



Book The Pixar Touch

The Making of a Company

David A. Price
Vintage Books, 2009

Recommendation

This copiously researched, vivid account covers the rise of one of the world’s most successful entertainment companies. Experienced journalist David A. Price fills Pixar’s history with implied lessons about patience in management and running a creative company, but he doesn’t seem much interested in writing a how-to business book, so he sticks to the historic narrative and draws few conclusions. Notably, Price, whose education is in computer science and law, writes more energetically about (and finds more drama in) the origins of computer graphics and the occasional lawsuits Pixar endured than in the harrowing high-wire act it goes through to make each movie – a struggle Pixar’s Ed Catmull and others have discussed and written about often. *BooksInShort* reports that the early parts of the story are the most colorful and dramatic, though the book is an entertaining read and a fascinating business case study all the way through.

Take-Aways

- Pixar began in 1986. A vision of making computer-animated movies drove its leaders long before any such thing was technologically possible.
- Pixar’s principals had suffered recent business failures before they joined the firm.
- The chance to do “cool” work can lure top talent just as well as – or better than – money.
- Disney declined many times to hire Pixar’s talent or acquire the company.
- Pixar kept its team together while working for bosses, including George Lucas and, initially, Steve Jobs, who were uninterested in animated movies.
- Under Ed Catmull and John Lasseter, Pixar combined cutting-edge technology with classic animation principles.
- After years of losses, Pixar owner Steve Jobs became a billionaire when it went public.
- *Toy Story* kicked off a string of critically acclaimed hits that made Pixar an even more trusted family-movie brand than Disney.
- A feud between Jobs and Disney CEO Michael Eisner nearly led to a corporate schism, but Jobs’ successor, Robert Iger, repaired the relationship.
- Disney’s \$7.4 billion purchase of Pixar was an improbable end to a remarkable journey.

Summary

Pixar’s Journey

In 2006, the Walt Disney Company bought Pixar Animation Studio for \$7.4 billion, an unlikely homecoming for Pixar, once a tiny, money-losing computer hardware company. Now, after a parade of award-winning animated movies, Pixar’s success seems like it ought to have been inevitable, but it was not. Pixar struggled with artistic, technological and business challenges. Its three leaders – owner and CEO Steve Jobs, animation guru John Lasseter and president Edwin Catmull – were considered failures when they joined Pixar, but their previous business experiences opened the door to greater ambitions and more success. They shared dogged perseverance and an innovative vision of a new way of making movies and telling stories.

“Pixar’s story...is a triple helix of artistic, technological and business struggles...a study in the tremendously uncertain and contingent nature of artistic, technological and business success.”

In the late 1960s and early ‘70s, the University of Utah was the place to be in the new field of computer graphics. Student Ed Catmull grew up dreaming of making animated movies, but he had no talent for drawing. He thought computers might let him fulfill his dreams. The culture of Utah’s computer science department

encouraged individual initiative, so he created a short film where he digitized and animated his left hand. It was so groundbreaking that it earned him a meeting with Disney's animation department, which was not interested in computer animation.

“One of the curious aspects of Pixar's story is that each of its leaders was, by conventional standards, a failure at the time he came onto the scene.”

Catmull's pioneering advances in computer graphics secured his place in its history, but moviemaking remained his dream. To support his family, he took a job as a computer programmer. At 29, he was dead-ended. Then, the New York Institute of Technology (NYIT) lured him to a new job. Its owner, wealthy entrepreneur Alexander Schure, was a visionary who wanted to advance computer animation. Catmull joined the NYIT's computer graphics group, which worked out of a garage in an old Long Island mansion. His talents paired well with artist and engineer Alvy Ray Smith. In 1973, Smith abandoned his safe life as a college teacher. He first wrangled a position at Xerox's fabled Palo Alto Research Center (PARC), but Xerox decided not to invest in color imaging. Smith then came to NYIT to develop software for painting and, thus, making art, on the computer. Smith and Catmull dreamed of making computer-generated animated movies. Other top-level talents joined them and, with Schure's funding, they made great strides, but still failed to interest Disney in computer animation.

“The NYIT Computer Graphics Lab was an ocean of opportunity and freedom. Your job was whatever you thought was important, as long as you were filling in a piece of the computer animation puzzle.”

When NYIT's hand-drawn animation team made a really bad movie entitled *Tubby the Tuba*, Catmull and Smith decided to move somewhere more oriented toward storytelling, hopefully Disney. Instead George Lucas lured them to Lucasfilm, where Catmull became head of the new Computer Division. People from his NYIT group followed, as did others in the field. Lucasfilm showed Catmull that “cool” projects could be a greater enticement than money for talented people. Lucas wanted Catmull's group to create digital picture editing, digital compositing and digital audio mixing, but not computer animation or graphics. Catmull led Lucas' pioneering digital innovations while trying quietly to advance computer animation. Catmull's group created the amazing “Genesis device” sequence for the movie *Star Trek II: The Wrath of Khan*. Then, one of Lucasfilm's creations, a short animated movie with innovative photorealistic computer graphics, caught the attention of former Disney animator John Lasseter at the SIGGRAPH computer graphics conference. A highly regarded artist, he had tried to interest Disney studio brass in an animated movie with computer graphics. They rejected the project and fired him.

