

Comcast-Disney: A clash of egos

Major players star in takeover drama

By RiShawn Biddle

In his letter to Michael Eisner proposing to acquire Walt Disney Co., Comcast Corp. Chief Executive Brian Roberts was the epitome of restraint. "The Comcast management team greatly appreciates and is highly respectful of the Disney heritage," he wrote, also noting that "there are many talented executives at Disney who we envision would also play a key role in managing the combined company."

The 44-year-old Roberts, with a management style that's considered well-mannered and low-key, noted that the \$51 billion takeover proposal presents "a wonderful opportunity."

Roberts is based in Philadelphia, not Los Angeles. It shows.

Hollywood is not a place where restraint wears well. Here, it's larger-than-life egos that dominate the proceedings--and members of the Roberts clan, while no strangers to big-money deals, are just getting the opening whiffs of what could turn into an extended and hard-fought battle for control of Disney.

For now, the star of the show is Chairman and Chief Executive Eisner, whose trail of broken relationships and public relations headaches may have set the stage for the cable giant's unsolicited offer.

There's Roy Disney, the yacht-racing nephew of the company's namesake founder, and his confidant, Stanley Gold, who are working to oust Eisner two decades after installing him during a previous corporate crisis.

Also in the mix is Pixar Inc. Chief Executive Steve Jobs, whose animation house handed Eisner another defeat earlier this month when it broke off talks with Disney for a new production deal.

And consider what might happen if the bidding for Disney opens up to other parties, such as Barry Diller, chairman and chief executive of InterActive Corp., or John Malone, chairman of Liberty Media Corp. Only News Corp.'s Rupert Murdoch has said he would not go after Disney.

Not that Roberts is a shrinking violet when it comes to deal-making. In fact, he has already proven he can get the best of Eisner. In a deal back in 1997, he convinced Disney to buy a majority stake in cable network E!--but Comcast wound up controlling the operations.

"He is smart and very hardworking. More importantly, he doesn't overpay for deals--just like his dad," said Robert Clasen, an executive at Liberty Media's Starz Encore networks and one of Roberts' former bosses.

Helping him is former Disney executive Stephen Burke, brought to Comcast six years ago to become Roberts' second-in-command--much to Eisner's irritation at the time.

When egos collide

As of late last week, there was no telling where Comcast's stunning overture would lead--and when. Beyond the basic and well-worn storyline of an out-of-town company seeking a piece of Hollywood, there were numerous subplots. They included the relentless campaign by Roy Disney and Gold to convince major shareholders that Eisner should resign; the unexpected recommendation by an investor advisory group that Disney shareholders oppose Eisner's re-election in two weeks; and Disney's strong first-quarter earnings results that had Wall Street wondering whether Eisner had, in fact, engineered a turnaround.

But not to be lost amid all those considerations are the personalities and--their incessant drive to win, even if "winning" a deal turns out to be the worst thing for their company.

"Technically, a company is supposed to consider the best interests of the shareholders in these cases. But there are more than one instance of this not being the case," said Greif & Co. co-founder Lloyd Greif.

A decade ago, during Hollywood's last hostile takeover battle, Sumner Redstone's Viacom Inc. beat out Barry Diller's QVC to buy Paramount Communications. Tipping the balance was then-Paramount Chairman Martin Davis, who wanted to prevent the studio from falling into the hands of Diller, his longtime nemesis. But just before the deal was completed, Redstone helped push Davis out the door.

Tinseltown long has been notorious for puffed-up egos. Legendary studio bosses like Louis B. Mayer and 20th-Century Fox's Darryl Zanuck were renowned for their fist pounding and screaming fits. Gulf + Western founder Charles Bluhdorn, who bought Paramount Pictures as a way to hedge against cyclical periods in his other businesses, loved to pitch film ideas and date starlets. He even convinced John Travolta to do the sequel to "Saturday Night Fever."

The music business has had its own cast of high-strung characters, including CBS Records' Walter Yetnikoff and Motown's Berry Gordy, who showered his favor over singer Diana Ross.

"[Ego] is never off, it's always on. I think it's a function of being a CEO. The job itself requires a competitive nature and these are highly competitive people," said Santa Clara University professor Hersh Shefrin.

World of hit and miss

Lorraine Segil, at Vantage Partners, points to the past efforts of non-entertainment companies that tried to make a splash in Hollywood--and wound up getting dunked. "Too many have come and expected to apply sound management and talent to the entertainment world with poor results," she said. She describes the ways of show business as "not taught in business schools and not subject to profit and loss statements. It's a world of hit and miss and public taste--the ephemeral non-metrics."

Eisner tends to be a mix of the intuitive and the calculating.

He exhibited his competitiveness early at ABC when he would boast of his formal education in jousting with Diller, his mentor and rival, who had dropped out of UCLA after his freshman year. After mentioning a title by author Edith Wharton, Eisner later noticed Diller carrying a stack of her books, according to Kim Masters' book on Disney, "Keys to the Kingdom."

Eisner has built Disney from a floundering movie studio to an empire of theme parks, broadcast networks and cable operations since taking over the company in 1984. He is said to delve into even such mundane matters details as hiring decorators for Disney's hotels--and picking the furniture.

"I met with every decorator [at Disney World's Animal Kingdom Lodge], every designer. I hired Peter Dominick and I passed on four versions of what he did," Eisner told Time Magazine last year.

But his style--and desire to retain control--has also led to a string of strained relationships within the past decade. Besides the recent battle with Disney and Gold, there has been a series of acrimonious departures, including those of onetime studio boss Joe Roth and Roth's predecessor, DreamWorks SKG boss Jeffrey Katzenberg, who won a \$270 million civil judgment against the company and his former mentor.

Schmoozing and hardball

By contrast, there is Roberts. Son of Comcast's founder, he expanded the company from a regional outfit to the nation's biggest cable operator with deals that include the 2002 acquisition of AT&T Corp.'s cable operations. His dealmaking style includes both schmoozing and hardball. Over dinner and drinks, he convinced Microsoft Chairman Bill Gates to invest \$1 billion in Comcast.

"Brian always says that the best time to be negotiating a deal is when you've got a room booked for a conference at 4 o'clock and your competitors are racing to catch their train to the Poconos at five," said Clasen.

Roberts has said he wants to do the deal in part to become an equal competitor of News Corp., whose acquisition of DirecTV makes it a powerhouse in both content and distribution. But he admits that becoming the biggest media company is a draw.

But with Disney's recent string of earnings improvement, Eisner seems to have rebuilt goodwill with investors and bolstered support among a board that includes former U.S. Sen. George Mitchell.

Cloaking his combativeness behind a smile has served Eisner well in the past. He befriended Diller in order to get his first job as an underling at ABC. Later, he curried favor with Roy Disney and Gold for the Disney job, and in the process, relegated former Warner Bros. boss Frank Wells to the No. 2 spot.

Which ultimately makes the final outcome an open question. "In any other situation, you would say this would be a done deal." said Masters. "But no one wants to say those words this time. A lot of bad things have happened and Eisner's still survived."