

THE BIZ/JAMES BATES and CLAUDIA ELLER

A Bumpy First Year at Disney

Michael Ovitz has been talking with Sony Corp. executives for months. That much is true.

Hollywood insiders would have you believe he's lobbying the Japanese electronics giant for the top entertainment job in the U.S. They say Ovitz is miserable since leaving his perch as Hollywood's top agent to be second in command under Walt Disney Co. Chairman Michael Eisner, rumored to be equally miserable for bringing him aboard.

But other sources say Ovitz has discussed a series of different scenarios with Sony President Nobuyuki Idei and other executives, the most intriguing of which is whether Sony would sell all or part of its lucrative music operation to Disney.

Insiders are skeptical that would happen, but the companies also are talking about possible joint ventures in music, technology and other areas. The single biggest hole in the world's largest entertain-

ment empire is its lack of a major music division.

For his part, Idei has told people at the company that Ovitz is not going to work for Sony.

One year after Ovitz gave up his post as the powerful chairman of Creative Artists Agency to become president of Disney, he is still one of Hollywood's prime obsessions. He remains as enigmatic and controversial a figure as when he seemingly ruled Hollywood, even though many of his new activities—mostly in the international, interactive and music areas—fail to register on Hollywood's radar screen.

Ovitz also encounters increasing hostility from the same industry and news media that a year ago both feared and lauded him, routinely dubbing him as "the most powerful man in Hollywood" as if it were printed on his business card. Rumors about him have ranged from nasty clashes with Eisner to whether he had a face-lift, many of them circulated by people still smarting from the often ruthless methods he displayed as an agent. As one prominent Wall Street figure close to Disney put it, "It's like there's a backlog of animosity that still is being worked through."

Yet it's also true that Ovitz's first year at Disney hasn't gone smoothly. Sources close to the Disney board of directors acknowledge that the transition from Hollywood superagent to corporate executive has been rougher than either Eisner or Ovitz anticipated, with several Ovitz missteps making things worse. Insiders say the learning curve has been steep, exacerbated by Disney's \$19-billion acquisition of Capital Cities/ABC in February.

Eisner, despite being one of Ovitz's closest friends, is also one of Hollywood's most difficult bosses, someone whose often

From Agent to Exec, Ovitz as Enigmatic as Ever

brusque and confrontational style is new to Ovitz after two decades of being his own boss.

Ovitz declined to comment for this story. During a brief interview, Eisner four times used the word "ludicrous" to describe talk in Hollywood of tensions between the two executives, suggesting it is coming from jealous competitors.

"One thing that happens when you do well is gossip," Eisner said in the phone interview. "Gossip tends to breed in comfort. I don't want to comment on it. It's ludicrous. I've been in a lot of management in a lot of companies. I'm sitting here at quarter to 10 in the morning on a treadmill feeling extremely comfortable about the trajectory of the company going forward."

Added studio chief Joe Roth: "I've had an awful lot of contact with both men and I've never known them to be at each other. I'm not saying they don't do it in the comfort of their own homes, but in the past year I've never found them not to get along."

But others say the relationship between two of the most headstrong executives in Hollywood is strained. "Eisner is giving him orders in front of other people and he hates that," said a former close ally of Ovitz. "He's being treated in a way that he's not used to

being treated."

Nor is Ovitz used to the beating his image has taken in Hollywood. An Ovitz anecdote making the rounds this week has him lobbying publicist Pat Kingsley and film producer Paula Wagner to get him a seat at the table with Tom Cruise at a Beverly Hills dinner honoring the star last Saturday night.

When rebuffed, the ex-talent agent was a no-show. That version is offered up by several people at Hollywood's highest levels. They say it shows how Ovitz's once-lofty status has so diminished that he can't even score a seat at a head table.

But as with nearly every tale about Ovitz, there's usually a maddeningly, diametrically opposed version. Wagner, Cruise's producing partner, says it's not true. So does Kingsley, who adds, "I swear to you on a Bible it didn't happen."

