Investing in Society

Leadership That Stands for Something

An Interview with Richard D. Parsons,
Chairman and Chief Executive Officer, Time Warner Inc., New York

EDITORS' NOTE *Richard Parsons was appointed CEO of Time Warner in May 2002 and Chairman of the Board in May 2003. He previously served as the company's Co-COO, overseeing its content businesses as well as the legal and people-development functions. Parsons joined Time Warner as its President in February 1995, and has been a member of the company's board of directors since January 2001. Before joining Time Warner, he was Chairman and CEO of Dime Bancorp, Inc.,*

Richard D. Parsons

and before that, a Managing Partner of the New York law firm Patterson, Belknap, Webb & Tyler. Earlier in his career, he served in various positions in state and federal government, including as counsel for New York State Governor Nelson Rockefeller and as a Senior White House Aide under President Gerald Ford. Parsons received his undergraduate education at the University of Hawaii and his legal training at Union University's Albany Law School. Parsons' civic and nonprofit commitments include Chairman of the Apollo Theatre Foundation, and he also serves on the boards of Citigroup, Estee Lauder, the Museum of Modern Art, Howard University, and the Committee to Encourage Corporate Philanthropy.

COMPANY BRIEF *Headquartered in New York, Time Warner Inc. is a leading media and entertainment company, whose businesses include interactive services, cable systems, filmed entertainment, television networks, and publishing. With brands including Warner Bros. and Time Warner Cable, Time Warner (NYSE: TWX; www. timewarner.com) employs more than 88,000 people worldwide.*

It seems that social responsibility and community involvement have always been important aspects of Time Warner's culture. How important is it to drive those initiatives through the company?

It's important to our culture and it's important to me. Leadership is supposed to stand for something. And since I gained the privilege of leading this company, I've said we all ought to strive to do three things. The first is to manage our business in such a way that we give our shareholders a fair return on their investment. The second is to do some good in the world,

because of who we are and what we are. And the third is to have some fun while we do the first two. It's that simple to me. Those three things are all equally important. They're like three legs of a stool, as far as I'm concerned. And doing some good in the world is as important as anything else. It's a responsibility we have.

Do you think your shareholders have an adequate understanding of the importance of Time Warner's corporate social responsibility?

I think it is increasing. We sell products to people. And how people feel about you – if they think you're a responsible corporate citizen who is helping to make the world a better place – directly affects how effectively we can sell products to them. Shareholders can sometimes have a very narrow and limited focus, particularly when they don't feel rewarded, and I understand that. But if you keep your eye on the long term, those three things I mentioned earlier have to come together in an effective and compatible mix, or the engine is going to stop turning over at some point in time.

How do you choose the philanthropic areas with which to align your business?

In all things, you have to have focus. The world is too big and complex a place for everybody to be all things to all people. So we try to align our philanthropic efforts with our business, so they will be mutually enforced. Like every major corporation, we have a philanthropic arm that directs charitable dollars to programs we support. But that's not the lion's share of what we do on the social responsibility side. In fact, it's a relatively small fraction of what we do. We use our business resources in a way that aligns with some of our causes and agendas so that, through in-kind support, we can leverage our business platform to help causes we think are important within our broader social responsibility framework.

Your content businesses have been very focused on creating socially responsible content. Can you highlight your work in that area?

We have quite a history in this space. When we still owned a music company, rap and so-called gangster rap were newer genres. They were edgier, and dealt with some of the toughest issues out there. What one person thinks

is appropriate, someone else doesn't. We currently have a show on HBO called *The Wire*. It's a pretty edgy show. Profanity and violence are woven throughout it. Some people say it is full of negative images, and yet critics say it's one of the best shows in the history of television. So how do you navigate between that? When we had our music business, we tried to not support things that gratuitously contributed to a culture of hate. As a content company, that's a line we try not to step over, without having undue influence over content creation or stifling creative genius.

Education is a frontline issue for many corporations. Do you think there is hope for the American educational system?

Almost every CEO I know makes education an issue for their companies. When I was Chairman of the Partnership for New York City, I talked to 50 CEOs, and 90 percent of them said they'd like to do something in education. Why? Because it's the wellspring – it all starts from there. You can be less guarded and less concerned about which images or words or messages you allow to be transmitted over your distribution medium to an educated population. Education is the immunization against ignorance and hatred. And people just get that; they understand it intuitively.

Is the educational system broken? I don't think it's broken, but it's not necessarily in good shape. The world has changed. The pace of things has accelerated. Over the past 25 years, the amount of knowledge that needs to be transmitted has quadrupled. And yet the educational system is still the same old system; it's built for a different time and a different set of challenges. It needs to be renovated, updated, and contemporized. The issues are how and by whom, as well as the funding. Those are complicated issues that we're working through as a society. But I think people get the point – the system needs to be overhauled in a major way, and lots of folks are putting lots of time and effort into it. And lots of dollars are coming into the game as well – not only from government, but also from the corporate sector and nonprofit

Talana Clark-Bradley, now the principal of a Bronx high school, is a graduate of the Leadership Academy, which Time Warner supports.