“(Walt Disney's company) was now run...by men who understood themselves to be following his example, without understanding that his example consisted of bold strokes.”

Catmull hired him, but since Lucas had no interest in computer animation, Lasseter's title was “Interface Designer.” His job was to work on a computer-generated short film, *The Adventures of Andre and Wally B*. Lasseter applied classic animation principles to computer-generated animation for the first time. The improvement was obvious, but Lucas hated it. By 1985, Catmull knew his group needed a new home. Lucas was divorcing and low on cash, so every Lucasfilm unit was under pressure to turn a profit. The firm told Catmull to find a buyer for his group as a computer hardware company, based on its work on the Pixar Image Computer (PIC), a specialized graphics computer. No buyers came forward. Then, the Pixar team met Steve Jobs, famous for co-founding Apple Computer in a garage. Apple had forced Jobs out and his star seemed to be declining. Around Christmas, 1985, Jobs offered \$5 million. He capitalized Pixar from his own pocket.

“Disney had observed that giving lifelike qualities to inanimate objects held comic potential.”

Like Lucas, Jobs was not interested in movies. He wanted to democratize technology and change the world. Specifically, he wanted to sell the Pixar computer and make computer graphics technology more available. Pixar's leaders knew Jobs' vision was unrealistic for the near future and, meanwhile, they had a company to run though they were management neophytes. Jobs mostly left Pixar alone. By mid-1986, Pixar was producing PIC machines, but they were too costly. Pixar justified Lasseter's small animation group as a way to generate publicity. Working independently and not using the PIC, it made Pixar's first short film, *Luxo Jr.*, a SIGGRAPH hit for its realistic images and emotional characters. PIC sales were slow, but software engineer Pat Hanrahan said Pixar's real asset was its rendering software, “Reyes.” He created RenderMan, an open-standard computer graphics language for photorealistic rendering, which Pixar shipped with Reyes in 1989. Jobs thought it would be very popular, but little demand emerged.

Contract with Disney

Smith helped Pixar secure a contract with Disney to develop the Computer Animation Production System, a revolutionary method for using computer tools on traditional animation. When the project came in early and exceeded expectations, Pixar's working relationship with Disney really began. Catmull, exhausted from Jobs' charismatic, sometimes abusive management, became Chief Technology Officer and Chairman, and Chuck Kolstad, an executive with experience in telephone manufacturing, became Pixar's President and CEO.

“On display in *Luxo Jr.* was a further insight, Lasseter's stroke of genius: that inanimate objects as characters held the potential of dramatic value.”

Lasseter partly rendered his next short film, *Red's Dream*, on the PIC, the only Pixar piece that used it. Again, SIGGRAPH loved it, but like Lasseter's other movies, it made no money. Jobs' non-Pixar staffers were growing unhappy about working on an “interim product.” Jobs repeatedly threatened to shut down the money-losing animation unit. Lasseter personally pitched Jobs his next short, *Tin Toy*. Jobs let it go ahead, nominally to test RenderMan, and it won the 1988 Oscar for best animated short. Jobs, more enthusiastic now, approved another short and the animation unit also began making TV ads.

Pixar's Bumpy Road to Profitability

In 1990, Pixar sold its hardware business to focus on software and commercials, but it still lost millions of Jobs' money. Disney was sniffing around a movie deal based on *Tin Toy*, but nothing was imminent. Smith and Jobs clashed, and Smith left (he founded his own firm, and later sold it to Microsoft, which he joined). Jobs kept funding Pixar but took back the staffers' stock, a move that textbooks now cite as an example of abuse by an entrepreneur. Many felt swindled, but only its leaders knew how bad Pixar's finances were.

“Catmull and Smith were in pursuit of tools for great artists; the group's rendering and animation programs were akin to Stradivarius instruments – fit for a world-class orchestra, wasted on amateurs.”

The Pixar team found an oddly cool reception when they met with Disney's feature animation people about making a movie. They didn't know the studio's tyrannical chief, Jeffrey Katzenberg, had decided that if Pixar made Disney movies, its feature animation team would not be involved. In 1991, after long, hard negotiations, Pixar struck a three-movie deal on terms very favorable to Disney. Katzenberg kept creative control and held all the film, sequel, remake and TV rights for Disney, which would cover production costs. His reaction to *Toy Story* was that Pixar should make it more of a buddy movie. The producers secured Tom Hanks and Tim Allen to voice the leads. Katzenberg halted production in November 1993 because he didn't like the story, but by February, it resumed.

"Jobs was optimistic that...graphics computers would start in the hands of a few early adopters and then make their way into a vast mainstream market."

In 1994, before *Toy Story* came out, Jobs explored selling Pixar to Microsoft, which wanted high-quality graphics for Windows. Instead, Jobs licensed some patents to Microsoft for \$6.5 million. In an apparently crazy scheme, since it seemed worthless, he decided to take Pixar public and set the date for a week after *Toy Story*'s debut. On November 22, 1995, it came out to rave reviews and record sales. Pixar's IPO raised nearly \$140 million. Jobs held 80% of the shares, worth \$1.1 billion after the first day's trading. Jobs then negotiated a much better Disney deal for Pixar, which began developing its second film, *A Bug's Life*.

