

# Brazil's TV Titans

The changing of the guard at the family-owned Globo group wasn't easy. But a three-brothers act looks to have its timing down right.

BY KERRY A. DOLAN WITH ALEXANDRA KIRKMAN

**S**HIFTING LEADERSHIP FROM one generation to the next in a family company is always difficult. It's even harder if the patriarch is one of the most powerful people in the country.

Take the case of Brazil's Roberto Marinho, head of Latin America's largest media group, Organizações Globo. Equipped with ample political connections and control of the airwaves through his group's powerful TV Globo network, Marinho, now 95, gained a reputation in the 1980s as a kingmaker for selecting one Brazilian presidential candidate and influencing more than one election.

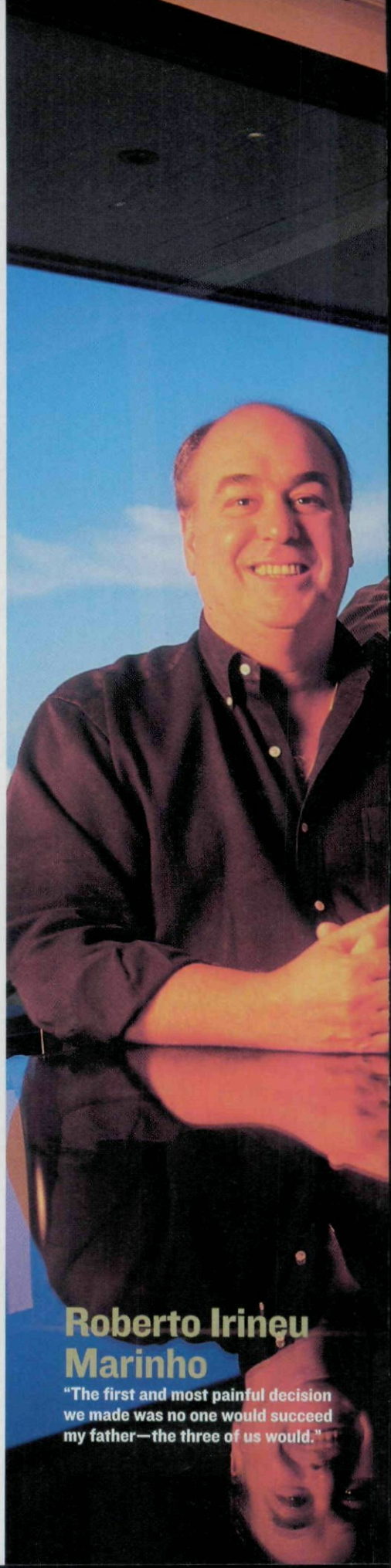
Which meant big shoes to fill for his three sons, who were without the benefit of a clearly defined succession plan. Perhaps that was a blessing in disguise. Left to decide things themselves, the brothers brought in a consultant specializing in family businesses. "The first and most painful decision we made was that no one was going to succeed my father," recalls Roberto Irineu Marinho, the eldest son and onetime heir apparent. "The three of us together were going to succeed Father."

That decision, difficult as it may have been, helped lay the foundation for transforming a paternalistic company into a globally ambitious group willing to embrace new technologies and modern management strategies.

As insular Brazil—the world's eighth-largest economy—opens to the globe, other family-owned companies there are selling their operations wholesale to foreign firms. Not the Marinhos. They're committed to keeping their business in the family, but up to speed.

The latest evidence of the group's embracing new technologies came in early June, when Telecom Italia agreed to pay \$810 million for 30% of the Globo group's new Internet portal, Globo.com. The sum is the largest amount yet invested in a Latin American Internet operation. And the linkage will eventually allow Globo to deliver its plentiful, popular content over wireless phones.

