

Looking into the organizational behavior concepts in time warner



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Time-Warner (TWX) is one of the well-known business ventures in the world of media. Belonging to one of the fastest-paced and highest-profile industries in the world, the media sector has been in a whirlwind of change this past decade. There has been an explosive boom and bust and, of late, boom again, because of the upsurge of a new media in internet technology. This development has dramatically influenced media delivery. Clampdowns on shady accounting practices, assets changing hands and a more discerning and demanding media audience have also ensured that changes in the industry occurred at break-neck speed.

This is why global media giant, Time Warner, has sought to embrace these challenges of the Information Age. Indeed, Time Warner had uniquely positioned itself to benefit from the explosive changes. Their size and resources make them a formidable competitor in the media arena because of their efficiency in an increasingly global environment. Nobody can deny that the US is the world's biggest media producer as well as consumer.

Advertising is the main source of revenue, although some sectors also create revenues from subscriptions.

Media concerns with entertainment arms have additional sources of income through takings from gaming, distribution rights, amusement park entrance fees and spin-off merchandise. This is why Time Warner is maximizing this fact and is currently capitalizing in diversifying their products to suit the intricate and transitory tastes of their consumers. However, as Time Warner is working on their products, the company also aligns their organization in breaking the traditional hierarchies and is increasingly attending to concerns of their people that compose their organization.

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Indubitably, we all know that people at work in organizations today are already part of the globalization of trade. This means that institutions of society and the people who make them work are challenged in many and very special ways. The public at large increasingly expects high performance and high quality of life to go hand in hand, considers ethics and social responsibility core values, respects the vast potential of demographic and cultural diversity among people, and recognizes the imprint of globalization on everyday living and organizational competitiveness.

All these expectations could be drawn upon organizational behavior, which companies could utilize to sustain its long term success in the Information Age. Looking into the performance of the organization, Time Warner prides itself beyond television, cable, motion pictures, magazines, books, sports, entertainment, and even into cyberspace. Time Warner was already a merged corporate conglomerate, the largest true media empire, before its merger with the nation's largest Internet provider, America Online.

Time, Inc. , originally a news magazine publisher (Time, People, Sports Illustrated, Fortune, etc. had merged with Warner Communications, originally a motion picture production company, in 1989. Then Time Warner merged with Ted Turner-owned CNN, Turner Broadcasting, and the Atlanta Braves, in 1996. One of the biggest merges in American corporate history was announced in early 2000: the two giants of their respective industries–Time Warner, the media conglomerate, and America Online, with 22 million Internet subscribers–combined to form a new colossus. The combined stock market value of AOL and Time Warner is greater than that of any other corporation in America (Dye, 2001, p. 106).

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Recently, new developments have continued to stream in Time-Warner. In 2004, Time Warner Cable announced the creation of a new business unit, Time Warner Cable Voice Services. This creation was responsible for overseeing the rollout of its residential telephone service, known as Digital Phone. During the same year, AOL Europe, and Google, announced a new multi-year agreement to provide targeted advertising from Google's AdWords advertisers for the subscribers of AOL Europe. In February 2005, Warner Home Video announced the formation of CAV Warner Home Entertainment Company, a joint venture with China Audio Video.

The company entered into a joint venture with New Line Cinema to form Picturehouse. AOL announced the acquisition of Weblogs, a blogging company. AOL also acquired an online digital music subscription company called MusicNow in November 2005. During the same month the company, along with several other cable companies concluded an agreement with Sprint. According to the agreement, the companies would form a joint venture for providing wireless and wireline entertainment product. As a global enterprise, let us try to peek in the organizational behavior concepts that are used in Time Warner.

For all we know, organizational behavior principles have helped managers understand the complexity within organizations and that most organizational problems have several causes. Organizational behavior principles play an essential role in assessing and increasing organizational effectiveness, which is a central responsibility of and focus for all managers (Sims, 2002, p. 2).

This is why this paper will explore three of the major organizational

behaviour principles that Time Warner has incorporated and we will analyze the cause of success or failure of these processes. Decision Making

Despite the exemplary performance of Time Warner as a company, it has been infamous for its controversies within its organization. When Time Warner and AOL merger was announced in 2000, many had negative thoughts about the mega-merger. Fact is that the fears were true and the business fiasco associated with the AOL acquisition of Time Warner became detrimental. Essentially, Time Warner top management (with the curious approval of the board of directors who supposedly look after the interests of stockholders) accepted inflated AOL "Internet-bubble" stock for the more durable "old-media" assets of Time Warner (Alexander, et al. 2004, p. 38).

