

# How Bob Iger Unchained Disney

By shunning the limelight, seeking consensus, and giving executives room to run, he has radically transformed a troubled culture

BY RONALD GROVER

**F**OR THE PAST YEAR, THE media-entertainment complex (aka Hollywood) has provided riveting theater. Summary firings at Viacom. A quixotic bid to break up Time Warner. News Corp.'s

OJ. Simpson moment. But one entertainment colossus has been remarkably peaceful—so much so it's easy to forget that not long ago this place was a snake pit of warring egos, board intrigue, and assorted skulduggery.

That institution, of course, is Walt Disney Co. Not only has peace broken out since Robert A. Iger settled into Michael D. Eisner's throne at the pseudo-Tuscan headquarters in Burbank, Calif., but the Mouse House also has been racking up enviable numbers. It's posting record earnings, and the stock price has been defying gravity like Disneyland's Big Thunder Mountain Railroad.

So the Oscar for Disney's turnaround goes to...Bob Iger. No, wait, to Michael Eisner. No, both.

We'll explain.

Ignore for the moment the splash Iger made last year when he repaired relations with Steve Jobs and took control of Pixar, the Apple Inc. founder's animation hit factory. Most of the good news at Disney since Iger's ascension—the resurrection of ABC, the \$2 billion *Pirates of the Caribbean* franchise, rising attendance

at Disney's U.S. theme parks—are the payoff of plans laid during the Eisner era. And though Iger was deeply involved in the revival at ABC, he is the first to give his predecessor credit: "It was because of Michael that I was able to hit the ground running," he says.

On the other hand, those record profits deserve a second look. Yes, net income soared 33% in fiscal 2006, to \$3.4 billion, while revenues climbed 7%, to \$34.3 billion. But Disney had a one-of-a-kind year in 2006, with two box-office smashes in *Cars* and *Pirates of the Caribbean: Dead Man's Chest* that by themselves gave Disney earnings a huge pop. That sets the

## How's Disney Doing?

The stock is up 51% since Iger took over 15 months ago, vs. 29% for other media companies. But analysts say earnings, which soared 33% in fiscal 2006, will grow just 12% this year, vs. 24% for the sector.

Data: Bloomberg Financial Markets, Thomson Investors Network





bar high for Disney this year. While another *Pirates* film is due out this summer, along with Pixar's *Ratatouille*, Thomson Financial projects net income growth in 2007 of 12%, vs. 24% for the media sector as a whole.

To buffer the company against the hit-and-miss vagaries of the movie business, Iger will need to complete an ongoing resuscitation of the Paris and Hong Kong theme parks, keep ABC's momentum going, and encourage the Pixar team to make more than one film a year. He must also make Disney nimbler and capable of moving quickly to seize the digital day.

### CRONKITE WANNABE

IT'S ON THAT FINAL challenge that Iger has made the most progress. Behind the scenes he has upended Eisner's centrally planned company, hacking away at the bureaucracy and unshackling a group of veteran executives to plot their own courses. Putting Disney movies and ABC shows on the iPod is not just groundbreaking. It's a reflection of a faster-moving and more aggressive Disney. In an e-mail, Eisner, who declined to comment on his record as CEO, had this to say about his successor's performance: "Bob Iger and the entire management team have done a great job in the last year. They are making the right moves at the right times."

Iger, who turns 56 on Feb. 10, is a guy who says things like: "The story shouldn't be about me. It's about the team." Sounds like the false modesty of a media-trained CEO, no? But Iger really does prefer to hover in the background, letting the limelight stream over his lieutenants. He rules by consensus, not fiat. And rather than heaving Eisner's people overboard just because he could, Iger has kept the team largely intact.

Next to Eisner, Iger is bland, a scripted CEO who never shoots from the hip. Colleagues say they don't know much about Iger's personal life except that he's a basketball nut. And while Iger isn't without the vision thing, no one would call him a big strategic thinker. But by surrounding himself with smart people, including Jobs and the Pixar crew, and letting them get on with it, Iger has recreated a can-do culture at Disney.

