yours?

The most important thing a leader can do is to pick other good leaders in the company and review the talent at every level of the company on a regular basis. It is about providing growth opportunities for people in the company.

It's also about having a culture of transparency. Part of staying entrepreneurial when you're a large organization is making sure that you don't have silos – that information gets shared readily so it can be used by all parts of the company to move the business forward.

It's equally important to create a vision and a strategy that's easy to understand and communicated well, so that even a large organization can move as one.

The need to do all those things well has been intensified by the fact that everyone is moving faster. If you can't move quickly with a strong team of people who are good leaders, it becomes very difficult to succeed. ●