Compounding the swirl of talk about Ovitz have been mistakes by the executive, particularly in dealings with ABC.

Ovitz was accused by NBC executives of trumping up a sexual harassment charge to free former NBC executive Jamie Tarses from her contract so ABC could hire her, something he has denied. Senior NBC executive Don Ohlmeyer declared war on ABC after the incident. Another controversy arose when former CAA agent Michael Rosenfeld, son of Ovitz's ex-partner in the agency business, left ABC after less than a year. Sources say Rosenfeld believed Ovitz had promised he would become second in command at the network, the job that went to Tarses.

Sources say Ovitz has ruffled feathers at ABC and other areas of Disney. "He was very aggressive and people were intimidated when he first got there," said an executive close to ABC, who added: "Ovitz needs to be more patient in his new role. He's on a steep learning curve, and he's bumping into walls sometimes."

Sources close to Ovitz say he now realizes he has to work harder to build relationships within Disney as well as among industry rivals.

Another awkward maneuver was Ovitz's early meddling in Disney's motion picture business. He was instrumental in helping sign such former clients as Martin Scorsese and Sean Connery to Disney deals, which some studio insiders suggest was prompted by Ovitz's desire to show Hollywood he was making an immediate impact in his new job as well as compete with his former

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partner and now MCA president, Ron Meyer, in making talent deals.

Roth says that although "it may have been hard for him to accept, it became clear after Connery and Scorsese that simply making first-look deals with high-end talent wasn't in the company's long-term interest."

Describing the relationship with Ovitz now, Roth says: "On the domestic studio side, he and Eisner supervise me. We talk about the movies. But obviously I make the choices about what we do and don't do."

Part of problem is that Ovitz can't operate at Disney in the same way he did at CAA, where he was so feared that he nearly always got his way. That style—which critics characterized as intimidating and arrogant—doesn't work at a public company where the corporate politics require finesse in the handling of influential board members, powerful division heads and investors.

"Ovitz is an extremely bright guy, but the dark side is he's a bit of a bully who has an attitude that you are never supposed to

when I was at ABC, I had never seen a soap opera," Eisner said. "When I took over prime time, I had never been in filmed entertainment. When I went to Paramount, I had never been involved in movies. When I came to Disney, I had never been involved in animation or theme parks. I was a generally knowledgeable entertainment executives and did all right. The same is true with Michael Ovitz. He's a very good entertainment executive who is now a corporate executive."

Whatever the tensions, it's worth noting that Wall Street is generally bullish on the company, and that its financial health—powered by its animation success, a string of recent successful live action films, strong video sales, theme parks and an unequalled brand name—makes it arguably the world's top entertainment company. As one rival executive said, "I'd love to have their problems." Said Eisner: "The truth is that in the 12 years I've been here, we've never performed better."

Still, Disney has had trouble digesting ABC. The network's prime-time schedule faltered last season, which Eisner acknowledges was an unexpected surprise. It struggled during the first week of the new season, although the network argues that a batch of shows have yet to debut. Still, soft ratings don't sit well with executives as competitive as Eisner and Ovitz.

"These are two aggressive men who hate to be in second, let alone third, place," said one network source.

But Eisner said he believes in the team of Bob Iger, Ted Harbert and Tarses, who run ABC under Eisner and Ovitz. He adds that the sports cable channel ESPN has proven even more valuable than he thought. He also says ABC "is on the mend" and is especially bullish on such things as ABC's new Saturday morning schedule.

At the corporate level, industry watchers have been critical of Disney's failure to clearly define Ovitz's role other than being Eisner's backup. As one analyst who follows Disney put it: "No one knows what he's doing. There's not a specific role, and that's where the problem is." To address such concerns, Ovitz has been meeting regularly with selected analysts and along with Eisner will be making a presentation to 30 analysts next week in Florida during the 25th anniversary of Disney World.