Iger, in short, is the Un-Eisner. He represents the new buttoned-down Hollywood—the anti-mogul in an industry where egos blot out the sunshine. "Bob lets [the person] who can handle the job get it done," says Jobs, who sits on the board and is Disney's single largest shareholder. "It's not [about grabbing]

# Entertainment Change Agents

headlines. That's rare in that town."

Most Hollywood bigs either have mogul DNA (Rupert Murdoch) or lust for power and riches from Day One (Eisner). But Robert Iger wanted to be Walter Cronkite. Growing up on Long Island in Oceanside, N.Y., the son of a marketing executive father and librarian mother, Iger got the journalism bug early as sports editor of his high school newspaper. By 1972 a shaggy-haired Iger was hosting Ithaca College's ICB-TV show *Campus Probe*, tackling such breaking news as the school's new credit union. But the networks never came calling, and Iger accepted a job as a weatherman at a local TV station.

He might still be in Ithaca, N.Y., today had he not signed on as a schedule coordinator for ABC Sports in 1974. Soon after

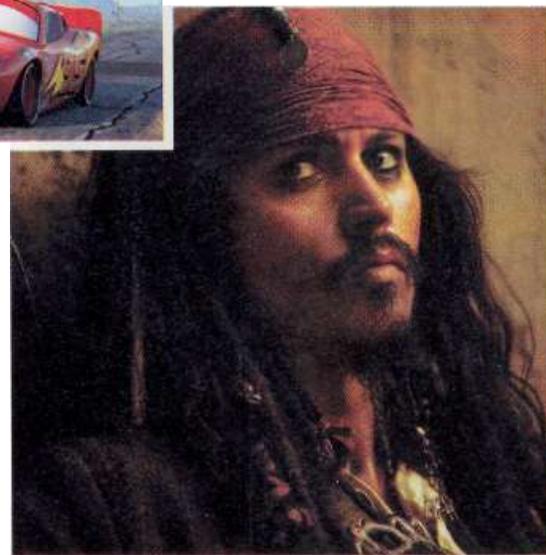


joining the network, Iger met the surrogate father who helped launch his career and instilled in him the management ethos he follows to this day. That man was Thomas S. Murphy, founder of ABC's then-parent, CapCities. Murphy, now 80 and retired from the Disney board, was a legendary figure who gave young talent the freedom to experiment.

Iger calls it the Tom Murphy School of Management. "You put good people in jobs and give them room to run," he says. "You involve yourself in a responsible way, but not to the point where you are usurping their authority. I don't have the time or concentration—and you could argue maybe even the talent—to do that."

Disney acquired CapCities in 1996, and Iger, by then Murphy's heir apparent, found himself working for an entirely different species of boss. Eisner was everything Murphy wasn't: micro-managing, imperious, bullying

Eisner rarely demonstrated much admiration for Iger, but he valued his diplomatic skills. In 2000, Iger became Disney's president, and it wasn't long before Eisner was dispatching him on thorny missions requiring the common touch Eisner seemed incapable of. When ABC tried and failed to steal David Letterman from CBS to fill Ted Koppel's late-night slot, Iger was the one who sweet-talked



Koppel into sticking around. When dissident board members Roy E. Disney and Stanley P. Gold staged an anti-Eisner rally at Disney's 2005 annual meeting, Eisner sent Iger to talk to the press.

And when Miramax Film founder Harvey Weinstein was battling Eisner over the terms of his divorce from Disney, Iger stepped in to "get the talks over some rough spots," recalls William Morris Agency CEO Jim Wiatt, who helped broker the deal. "Bob kept the two sides talking when I thought they'd had just about enough of each other."

To this day, Iger won't speak ill of Eisner. "I think fondly of Michael. I learned a lot from him," he says. "In a way, he founded the modern Walt Disney."

