Another Job for Steve Jobs?

The CEO of Apple and Pixar Could Face Conflicts of Interest As a Director of Walt Disney

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For most of last year, **Pixar Animation Studios** Chief Executive Steven P. Jobs and **Walt Disney** Co.'s newly elected CEO, Robert Iger, spent their time talking about how the two companies could continue their highly successful partnership in computer-animated films. But when Mr. Jobs called Mr. Iger last spring, he had a different agenda -- a plan to sell television shows through **Apple Computer** Inc.'s iTunes Music Store.

Even before Mr. Jobs got to the point of his call -- to persuade Disney to put its TV shows on iTunes -- he carefully prefaced his pitch. Mr. Jobs "said, 'I don't have my Pixar hat on -- I have my Apple hat on,' " Mr. Iger recalled in an October interview.

In this manner, Mr. Jobs has performed one of the more unique juggling acts in business as CEO of two high-profile companies, Apple and Pixar. While both companies sit at the crossroads of entertainment and technology, Mr. Jobs has long kept his dual roles separate, though few people doubt his position in the movie business has helped him as Apple has delved more deeply into entertainment.

Now if an effort by Disney to acquire Pixar succeeds -- and Mr. Jobs takes on a role as Disney board member and major shareholder -- he will have to juggle which hat to wear on the Disney board. As a potentially important new adviser to Disney, Mr. Jobs is expected to help the company navigate technological changes reshaping the media landscape, while, at Apple, creating those very same technologies. Corporate-governance experts say there is potential for conflicts of interest in those two roles, because Mr. Jobs could be in a position to make decisions at Disney that favor his Apple interests and vice versa.

As a result, Mr. Jobs and Disney will have to tread carefully to avoid the appearance that he is wearing his Apple hat while on the Disney board. Mr. Jobs has many other interests that "could conflict with the best interests" of Disney, says Paul Lapides, director of the Corporate Governance Center at Kennesaw State University in Kennesaw, Ga.

People who have closely followed Mr. Jobs's career believe he'll be able to appropriately wear both hats if he becomes involved in Disney. "He knows the boundaries of where you're supposed to operate," says Richard Doherty, an analyst at Envisioneering Group.

Over the weekend, Pixar and Disney remained in advanced negotiations over a deal that could

see Disney pay a slight premium to Pixar's market value to acquire the U.S. computer-animation studio. By close of trading on Friday, Pixar had a market value of just over $6.9 billion.

Disney's board yesterday convened for a regular meeting that continues through today, at which the negotiations with Pixar are one of the main agenda items, according to people familiar with the situation. Those people say a deal could come as early as this week. Also on the agenda: Disney's negotiations to sell ABC Radio which are nearing a conclusion, according to people familiar with the situation.

Mr. Jobs, 50 years old, didn't respond to requests to comment. In practical terms, he has managed his multitasking in the past by spending the vast majority of his time at Apple, located in Cupertino, Calif., across the San Francisco Bay from Pixar's headquarters in the industrial town of Emeryville.

Pixar employees and Mr. Jobs himself say he doesn't meddle in creative decisions about films, as some Hollywood moguls do. And under that system, Pixar has produced some of the top-selling aminated features of recent years, including "Toy Story," "A Bug's Life," "Monsters, Inc." and "The Incredibles."

At Apple, in contrast, Mr. Jobs is often involved in the minutiae of decisions about product design, the look of Apple's retail stores and wording in Apple news releases, according to current and former Apple employees. The company reported $5.75 billion in revenue in the holiday quarter, up 65% from a year earlier, thanks largely to selling more than 14 million of its iPod digital music players.

But as an adviser to Disney, with its broad holdings in television, film, and theme parks, Mr. Jobs could face decisions that intersect with Apple's business far more frequently than at Pixar, a relatively small media company focused only on animated film.

People close to the Pixar-Disney talks acknowledge that board-level discussions about Disney's navigation of the digital world would clearly create conflict at times for Mr. Jobs and that he will be expected to recuse himself from sensitive meetings. Some deals, such as Disney's move to sell television shows through iTunes are dealt with at a business-unit level, and don't require board approval, so Mr. Jobs might never have oversight of such decisions.

Yet more strategic Disney moves -- say, a big partnership with **Microsoft** Corp. or **Hewlett-Packard** Co., two Apple rivals in technology -- could require Mr. Jobs to take himself out of the mix. Disney has struck partnerships with both companies in the past, including a 10-year strategic alliance with H-P in 2003 that involved a collaboration on digital entertainment. Apple directors, too, might need to take the same steps as their Disney counterparts to ensure that Mr. Jobs recuses himself from board discussions and votes that could favor Disney content, at the possible expense of other content.

Other CEOs have been in this boat before. Former H-P CEO Carly Fiorina sat on the board of **Cisco Systems** Inc., even though the two companies did business with one another and were increasingly competing against each other in some areas such as networking. People familiar with the matter say Ms. Fiorina typically recused herself from board discussions at Cisco that impinged upon H-P; she later left the Cisco board, at a time when the competition between H-P and Cisco in certain technology areas was heating up. A spokesman for Ms. Fiorina declined to comment.

The frequency with which Disney has to wall off discussions about sensitive deals could end up defeating the point of having Mr. Jobs on the board in the first place, according to corporate-governance experts. If the walls are set so high that Mr. Jobs can't engage in board discussions about substantive issues, "he can't be an effective board member," says Lucian Bebchuk, a Harvard Law School professor who heads the school's corporate-governance program.

If an agreement is reached, Mr. Jobs could end up as the largest individual shareholder in Disney. Though Mr. Jobs wouldn't have a controlling stake in the entertainment giant, his stake would be bigger even than that of Michael Eisner, the former Disney CEO with whom Mr. Jobs clashed publicly as the two companies unsuccessfully sought ways to extend a long-running distribution partnership. Mr. Eisner's stake in Disney, as of Oct. 1, is under 1.8%, according to Disney regulatory filings. Mr. Iger has made smoothing relations with Mr. Jobs since being elected CEO last March and fixing Disney's troubled animation business top priorities.

A Pixar-Disney deal would also line Mr. Jobs's pockets. Mr. Jobs paid $10 million in 1986 to acquire the computer graphics division of Lucasfilm Ltd., forming the new company called Pixar. His stake in the company is now valued at $3.5 billion.

Under the current discussions, Mr. Jobs would take a Disney board seat and is expected to play an active role in the combined animation company and Disney as a whole, according to people familiar with the situation. For Disney, there is a belief that having Mr. Jobs as a director could help the company find its way in an increasingly digital era.

A person close to Pixar says a Disney board seat for Mr. Jobs could have an important symbolic function, too: reassuring Pixar's most valued animators and other creative staff that Mr. Jobs will help defend their autonomy under Disney management so Pixar's talent doesn't head for the exits.

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