The stakes were high as the world had considered it the largest merger failure in which the combined company took a \$94 billion loss on goodwill impairment (the equivalent of approximately 20 years of earnings) (Rittenberg & Schwieger, 2005). This is why, AOL Time Warner started its restructuring program in 2002. AOL Time Warner assumed complete ownership of Time Warner Entertainment's assets (including Warner Bros and Home Box Office). All of AOL Time Warner's directly owned cable television system interests were contributed to Time Warner Cable (TWC), a majority-owned subsidiary of AOL Time Warner.

In the progress of restructuring, AOL Time Warner changed its name to Time Warner and also changed the ticker for the company's stock on the New York Stock Exchange in 2003. In this decision-making blunder, when Time-Warner acquired AOL, the management did not forecast possible financial woes that

they experienced as they forwarded their decision. In decision making, managers need to be careful and be aware of possible consequences for their actions. They should use their power not as an end in itself but as a means to achieving a vision or desired goals.

Managers have to be very ambitious and have a high need for achievement. However, they have to be emotionally mature enough to recognize their own strengths and weaknesses and they are oriented towards the betterment of their organization as a whole. Organizations should harbor some practices that neither encourage independent managerial decision-making nor provide avenues for questioning what might, by standards outside the institution, be unacceptable activities. With the unsuitable decision in Time Warner, we can see how the top management put the organization in a dangerous position.

Group Behaviors

Aside from the decision-making blunder that acquired Time Warner gargantuan losses, Time Warner was also caught up in an imbroglio that has tarnished its public image. This also happened in 2000 when its management was still in the process of renegotiating its contract with Walt Disney to determine how much Time Warner would pay for the use of three of Disney's cable channels and whether Disney would renew Time Warner's right to carry the ABC network (ABC is owned by Disney). Negotiations had begun more than five months earlier but were going nowhere. Deadlines had been extended seven times.

Animosities were escalating between Time Warner and Disney negotiators. On April 26, 2000, five days before the latest negotiating deadline, when

Time Warner's rights to carry the ABC network were to expire, ABC faxed a terse letter to Time Warner notifying it that Disney expected Time Warner to continue to carry the ABC signal through May 24 after the end of the sweeps period, when stations measure audiences to determine what to charge advertisers. Time Warner had been insisting on an eight-month extension. The tone of the fax set off the tempers of some Time Warner executives.

Within Time Warner, executives began considering blocking ABC's signal to the 3.5 million homes that Time Warner's cable serviced. Some saw blocking the signal as a real risk. Given that cable companies aren't popular with the public and often seen as charging monopolistic prices, several Time Warner executives feared that they would take the blame rather than Disney. Others argued that Disney, itself a huge conglomerate, might take just as much blame, if not more, if Time Warner put its message out effectively. And they doubted ABC would take the chance of losing up to \$3 million a day in advertising revenues.

They figured the threat of blocking ABC's signal might finally bring Disney to agree to Time Warner's terms. Finally, with no compromise offer from Disney, Time Warner executives felt there was no turning back. Time Warner Cable's president called the company's CEO, Gerald Levin, and told him he was about to order his engineers to block the ABC signal. Levin supported the decision. At 12:01 on Monday May 1, the ABC screen went briefly to static, then the phrase "Disney has taken ABC away from you" appeared in bright yellow letters on a blue screen. Within 24 hours, the mayor of New York attacked Time Warner as a predatory monopoly.

Disney dispatched its lawyers to the Washington offices of the U. S. Federal Communications Commission (FCC), where they requested that the commission force Time Warner to transmit its signals. Time Warner executives went to Washington to plead their case before the FCC. It quickly became clear that the commission was siding with Disney in this dispute. The next day, Tuesday, the New York Times published an editorial that said the threat to Disney by a combined AOL and Time Warner was real. It now was becoming increasingly clear to Time Warner executives that they were losing the public relations war.

Time Warner called a news conference and announced that it had offered Disney a six month extension of the negotiations. The following day the FCC ruled that Time Warner had violated the law by blocking ABC from its system during a sweeps month. In this case, Time Warner executives admitted afterward that they erred. They say they made a legal miscalculation and also incorrectly assumed that Disney would back down. Fred Dessler, a senior vice president at Time Warner and head of its negotiating team during that time reasoned, “ Why did we decide to take a stand now?