**A GOOD YEAR** (clockwise) Despite slow growth in Hong Kong, a *Pirates* sequel and Pixar's *Cars* spiked earnings

What Iger tactfully leaves unsaid is that during the final years of Eisner's otherwise brilliant two-decade run, Disney lost its animating spirit. To say the culture was poisonous doesn't begin to capture the company's dysfunction. Eisner left behind a place where division chiefs were afraid to make decisions—the last thing the company needed when such rivals as News Corp. and Viacom Inc. were boldly staking out territory on the Web.

Iger recognized that the problem wasn't the people running the show. It was the work environment—and he set about changing it. One of the first things Iger did was make the Monday morning meetings less autocratic. Where Eisner held court, Iger encourages a conversation. Even his office is more inviting. Out went the drabness of the Eisner years. In came airiness, family photos, and a cigar store Indian Iger found in the basement of the ABC building in New York. He hangs his suit jacket on it.

To encourage his executives to drop by, Iger also installed a door to a more heavily trafficked hallway. He moved studio chief

(CLOCKWISE FROM TOP) ATLANTIDE PHOTOTRAVEL/CORBIS; BUENA VISTA PICTURES/PHOTOFEST

## How to Follow A Powerful Chief Executive

It's never easy, but James M. Citrin, a senior director at executive search firm Spencer Stuart and co-author of *You're in Charge—Now What?*, offers four guidelines:



### BE YOUR OWN PERSON

Don't try to be someone you're not. As Jeff Immelt said shortly after becoming General Electric CEO: "I'd never try to 'out-Jack' Jack." Also, introduce (or reintroduce) yourself to the company and let them know who you are and what you want to accomplish.

### IT'S NOT ABOUT YOU

It's about the company and the people who work there, the customers you serve, and the investors who are looking for an attractive return. Give credit to others for successes and use "we," not "I"—except when shouldering blame.

### ESTABLISH THREE POWERFUL THEMES

Make them straightforward and use them consistently and relentlessly. The three themes (two seem incomplete, and people won't remember four) need to be sufficiently specific to be meaningful, yet general enough to serve as organizing principles.

### NEVER SPEAK ILL OF YOUR PREDECESSOR

This is especially true with a powerful leader. Some colleagues will be nostalgic for the ex-CEO. Preserving a sense of continuity and demonstrating genuine respect for the prior regime will establish you as a classy and seasoned leader.

Richard Cook up from the second floor to the sixth, where Iger has his office. And he made a point of visiting the troops—for example spending half a day at Buena Vista Games Inc. talking to game developers in town for a brainstorming session. "These are guys who'll go back to England or wherever with a sense that their ideas are getting heard," says game unit chief Graham Hopper. "That's tremendously empowering to a creative person."

Iger has also reached out to former Disney people who can help him chart a new strategic direction. One regular dinner companion is former studio chief Jeffrey Katzenberg. Disney recently agreed to air a *Shrek* Christmas special produced by Katzenberg's DreamWorks Animation. Iger has also made peace with Stanley Gold and Roy Disney, inviting the latter back onto the board in an emeritus role and as a consultant. "He's

got the company working like a team again," says Gold, once an Iger critic. "It's very impressive."

### 'WHERE'S MY WOW?'

IF EISNER STRUGGLED to rise above the petty and personal, Iger sees the big picture. Almost immediately he shunted aside the top strategic planner, Peter Murphy, who had come to be regarded as Eisner's top cop. Then Iger turned around and paid Murphy nearly a million dollars to stick around for another year. Why? Because Murphy was Disney's key negotiator in a three-year battle to get cable giant Comcast Corp. to pay higher fees to carry Disney's ESPN sports channel.