Students from college prep programs funded by Time Warner

organizations. So I think the overhaul of the system will begin to accelerate.

It seems that many of the macro issues, like education and health care, need a partnership between the private and public sectors to drive them forward. Has that partnership been effective, in your opinion?

In a world where black and white are notional, but not real, it has been somewhat effective. It hasn't been as effective as those of us who have put time and treasure into the effort would like it to be. But we're making some progress. I would give us a B grade. In New York, in particular, real progress is being made in terms of the school system. An old man once told me, "Whatever you do, do something." You have to keep your feet moving so you can change on the fly. If you're just standing still, you won't have any way of getting your bearings if things change. You don't know where you are with respect to where you want to be; you're just stuck. That's the way change has to be made. You have to do something. If it's wrong or if it's not giving you the results you want, you make adjustments to it. Frequently, bureaucrats and educators want to try to figure out the complete answer before they do anything. That's a mistake. That's why the system has been out of date for 40 years. Now it's 40 years further out of date than it was 40 years ago. The private sector brings a bias toward action to the table. Not everything they have tried has worked, and not everything they will try in the future will work. But at least there is some movement in the system now. And we can make adjustments to make it work better, as we go forward.

CEOs are obviously very focused on results. Which metrics do you use to measure the success Time Warner has had in the corporate responsibility arena?

One perspective that businesspeople bring to the world of philanthropy, social change, and social welfare is that there has to be some metric system that enables us to evaluate whether you're moving toward your goal. In terms of education, there are howling debates in this country over the purpose of education. Are we supposed to be giving people skills so that they can find useful work in this world? Or are we supposed to be broadly educating them in larger notions so that they can have a better understanding of themselves? A friend of mine once said, "If you don't know where you're going, any road will get you there." So you have to have an objective that is both shared and understandable, before you can have a system of accountability, and measures to determine whether you're moving toward that objective or not. In all our philanthropy we try to define what success looks like in that space. Let's understand where we are, and let's create measures and milestones that will tell us whether we're moving closer to that place called success or farther away, at any point in time. And then let's evaluate what we're doing to see if we're making progress.

Are young people today more interested in working for a company that promotes social responsibility? Is that a recruiting tool?

I firmly believe it is. If you go back to the '50s, I don't think there was a broadly-shared sense of the individual's responsibility to a larger whole. Once you got out of business school or college – if you were lucky enough to go – you wanted to get a good job to make a good salary so you could take care of yourself and your family and have a good life. I think the '60s changed that, but it dipped in the '70s, '80s, and the beginning of the '90s. Certainly today, with all the larger issues, such as global warming, poverty, health care, and AIDS, social respon-

sibility is on people's radars again. Young people want to work at a place where they can make a decent living, but also a place where they can work on exciting things and make a positive difference in the world.

It seems that corporate social responsibility has been a focus for you personally for years. Where did that interest come from? Was it instilled in you early on?

I think I was more or less inoculated by a man named Nelson Rockefeller, for whom I worked when he was Governor of the State of New York. I worked for him when he was Vice President, and I worked for him as a private citizen. And if ever there was a person born in privilege, but who still felt compelled to do something for humanity, it was Nelson, as well as the members of his family. The Rockefellers instilled in him a sense of stewardship – a sense that much is required of a person who has been given as much as he was. He had to use his talent, treasures, and position of authority for the betterment of those around him. So, for me, it was a combination of my early exposure to Orthodox religion and of seeing that embodied in a real person, who undeniably could have chosen another path. Those two things fused and caused me to think more about the subject of one's responsibility to society, particularly if one has an ability to make a contribution.

You're in the media business. Does it upset you when people blame the media for the world's ills?

First of all, bad news sells papers. And I'm not being critical, because this is a truth as old as humankind. People are just more interested in someone else's troubles than they are in someone else's successes. And like everything else, you can be doing wonderful work in your corporations; but then someone who works hard every day to support his family, who borrows money to send his kids to college, and who has trouble making ends meet reads a story about a CEO who makes a lot of money. It undermines the entire context of corporations – those that are doing good things for the world. So it's the nature of media and it's the nature of people. And to some extent, corporate America hasn't really tried to tell its story. For example, we were the first media company to put out a social responsibility report, which we did last year. No one else had ever done that in our space. And it tells our story; and it begins to put before the people a broader body of facts, which they can evaluate. They can now say, "Well wait a minute. These guys are doing some interesting and potentially-constructive things around the world." And it puts a different patina on the company. I think as more and more companies do that, and as magazines like LEADERS put a spotlight on what companies are doing, those facts will find their way into the marketplace as well. ●