We thought it was the right time. They were just pushing us and pushing us” (Rutenberg, May 2000). In this case, the managers allowed themselves to be controlled by their emotions that led them to make the unethical decision of blocking ABC channel. The group behavior that the Time Warner executives demonstrated was generally antagonistic to Disney. As we can see, they lost their patience and did not try to communicate directly to Disney negotiators.

The result of their rash decisions because of their animosity painted a bad image for their company. Change Management

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When Time Warner started its restructuring program in 2002, Richard Parsons had to face daunting challenges of how to revive the ailing organization: In the seven months since Dick Parsons was named CEO of AOL Time Warner in a surprise management shakeup, the company's stock has dropped 67.7 percent. So Parsons is shaking things up yet again. With operating chief Bob Pittman out, Parsons has divided the company into two big chunks and asked proven insiders Don Logan and Jeff Bewkes to oversee the group. Before it can create new business, AOL Time Warner has a lot of repair work to do to placate weary investors.

Luckily for Parsons & Co., there is little debate over what steps the company will need to take to win back investors' confidence: (1) full disclosure, (2) reducing complexity, (3) getting along, and (4) fixing AOL (Mehta, August 2002). Parsons has decided that that a major objective is to reduce complexity by simplifying the corporate structure. He is faced with Time Warner Entertainment, which is a complex alliance with AT&T. In the meantime, AT&T Broadband, which is merging with Comcast, wishes to sell its share to AOL Time Warner.

Parsons doesn't agree. His company's debt is at \$28 billion. If Parsons and his team can address all these issues, AOL Time Warner perhaps can start to turn much of its focus back to the consumers who buy its magazines, watch its movies, and surf its sites. And if they can build new businesses out of these assets, they may even start to fulfill the promise of this star-crossed merger." (Mehta, August 2002). Parson's change strategy begins by digging out of the hole created by the merger. Parsons at Time Warner has the task

of developing a strategy of combining separate businesses internally while enabling them to compete separately in the marketplace.

He must also discipline and correct AOL's past laxness in its operations while leaving its creative core competencies alone; it is an Internet company.

Financially, he has to emerge from the enormous debt that has accumulated, while still trying to merge the two cultures that are still not fully integrated.

Recently, a news item has revealed that: After four years and four months as CEO of Time Warner, Richard D. Parsons is running out of options to solve his most vexing problem: share-price paralysis. He has settled federal accounting investigations, cut debt, bought back stock, turned AOL into a free service, and Sept. 2 announced the sale of 18 of its magazines.

None of these moves has pushed shares above \$19. Now he's readying to play one of his remaining cards: a cable initial public offering. By spinning off part of the media giant's robust cable unit, Parsons is hoping not only to create a new currency to buy more cable but also to juice the parent company — and his own legacy in the process (Lowry, 25 September 2006).

The type of structure an organization requires depends on the strategy and direction of the change.

Time Warner's CEO has the task of centralizing certain strategic decisions and structures, while enabling AOL's operations to maintain the creativity required to thrive in the turbulent, innovative Internet services sector. This is why in his statement in the 2005 Time Warner Annual Report, Parsons emphasized to focus on the right businesses and delivering value to shareholders As we move Time Warner forward, the foundation of our

strategy is to invest our financial resources in a disciplined manner to provide the best possible return to our shareholders. This means focusing on the right businesses.

The board of directors and management continuously evaluate our businesses to ensure that they meet our standards for financial performance, growth and return on investment. We have increased our investment in businesses that meet these criteria. For example, we are currently in the process of acquiring cable systems that will expand Time Warner Cable's footprint from 19 million to 27 million homes and grow its basic subscriber base from 11 to 14.5 million. As a result of the transaction, 16% of Time Warner Cable's stock will become publicly tradeable, giving us an additional currency to make potential strategic transactions.

Time Warner also undertook several asset divestitures in the past few years to enhance its financial flexibility, notable among which are the 2004 sale of its Warner Music Group (for \$2.6 billion in cash), a 50% stake in Comedy Central (\$1.2 billion), a DVD/CD manufacturing business (\$1 billion), and two NBA and NHL professional sports teams (undisclosed). Also, in 2006, the company sold its book publishing business for \$532 million in cash, and its Turner South network for about \$375 million in cash. TWX also raised \$239 million from the sale of stock in Time Warner Telecom.