Eisner never got over Comcast's hostile takeover bid in 2004, and the talks often bogged down. Iger figured Murphy was best positioned to get the job done. "You

could see the difference in [Murphy's] body language," says Comcast President Stephen B. Burke. "He was free to make a deal without worrying about getting grief from Michael." In the end, Comcast agreed to pay an estimated \$70 million more a year in fees, and Disney won a lucrative deal to provide movies and TV shows for Comcast's video-on-demand service. Murphy, who declined to comment on his departure, has left the company.

Iger brings almost preternatural energy to the job. Every morning at 4:30 a personal trainer puts him through his paces at the Brentwood mansion (formerly owned by Michelle Pfeiffer and her TV writer husband, David E. Kelley) Iger shares with his wife, newscaster Willow Bay, and their two sons. By 6:45, Iger is at his desk, talking to New York.

Ifs what Iger doesn't do with his energy that is most telling. He doesn't

# Anúncio

dump on people's ideas. Eisner famously wrote: "Where's my wow?" on subordinates' proposals he didn't like. And where Eisner got involved in every aspect of the creative process, from the color of the carpets at the theme park hotels to Tuesday morning script sessions, Iger lets his people take the lead.

### DISCREET AND NIMBLE

ABC CHIEF ANNE SWEENEY says Iger, having agreed with Jobs to put ABC shows on the iPod, turned over the details to her. She quickly understood that the intensely secretive Jobs wanted as few people as possible to know what was going on. Only five Disney people, including Iger, were involved in the negotiations; the deal was sealed in three days. Under Eisner a team of Disney lawyers and executives would nitpick over the details for weeks.

Studio chief Cook has newfound freedom. Iger almost never attends script meetings. And during the Pixar negotiations, Iger allowed Cook to represent Disney. The CEO came in only at the end to close the deal, meeting with Jobs and having dinner with Pixar creative guru John Lasseter at his Sonoma Valley home.

Eisner's departure also allowed Cook to go ahead with an Iger plan to cut in half the number of live-action movies the studio makes each year and do mostly family-friendly fare that meshes better with the theme parks and the Disney Channel.

Nowhere has Iger given up more control than at Disney's animation unit. That's amazing given that the Mouse House was built on animation. In a good year it provides as much as one-third of the studio's profits. But with Disney animators turning out a steady stream of clunkers, Iger has given Jobs's Pixar team carte blanche. With Lasseter installed as Disney's new chief creative officer, the newcomers laid off 160 people and reassigned executives. Last year, Lasseter and former Pixar President Ed Catmull, who is now president of Disney Animation, delayed the Christmas release of Disney's *Meet the Robinsons* movie to rework it. Now it will be released in March.

Jobs says Pixar's management control of the Disney animation unit was key to selling Iger his company. "I wasn't sure I could get Ed and John to come to Disney unless they had that control," says Jobs. "Bob said: 'Dynamite it if you have to.' Thankfully, we saw plenty we liked."

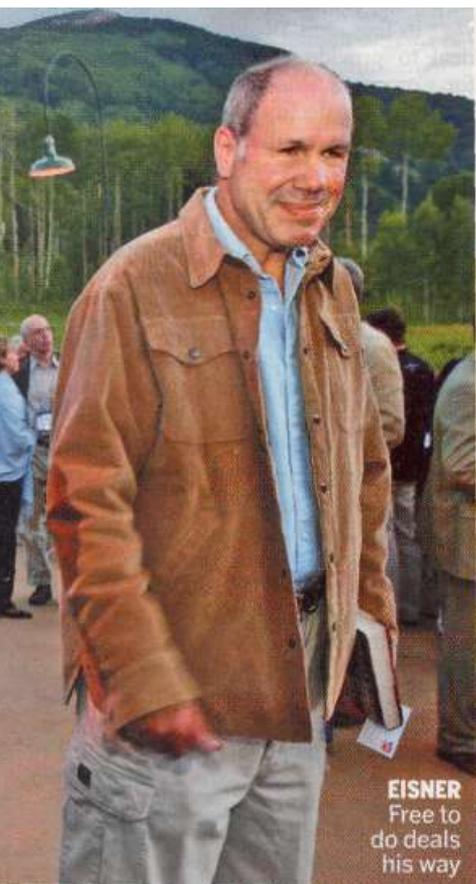
Iger's hands-off M.O. has its limits. The Pixar people decided, for example, not to release a Tinker Bell animated DVD later this year because they wanted time to make it better, even though the release

