

and ostentatiously wealthy from their AOL stock options, they swooped down on Time Warner as if they held the secrets to some new business reality. They quickly alienated top executives at Time Warner and, worse, produced little in the way of results.

The head-knocking search for synergies failed to appreciate that Time Warner's strength lay in the seasoned operating executives at the top of its various divisions, who have produced solid earnings quarter after quarter, regardless of which vision of the month their corporate overlords were selling to Wall Street. Time Warner's weakness has been the inability of the dreamers and bureaucrats in its headquarters to effectively tie the whole enterprise together. Parsons, who took charge as CEO only in May after the retirement of Gerald Levin, had limited experience as a big-league operating executive and knew that was where he needed help. So with Pittman's departure, two of the most respected and accomplished of the divisional executives, publishing chief Don Logan and HBO's Jeff Bewkes, are moving to the parent company to try to make sense of it.

There seems to be little politics to the way Parsons is organizing the company this time, in contrast to the postmerger division of labor between him and Pittman. Logan and Bewkes bring relevant experience and talents to the assignments that lie ahead of them. Logan, 58, the burly and taciturn Alabamian who has rebuilt Time Inc. (parent of TIME) into a publishing dynamo, will oversee the subscription-based businesses, including AOL, Time Warner Cable and Time Inc. Bewkes, 50, who has led HBO to critical acclaim and rising profits, will add to his portfolio the Warner Bros. and New Line movie units, Warner Music, the WB network and the Turner cable networks such as TNT and CNN.

Logan, with both AOL and the cable company to fix, has the tougher challenge. But as Parsons pointed out, Logan has a strong track record in attracting and retaining subscribers, selling advertising and reorganizing muddled management structures. "There are smart, talented people scattered throughout AOL," Logan says. "But I think the structure has been holding them back a little bit." And for all the disdain the techies at AOL might be expected to have for him, some will be surprised to learn that he began his career as one of them. A pure-math major at Auburn, he worked his way through

**ATTRITION** Levin, left, and Pittman, right, exited under pressure, leaving Parsons, front, and Case in charge

**AOL'S NEW DEPUTIES**



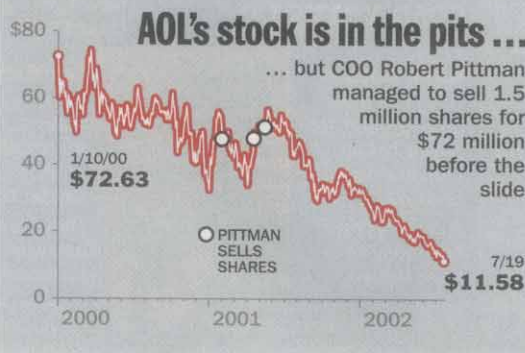
**Don Logan**

An affable, unassuming manager with a sly sense of humor and a head for numbers, Logan prefers bass fishing in Alabama to cocktail parties in Manhattan—so much so that he celebrated the millennium by trolling a dark, deserted lake



**Jeff Bewkes**

The wisecracking Stanford M.B.A. spearheaded the HBO network's move into award-winning original programming like *Sex and the City* and *The Sopranos*, and gets along equally well with Hollywood stars and financial types



school as a computer programmer for NASA. He's not a Luddite, but he is a business fundamentalist. He listens well, is very decisive, has a proven eye for talent and holds managers accountable. That's how he has delivered a remarkable 41 consecutive quarters of cash-flow growth since he took over Time Inc.

Logan's first task will be to hire a new CEO for the online division; he will look not for a visionary but for a seasoned consumer-marketing executive. Besides attracting more subscribers and ads, AOL must craft a winning strategy for the broadband age—which will require sharing revenue with rival cable companies and giving consumers easy access to premium movies and music whenever they want it.

A two-decade veteran of HBO, Bewkes, who holds an M.B.A. from Stanford, works as successfully with creative types as with number crunchers. He and Warner Bros. CEO Barry Meyer have become especially close, since both resisted Pittman's attempts to centrally manage their divisions.

Bewkes is not as close, however, with his new subordinate Jamie Kellner, CEO of Turner Broadcasting, who was seen as a Pittman ally. Bewkes led HBO to develop such hits as *The Sopranos*, *Sex and the City* and *Six Feet Under* and saw it collect 93 Emmy nominations last week. Warner Bros. is enjoying a successful run. But the music division faces an industrywide slump in sales, caused in part by widespread downloading of songs from the Internet.

Earlier this year, when the depth of the AOL division's problems became apparent and its CEO was eased out, Bewkes and Logan were asked in turn to leave their divisions and take over the online service, reporting to Pittman. Both declined. In their new jobs, Bewkes and Logan will work closely together on such issues as selling more movies and music over cable and through AOL—the type of bottom-up synergy that they and Parsons believe makes sense and that is more likely to work when the executives involved like and respect each other.

The arrival of Bewkes and Logan at corporate headquarters should free Parsons to focus on the company's strategic challenges, including unwinding the Time Warner Entertainment partnership, in which AOL Time Warner's TV, movie and cable assets are held and their ownership shared with a minority partner. It's the sort of complex structure that investors hate these days. Parsons also must manage AOL Time Warner's \$28 billion in debt and rebuild credibility on Wall Street, which has not forgotten how long it took Levin and Pittman to climb down from their promises of 30% growth in cash flow amid an ad recession.

Parsons' effort on Wall Street is aimed at getting investors to reset their expectations about his company, especially the AOL division, which is not growing at 30% a year but does remain a money machine that vacuums up \$9 billion in annual revenue. Insiders expect that the board will give Parsons and his new team about a year to show results—including a substantial rise in the stock price, which closed last Friday at an all-time low of \$11.58. —With reporting by Eric Roston/New York