

Creating Value In Media And Communications

An Interview with Strauss Zelnick, Founder and Managing Partner, ZMC

EDITORS' NOTE Strauss Zelnick founded ZMC in 2001. He has a long history of leading media and communications enterprises and is deeply involved in originating investments, advising executives, and guiding the strategic and operational initiatives across all portfolio company investments. Zelnick currently represents ZMC as a director of Education Networks of America, Inc. He serves as Chief Executive Officer and Chairman of the Board of Directors of Take-Two Interactive Software. Previously, he was on the boards of Cast & Crew Entertainment Services, Alloy, and Naylor. He also served as Chairman and CEO of Columbia Music Entertainment, Chairman of ITN Networks, Chairman of Direct Holdings Worldwide and OTX. Prior to forming ZMC, Zelnick was President and Chief Executive Officer of BMG Entertainment, at that time one of the world's largest music and entertainment companies with more than 200 record labels and operations in 54 countries. Before joining BMG Entertainment, he was President and Chief Executive Officer of Crystal Dynamics, a producer and distributor of interactive entertainment software. Earlier in his career, he spent four years as President and Chief Operating Officer of 20th Century Fox where he managed all aspects of Fox Inc.'s worldwide motion picture production and distribution business. Zelnick spent three years at Vestron Inc., two as the company's President and Chief Operating Officer. He also served as Vice President of International Television Sales at Columbia Pictures. Zelnick holds a BA from Wesleyan University, as well as an MBA from Harvard Business School and a JD from Harvard Law School.



Strauss Zelnick

Will you walk us through the journey of your career?

When I started my career, my ambition was to be the head of a movie studio. In those days, motion pictures were the gold standard of entertainment. The closest job offer that I got was at Columbia Pictures Television, where I was responsible for licensing their programming to international television stations. It had nothing to do with making movies. It was distribution, not production; it was in New York, not Los Angeles; and it was television, not motion pictures. It was the closest that I got to working at a studio, so I took the job and did well. That led to my being recruited to a company called Vestron, which was then the largest independent home entertainment business – back in the days when home entertainment meant video cassette distribution. Based on my success at Vestron, I was recruited to become president of 20th Century Fox at age 32. In the end, despite taking an indirect path, I achieved my goal of running a movie studio much earlier than I'd intended.

I had an entrepreneurial bug. As I thought about it, what I had really wanted was to run a movie studio in 1927, not the 1990s. So, I thought, what is the equivalent of a movie studio in the 1920s? And the answer was the video game business. That was the next big entertainment business. I started paying attention to video games, as nascent as the industry was. Out of the blue, I was recruited to become the CEO of a pre-revenue startup called Crystal Dynamics. I took the job and built the company to some early success.

I wasn't quite done running big entertainment organizations, though, and was recruited to be CEO of one of the world's largest record companies at the time, BMG, with a proviso that I would start a video game business there, in addition to turning around the record business, which I did. My video game business was called BMG Interactive. We took BMG from second-to-last place to number 2 in the business.

Then, in 2000, I had a belief that digital technology would transform entertainment and media. There was an opportunity for lots of value destruction, but also a lot of value creation. That was the thesis behind founding ZMC. We started to buy companies and in 2007

took over Take-Two, which at that time was a failing little video game business. In the past 25 years, we have built up both ZMC and Take-Two into a collection of digitally driven media and entertainment assets, which collectively have a value today of around \$50 billion. On that basis, it is now one of the world's largest pure play entertainment companies.

You enjoy being a mentor to other entrepreneurs, whether they are just starting out or have already been successful. How do you identify an entrepreneur?

One of the reasons why I'm allergic to most business self-help books is that I don't think there's one playbook. I don't think that I was a born entrepreneur. I was a very good professional manager. I was good at working for other people. There are numerous styles that work. I've met people who became successful entrepreneurs with all different kinds of personalities.

A couple things are necessary. You have to be an optimist. It's really hard to be a pessimist and a successful entrepreneur because you need to have belief. There's a leap of faith involved. You have to be willing to work hard, because it's difficult to create something out of nothing. Apart from that, I'm not sure there is a playbook for being a successful entrepreneur. I think there are numerous playbooks that can work.

What have been the keys to Take-Two's success?

Take-Two was a very troubled company in 2007. It was under investigation by four government entities, it had failed to file its financials, it had failed to have an annual shareholders meeting. I replaced the company's auditors. Its chairman had been indicted, and its CFO was under criminal investigation. The company itself was under criminal investigation. It was losing a bunch of money. It had only \$50 million in cash. Left to its own devices, it was months away from bankruptcy. So, we became compliant, settled with all the agencies, and cut the costs materially. We also began to diversify the product lineup, motivated our creative teams, and put in place a new executive team. After that, we were off to the races. The turnaround was driven by the creative talent at the company and our ability to engage and motivate them, align interests, and insist that they pursue their passions. That was basically the recipe for regenerating creativity and hit-making within the company.

FIRM BRIEF ZMC (zmclp.com) is a leading private equity firm comprised of experienced investors and executives that invests in and manages a diverse group of media and communications enterprises. Founded in 2001, ZMC's investment philosophy centers on operational value creation driven by targeted investment themes, deep sector expertise, and strong partnerships with industry and operating executives. ZMC approaches its investments in collaboration with management teams and has a successful track record of actively adding value to portfolio companies. ZMC is currently investing out of ZMC III, L.P., which closed on \$775 million in commitments.