had been timed to coincide with a new Disney promotion of toys based on fairy characters. And the quality-first attitude of the Pixarites, which could generate bigger box office, might also mean fewer animated movies each year. They're not big on sequels, either. That means less opportunity for tie-ins with merchandise, the theme parks, and Broadway plays.

Then there's the ESPN-branded phone. Round-the-clock delivery of sports trivia and game scores was supposed to be manna to sports nuts. The phone flopped, forcing Disney to take a \$30 million write-down. Iger waxes philosophical. "I don't criticize them for taking risks," he says. He figures ESPN has learned from the experience and now has more insight than its rivals into how best to put content on cell phones.

During the Eisner years, Disney's digital strategy faltered. Iger seems determined to make up for lost time—even if it means more ESPN-style flops. A technophile, Iger travels with two iPods and is constantly road-testing the latest gizmo. His decision to acquire Pixar and let Apple put ABC shows and Disney movies on the iPod galvanized the company and sent a message to its managers: The new boss was willing to take risks to drag Disney into the digital age. "I said: Wow. Now I get it," recalls Disney Internet Group chief Steve Wadsworth. "The company is ready to roll."

## Nowhere has Iger given up more control than at the animation division



EISNER  
Free to  
do deals  
his way

### SECOND ACTS

## Going Digital With A Billion-Dollar Bankroll

**M**ore than a year after leaving Walt Disney Co., former Chairman and CEO Michael D. Eisner is once again doing what he likes best: making deals.

An extremely wealthy man thanks to the more than \$1 billion in salary, bonuses, and stock options he raked in during his 21 years as Head Mouse, Eisner, 64, is quietly building a private media company. Freed from the prying eyes of shareholders and board members, Eisner can

be Eisner—inking deals, acting snarky, and, well, being master of his own universe.

That universe is the five-person Tornante Co., staffed by an ex-Disney MBA and a couple of secretaries and dealmakers. Operating from a tony Beverly Hills address, Eisner has gone all new media, plunking down an undisclosed sum to buy Team Baby Entertainment, which makes sport-themed DVDs for children, and taking a stake in Veoh Networks Inc., an ad-supported YouTube-like consumer-generated video site



**BORN** Feb. 10, 1951

**THE INNER HAM** Voted "most enthusiastic" at New York's Oceanside High School, Iger was sports editor for the newspaper, the radio voice of the varsity sports teams, and Francis Nurse in *The Crucible*.

**THE NEXT CRONKITE** After the "thrill" of pitching story ideas to Ithaca College professor and *Twilight Zone* creator Rod Serling, Iger hoped to translate his BS in communications into a reporter gig. Instead, he was a TV weatherman in Ithaca, N.Y., before heading to ABC Sports.

**THE BIG BREAK** Iger caught CapCities/ABC CEO Thomas Murphy's eye after juggling the program schedule to avoid disaster during the snow-poor 1988 Winter Olympics in Calgary.

**THE DIGITAL CEO** A technophile with multiple iPods, he wants content from Disney, ABC, and ESPN available to consumers 24/7 on the Web, phones, DVDs, everywhere. And he doesn't mind ruffling feathers to do it: He angered theater owners when he said DVD release dates should be closer to their openings on the big screen. And Blockbuster and Target initially threw fits when he put movies on Apple's iTunes.

**THE PRIVATE BOB** A father of four, Iger hangs out in Brentwood, Calif., with his second wife, newscaster Willow Bay, and their two young sons. Last year they paid \$19 million for a two-acre property with a 7,500-square-foot house that was previously owned by TV writer David Kelley and his actress wife, Michelle Pfeiffer. A fitness fanatic, Iger works out with a trainer at 4:30 each morning and takes bike rides with News Corp. President Peter Chernin.