Roth suggests that "so much of the stir is because Ovitz was in an unrivaled power position at CAA with an enormous profile. Now he's working for a huge corporation, and much of what he's doing has no profile at all. I think the issue is people are questioning what his job is, and much of what he does is done behind closed doors."

It is taking time, he adds, "for these guys to carve up the turf in a more equal fashion so one is not simply backing up the other."

Roth and Eisner both believe Ovitz's

priorities are clear: developing Disney's international business, especially in Europe and Asia, building a viable interactive operation and creating a credible music presence. As contractually promised to him, Ovitz was made a director of the company in February.

Developing Disney's international business is one of Ovitz's top mandates, for good reason. Eisner is said to have little interest in that area and doesn't like to travel. It's also worth noting that the company's biggest financial debacle during Eisner's 12-year reign was overseas, at the Euro Disney theme park near Paris.

In addition, Disney's brand name—considered by some to be second only to Coca-Cola's in global recognition—is clearly underdeveloped, with foreign revenue representing an anemic 18% of the company's total intake. In addition, ABC doesn't have anywhere near the global presence of a Cable News Network, nor the foothold in foreign markets that News Corp. head Rupert Murdoch has built.

As a result, Ovitz is said to be burning up time in a Gulfstream jet, which Disney acquired from CAA, averaging only about one week at home per month. In particular, Ovitz is charged with trying to pry open the huge, elusive market of China for things ranging from Simba stuffed toys to Disneyland-like theme parks. All of Hollywood is salivating over the potentially lucrative market given that China has more than 20% of the world's population.

Yet another foreign problem is internal: Disney knows its business in Europe is too decentralized. Ovitz has been presiding over monthly meetings abroad with the various Disney territorial managers.

That mandate is a far cry from the duties of the late Frank Wells, the last executive to hold the Disney president title before he died in a helicopter crash in 1994. The understated Wells was a lawyer who made fixing difficult problems look easy, and whose ego didn't demand public stroking. Wells was the quintessential behind-the-scenes force who worked as Eisner's equal—he reported directly to the Disney board and had originally turned down the top job, recommending Eisner instead.

Whereas Wells' duties had him knee-deep in tasks throughout the company, from union negotiations with Disneyland workers to approving capital expenditures, Ovitz's role is more limited—effectively business development.

Ovitz was brought in after Eisner had emergency bypass surgery, raising concerns that Disney had no successor and that the corporate bench was thin. To lure him to Disney, Ovitz got a package that guarantees him \$1 million in annual salary, options for 5 million shares of stock over seven years and the same perks as Eisner.

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KARIRENE HALL / Los Angeles Times

'I'm sitting here at quarter to 10 in the morning on a treadmill feeling extremely comfortable about the trajectory of the company.'

MICHAEL EISNER
Disney chairman

cross him," said one Wall Street source close to both Eisner and Ovitz. "Everybody has to be loyal. There's no room for challenging his opinions."

Defending Ovitz, Eisner compares the executive's transition to his own career path that took him from junior network executive to chief executive of Disney.

"When I took over daytime television

Mr. Ovitz's Wild Ride

In one of the most heralded executive moves in the entertainment industry, super-agent Michael S. Ovitz one year ago became president of Walt Disney Co. Known as the most powerful man in Hollywood as the head of Creative Artists Agency, Ovitz became Disney's second-ranking officer under Chairman Michael Eisner. Here is an assessment of his first year.

Learning Curve

Ovitz has spent much of the last year getting to know the far-flung operations of the world's largest entertainment company. He is focused now on bolstering Disney's underdeveloped international business, building an interactive business and establishing a credible music operation.

Initiatives

He met with the president of China as part of an effort to open up a potentially lucrative market for Disney. He approached Sony about buying all or part of its music operation.