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How do you approach your leadership style?

There’s no one approach to leadership, but my approach is very inclusive and kind. I pride myself on being a good listener, aligning economic interests, and having a willingness to share economics meaningfully so that people are motivated. I have an appetite to take chances and when things go awry, I take responsibility – I don’t blame others. It’s critical to create a safe place to take risks for a couple of reasons. First, because you don’t get yelled at if things don’t go well. And secondly, we have an underlying financial framework that can survive a failure and live to play another day. I like to say that I’m creatively risk-forward, and financially risk-averse. They go together.

You’ve had very important mentors throughout your career. Who are some of those people and what are the greatest lessons that you’ve learned from them?

My mentors include the late Dick Parsons, who was the CEO of what was then Time Warner. He was a very important figure in my life, a wonderful person. Barry Diller, who doesn’t like to be called a mentor, but he is. I worked for him for four years, and he’s as smart as anyone on Earth about the media business. Don Gogel, who’s the chairman of Clayton, Dubilier & Rice, who’s been a spectacular mentor throughout my life. Michael Dornemann, who’s on the board of Take-Two and was my last boss when I worked at BMG. There are many others.

As a student, I used to ask visiting CEOs what their best advice was, and it typically fell within three buckets. The first was, work hard. There’s no substitute for hard work, especially when you start your career. At the beginning of your career, there’s nothing to distinguish you from your peers other than hard work and there’s no substitute for hard work, ever. The second piece of advice is to listen. We’re taught to present, we’re taught to be clever, and to think on our feet. But few people are taught to listen. Being an empathetic listener is first how you learn, but secondly, how you lead. And third is never to compromise your integrity, because ultimately, it’s all you have.

How do you identify talent?

I try to be a listener and ask people what they care about professionally and personally, and to detail their experience. I ask pretty traditional questions like, “What’s the biggest challenge you’ve faced? What’s

the biggest failure you’ve had, and how did you deal with it?” I try to get the real story and because I am a good listener, I get the idea pretty quickly.

How do you juggle all of the different leadership roles that you hold?

I think the whole notion of balance is actually overrated. Life isn’t balanced at any given time, and if you’re highly ambitious, you need to put a lot of time and energy into your career. Hopefully, not at the expense of having the life you want.

The best advice I can give anyone is to ask yourself, what do you truly want? What is it that you truly want out of your life, both personally and professionally? Then own it.

In my case, I was – and remain – highly ambitious. That means that sometimes I haven’t been able to fully show up personally as much as I would like or others might like. I try to. I’m very efficient and because I’m the boss, I have the ability to say, for example, this meeting isn’t all that interesting and I’m going to leave. Or I’m not going to do this or fly to this place. But at times you make choices that are inconsistent with what others may want from you, and I own that. I don’t blame others. I think the bottom line is to know what you want and then be willing to lean into it, recognizing the consequences.

Health and wellness is something that is very important for you. What is your approach to health and wellness, and why do you think it has played such a large part in your life?

For me, it’s not just health and wellness in a solitary way. I was always somewhat into fitness, and then when I started my own company, there were slow moments when I had extra time, so I started leaning more into fitness. And I enjoyed it. I saw the results not just in my own physical health, but in my focus, my mental health, and my ability to perform in all aspects of my life. I started off cycling, and generally by myself. Then as it got colder, I started to train indoors with two or three other people. Then people started bringing friends, and next thing you know we were a group of eight people regularly training together. We decided to try new workouts, and we started meeting at gyms to do high intensity interval training (HIIT) workouts, which I had never done before and was a real eye-opener for me because it was so hard.

That group then continued to grow and turned into something we call The Program. We have around 220 members in New York, and another 20-30 members in South Carolina. People all over the world are in our WhatsApp group. We train together 3-5 days a week, and it’s become a really important part of my personal life and social life. I’ve also done a lot of research into fitness and wrote a book on fitness and aging called *Becoming Ageless*, which has done quite well.

Do you approach leadership differently in a publicly versus privately held company?

Success is being of service to your customers at scale, and the numbers will flow from that, regardless of whether you’re a private company or a public company. The entertainment business is about making huge hits. Huge hits are art, and they need to resonate like art does. Our hits have to resonate, so yes, we’re a for-profit enterprise on the one hand. On the other hand, we make art, which can require significant investment and trust in our teams’ creative processes, and it’s up to us to find the intersection where we are profitable while also creating something that people love. That’s the challenge that we face whether we are public or private.

What would you tell someone who is starting their career about how to prepare themselves for the future of work?

One huge issue is AI. I would advise people, no matter where they are in their career, to look at AI as a massive technological innovation. When you look at it that way, the history of technological innovation is that it enhances productivity, increases employment, and grows GDP. That’s what technology does, and the same thing will happen here. At the end of the day, AI and everything related to it will be ubiquitous. It will be everywhere and inform everything that we do, and it will be totally commoditized and available to everyone. You are still going to need to be smart, innovative, come up with good ideas that serve your customers, and you’re not going to be able to delegate it to a machine because everyone else will have that same machine. Our jobs will be to leverage that machine to create something new, different and of greater value than our competitors. AI will be the great equalizer, and great talent will continue to be the difference maker. ●