**ON THE TOWN**  
Willow  
and Bob

ABC chief Sweeney recalls Iger dropping by her office not long after he took over to talk about the network's future. She suggested coming up with an ABC site where viewers could get TV shows whenever they want. "We had a really interesting discussion of how you'd construct your own [online] network," says Sweeney. "Bob's parting words were: 'Go fast.'" A month later he announced the initiative at Disney's annual meeting.

If one thing separates Iger from other media moguls like Rupert Murdoch and

Sumner M. Redstone, it's his belief that he doesn't need to go out and acquire a MySpace.com or YouTube Inc. While he hasn't ruled out buying an online property, Iger says he has the right content and world-class brands—Disney, ESPN, ABC—to lure eyeballs.

The rollout in coming weeks of a reimagined Disney.com is central to Iger's plan to boost the company's online fortunes. The reconfigured site, which draws 21 million unique visitors each month, now features social networking

and streamed TV shows aimed at young kids—another way to capitalize on that family vibe. The hope is that the site will get visitors to stay longer, allowing Disney to surpass the \$700 million in digital revenues it projects for this year.

Ultimately, Iger wants to go directly to consumers on the Web, supplementing the company's existing deals with cable and satellite providers. "Why not be there ourselves?" he says. It's a question Iger will continue to wrestle with as he remakes Disney. •

that claims 4 million unique monthly users.

Eisner hasn't been shy about using his Rolodex or hardball negotiating tactics to give his investments a boost. He got Regis Philbin and other buddies to lend their voices to Team Baby DVDs. And shortly after investing in Veoh, which also has such backers as Time Warner Inc., Eisner tracked down Jann Wenner, a former Disney partner in *Us* magazine, and persuaded him to put its celebrity sightings on Veoh's new broadband Celebrity Channel.

Veoh also hopes to find the next crop of Steven Spielbergs among the amateur auteurs putting videos up on the site and get them real jobs directing movies in Hollywood. So Eisner went to United Talent Agency and cut a deal whereby Veoh would create a special UTA site where aspiring filmmakers can post their work in the hopes that the agency will pick them up as clients. The

kicker for Veoh is that it will get a healthy piece of the site's ad revenues thanks to some muscular deal-making by Eisner, "Hollywood people negotiate tough," marvels Veoh Chief Executive Dmitry Shapiro.

Eisner had originally planned to do deals with Disney. The Team Baby buy, for instance, would have been a perfect fit for his former company. After his resignation, Eisner agreed to sit on the Disney board and then realized that potential conflicts of interest would crimp his freedom. So he left the board and went out on his own. His people say more deals are coming, but Eisner is keeping mum.

When not tinkering with his investments, Eisner hosts his MSNBC show, *Conversations with Michael Eisner*. It's one of the business channel's lower-rated offerings; despite his fast-thinking and unscripted Hollywood persona, Eisner is no Oprah or Charlie Rose. Yes, he managed to get a rise out of Sumner

M. Redstone when he suggested that the octogenarian chairman of Viacom Inc. hand the CEO reins to his daughter, Shari E. Redstone, president of National Amusements Inc. But skins don't get much thinner than Redstone's, so that was no coup.

Eisner has also become a fixture on the conference tour, interviewing IAC/Interactive CEO Barry Diller in Beverly Hills recently and Sony CEO Howard Stringer at the annual Sun Valley summer gabfest hosted by Allen & Co. And like many rich or famous men with lots of time on their hands, he travels the globe making speeches at about \$100,000 a pop. Mostly he uses his private jet. But sometimes he flies commercial, his ESPN cap worn low in a half-hearted attempt to conceal his identity. One of his crowd-pleasing addresses: *Leadership: Succeeding by Failing and Other Paradoxes*.

—Ronald Grover