LAWRENCE K. HO / Los Angeles Times

Missteps

Ovitz ruffled feathers at ABC, which Disney bought this year, and was blamed in the industry for mishandling the hiring of former NBC executive Jamie Tarses. Eisner and Ovitz have also failed to clarify his exact role to Wall Street and Hollywood.

Michael Ovitz, left, with Disney Chairman Michael Eisner.

Getting Along With Others

Ovitz, known for his aggressive style, has rocky relations with rivals, so much so that top NBC entertainment executive Don Ohlmeyer called him "the antichrist" and declared war on ABC. In recent months, Ovitz has sought peace summits with such longtime foes as Ohlmeyer and David Geffen.

Getting Along With the Boss

Ovitz has adapted to his new position more slowly than Eisner had anticipated, insiders say, making it harder to share the burden of operating the entertainment giant. Although there are tensions in the corporate suite, there are no tangible signs that the pair will split.

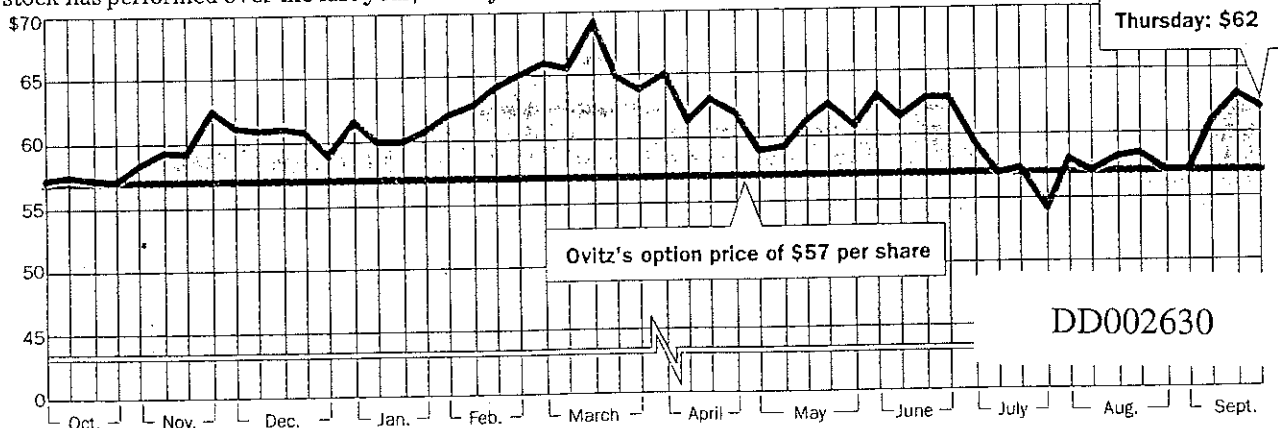
The Big Picture

Disney needs to stop ABC's slide in the prime-time ratings, boost its underdeveloped international businesses and get serious about music. It also must restore confidence among investors that the corporate marriage will work.

—CLAUDIA ELLER and JAMES BATES

The Stock Price

Michael Ovitz received options for 5 million shares of Disney stock with an option price of \$57 per share. How Disney stock has performed over the last year, weekly closes and latest:



Sources: TradeLine, Times reports. Researched by JENNIFER OLDHAM / Los Angeles Times

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Ovitz's lucrative contract is one factor weighing against his departure any time soon. Graef Crystal, an executive compensation expert who was consulted on Ovitz's contract, estimates the price of a breakup at \$90 million to \$100 million. That's the current value of salary, bonus and stock options payments Disney would have to pay Ovitz if it wanted to release him, or what Ovitz would forfeit if he wanted out and found a loophole in his contract.

Then there's the matter of public perception and the questions that would be raised if the marriage doesn't work. For Eisner, it would again raise concerns about his succession. For Ovitz, it would be perceived as a failure in a career that has known nothing but success. For both, it would be a huge public embarrassment.

As one prominent industry figure puts it, "Neither Mike can afford to be wrong about the decision they made."

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