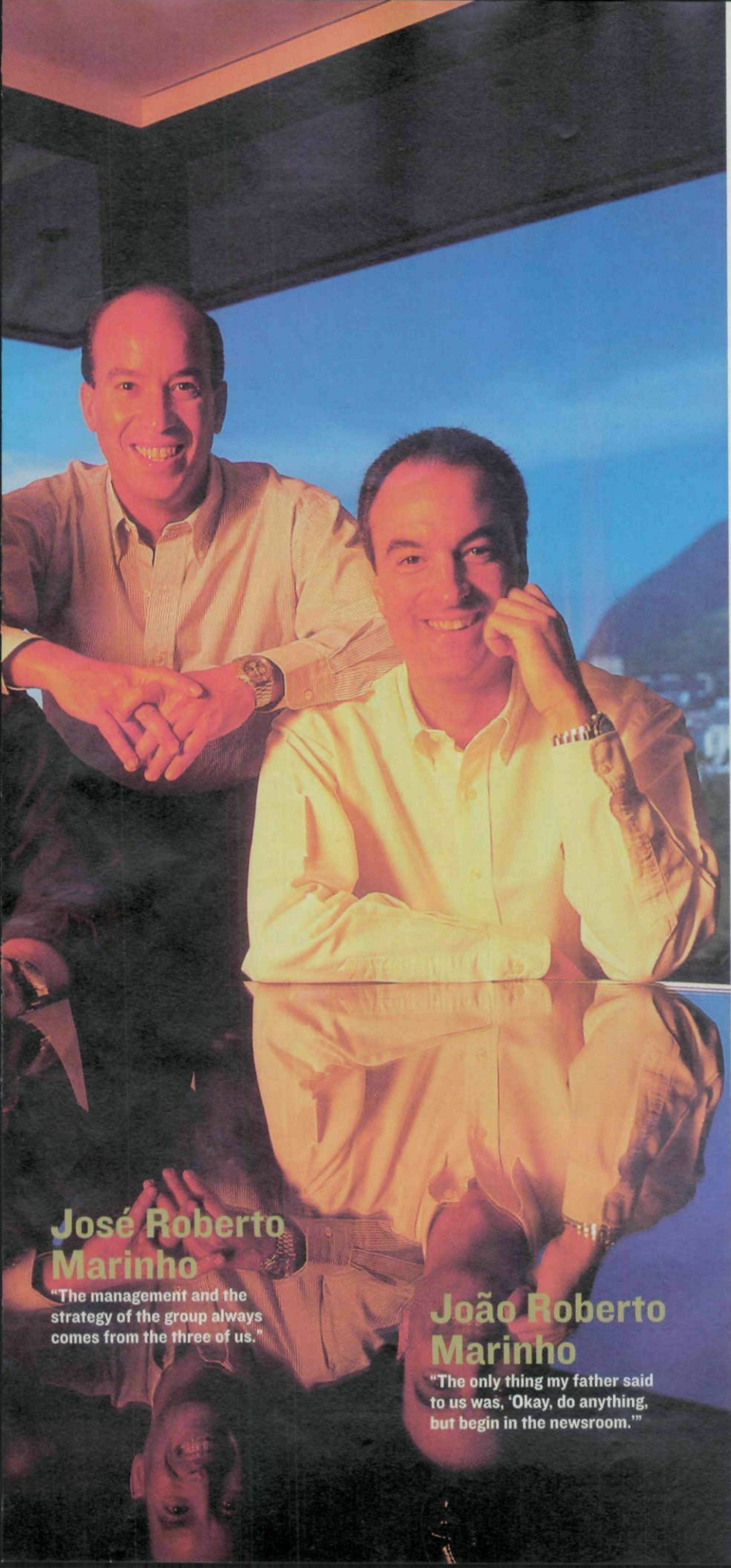
The Marinho brothers—Roberto Irineu, João Roberto and José Roberto—interrupt one another in their enthusiasm about the new deal. Over lunch in the expansive Rio de Janeiro office they share, the three de-



**Roberto Irineu Marinho**

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## José Roberto Marinho

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## João Roberto Marinho

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top-quality content, take Organizações Globo into the world of new media and expand beyond Brazil into other Latin American markets.

They're doing so from a strong base. Last year the Globo group sucked up fully half of the \$4.4 billion spent on Brazilian advertising. Its TV Globo network—the world's fifth largest in terms of audience—claims slightly more than half of the Brazilian audience, but 77% of television ad revenues. Its nighttime *telenovelas*—steamy soap operas—are a huge draw. It owns the country's dominant radio network and the second-largest magazine group, plus cable and satellite TV services. Revenues last year, during a recession and devaluation in Brazil, totaled \$2.8 billion. The family's holdings are valued at a conservative \$6.4 billion.

Globo is also forging ahead on broadband Internet access. Its listed subsidiary Globo Cabo, Brazil's largest cable TV provider, has laid 15,000 miles of coaxial cable past almost 5 million homes. Last August Microsoft bought a 9.6% stake in Globo Cabo for \$126 million in cash. In December the company launched Virtua, a high-speed residential broadband service available only to Globo Cabo's pay-TV subscribers. So far it has signed up 25,000 users.

Globo didn't always have such grand ambitions. Roberto Irineu Marinho—for whom his eldest grandson is named—founded *O Globo* newspaper in 1925 out of three rooms rented from a technical school, but he died less than a month later. His son Roberto, then just 21, took over, slowly building the paper into Rio de Janeiro's largest daily. In the 1940s and 50s, he added radio stations, comic books, and real estate. He moved into television in 1965, finding favor under Brazil's military dictatorship. The TV network became Brazil's most successful—and most powerful. It was in the mid 1980s, at the peak of his power, that Marinho was sometimes dubbed the Citizen Kane of Brazil.