"For all [Jobs'] bravado about RenderMan, his motivation was likely a matter of status as much as economics."

The 1994 death of Disney's president, Frank Wells, led to a succession war between CEO Michael Eisner and Katzenberg, who left Disney. He formed a new studio, DreamWorks SKG, with his pals Steven Spielberg and David Geffen. Katzenberg announced that DreamWorks would make a CG animated movie called *Antz*, based on a premise that echoed *A Bug's Life*. Pixar became embroiled in a war between Katzenberg and Disney. *Antz* came out first, but *A Bug's Life* got better reviews and made more money.

"The true root of [Eisner and Jobs'] conflicts...was in their similarities."

Joe Roth, now running animation at Disney, wanted a direct-to-video sequel to *Toy Story*. Pixar agreed at first, but making a low-budget movie up to its standards proved impractical. Less than a year before its release, *Toy Story 2* was upgraded to a theatrical film and Lasseter took charge, heavily revamping the story. For months, staffers drove themselves ragged to make the deadline, but make it they did – and the movie was a bigger hit than either of their first two releases.

"(Iger's) years at ABC gave him a sink-or-swim introduction to the business side of news and entertainment. He swam."

A lawsuit challenging the copyright on the concept of Pixar's fourth movie, *Monsters, Inc.*, threatened to delay its release, but the judge let it come out as scheduled in November 2001. It surpassed *Toy Story 2* to become the second highest-grossing animated movie ever. The next year, Pixar faced and settled yet another copyright infringement lawsuit. Its fifth movie, *Finding Nemo*, became history's highest-grossing animated movie. Pixar put its sixth movie, *The Incredibles*, in the hands of Brad Bird, who, like Lasseter, studied animation at CalArts. Bird, the first creatively influential director to work for Pixar, challenged its collegial culture. The film's technical demands – a wide range of human characters and every possible computer graphics challenge – pushed the studio to the limit. Pixar and Disney were feuding by the time the movie became a fiscal and artistic triumph.

"Iger...succeeded with the People's Republic of China, but it was unclear whether he could do the same with Steve Jobs – compared to the Chinese leaders, Jobs was far more dogmatic."

Among Disney's animated efforts, only Pixar's movies were thriving. But tensions were building between Eisner and Jobs. Eisner even sent a smug e-mail to Disney's board predicting that *Finding Nemo* would be a disappointment. The e-mail leaked, infuriating Jobs, who decided that he would never sign a new deal between Pixar and Disney while Eisner ran the company. Walt Disney's nephew Roy Disney was already leading an internal corporate group pushing for Eisner to leave. Disney's efforts eventually led to a shareholder vote with an unprecedented percentage voting "no confidence" in Eisner, who left in October 2005. His replacement, Robert Iger, quickly smoothed relations with Jobs and Pixar. Realizing that Disney's most popular recent characters had come from Pixar, and that mothers now trusted Pixar's brand more than Disney's, he redoubled efforts to keep Pixar in the Disney fold.

"The increase in computer-animated films...marked the dawning of a democratic movement in artistic expression and entrepreneurship."

Meanwhile, Lasseter made a cross-country, family road trip that inspired his notion of a movie where all the characters are cars. *Cars* received Pixar's weakest reviews. Though it did solid, but not record-breaking, business, it still generated some \$5 billion in licensing in two years. Pixar director Jan Pinkava conceived the studio's next picture, *Ratatouille*, but it stalled under his leadership. Brad Bird stepped in and made it a hit, winning another Oscar for Pixar.

Animated Marriage: Pixar and Disney Unite at Last

Iger revived the oft-rejected idea of Disney acquiring Pixar and, in 2006, closed a deal to swap 287.5 million shares of Disney stock, worth \$7.4 billion, for Pixar stock. The deal seemed unfair to Disney, since Pixar's most valuable asset was its people, and only Lasseter was under contract. Yet, Pixar animation was vital to Disney. Catmull and Lasseter took charge of Disney animation while running Pixar separately. Disney, which once had a near monopoly on animated movies, now has several competitors, including Katzenberg's DreamWorks Animation. Pixar still sells RenderMan. It nets less than 5% of the firm's revenue but has been very influential in animation.

Pixar's ninth movie, *WALL-E*, earned rapturous reviews but only good, not great, box office receipts. It typified Lasseter's ideas about animation and reflected Catmull's technical concepts. Lasseter became the most famous person in animation since Walt Disney. In 2008, *TIME* named Jobs the world's 34th most powerful person and put Lasseter 38th. They outranked Oprah Winfrey and the Pope.

About the Author

David A. Price has written for *The Wall Street Journal*, *The Washington Post*, *Forbes* and other publications. He holds a computer science degree and graduated from Harvard Law School and Cambridge University. He also wrote *Love and Hate in Jamestown*.