Meanwhile, the Marinho boys had entered the family business. Roberto Irineu, now 52, started working at the



*O Globo* printing press when he was just 16, then moved to the newsroom two years later. His two brothers also started at the paper when they were teenagers.

"My father never directed us very much in how to build a career," recalls João Roberto, the thoughtful, often somber brother. "The only thing he really said was, 'Okay, you can do anything, but you begin in the newsroom.'" All three went to university in Brazil, while working as reporters at *O Globo*. They later moved into management within the group. Roberto Irineu, the most voluble of the three, ran TV Globo; João Roberto, now 46, headed the newspaper; José Roberto, now 44, the radio stations. All continued to discuss business decisions with—and get approval from—their aging father.

In the early 1990s the three began to take a closer look at the group. Globo was still the dominant media company, but faced with competition from Hollywood and other Brazilian programmers, audience share was beginning to shrink. With the help of consultants Booz, Allen & Hamilton, the three pinpointed several weaknesses: lack of focus, no succession plan, lack of synergy in the group and the need for professional management.

Solution: Focus the business on media, communications and distribution. Starting in 1993 they began selling off noncore holdings, including a food processing business, an investment bank and a hotel. They also reorganized the group into three distinct areas so units were no longer competing with one another for advertising. "There is a story that the first generation builds the business, the second generation consolidates the business and the third generation destroys it," explains Roberto Irineu, adding that they saw it happen to others. "That worried us a lot." It also prompted them in 1998 to remove themselves from day-to-day management. They hired professionals to run

the media assets so they could work on strategic planning. It wasn't an easy decision. "I ran the TV for 21 years, and there was so much excitement [there]," sighs Roberto Irineu.

Next came the succession plan. To help, they brought in Ivan Landsberg, a New Haven, Conn.-based consultant who specializes in family-owned businesses. With his guidance, they decided to lead as a threesome. Thus, each has the title of vice chairman; to facilitate communication, the three share an expansive office with a panoramic view of Rio de Janeiro. They also decided (remembering Dad's proclivities) that if any one of them becomes a politician, he will immediately lose all voting rights. "The best of successions is exactly the way it happened [with the Marinhos]," says Landsberg. "The impetus for change

needs to be driven by the people who have to live with the decision."

Roberto Irineu oversees strategic planning and implementation, João Roberto handles governmental relations and editorial policy, and José Roberto takes charge of community relations and the Roberto Marinho Foundation. "But the management and the strategy of the group always comes from the three of us," adds José Roberto. And their father? "He didn't like to discuss succession," says Roberto Irineu, "but every step was discussed before it was approved, and he approved everything." He still comes into the office but lets his sons do the work.

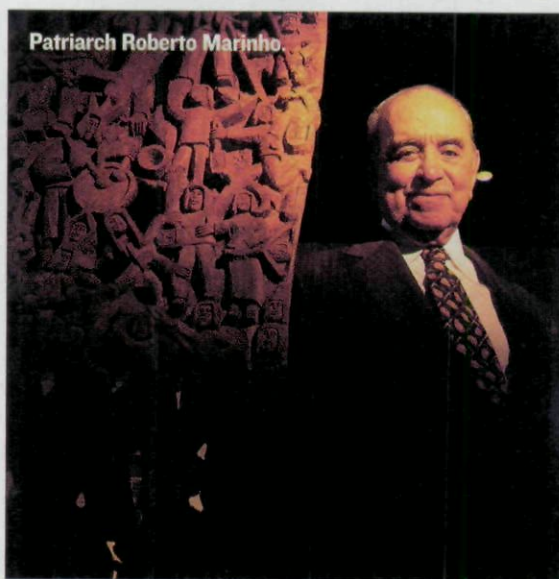
The next generation—João Roberto and José Roberto each have children in their early 20s—will face tougher hurdles to join the management ranks. "To

work in our company, our sons will have to suffer a little bit," explains Roberto Irineu. Which means they either have to get an M.B.A. or work at least four years in another company at a management level, or perhaps both. During an interview, the brothers disagreed in Portuguese on what exactly they'd decided.

In the meantime, the Marinhos have big goals. First, there's the wireless Internet access with Telecom Italia, which has 3 million mobile phone customers in Brazil. To expand Globo's geographical reach, the two companies hope to launch a regional Internet portal

in Spanish, the language of Brazil's neighbors. And Roberto Irineu dangles the possibility of TV coproductions with another Spanish-language media group.

Someday, the bulk of Globo may even go public. A constitutional amendment making its way through the Brazilian Congress would let foreign firms buy up to 30% of Brazilian media companies. If it passes, the family would consider listing the TV, publishing and media arms. That would be the next big step in an ongoing transition—not just for the family, but for the country.



Patriarch Roberto Marinho

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