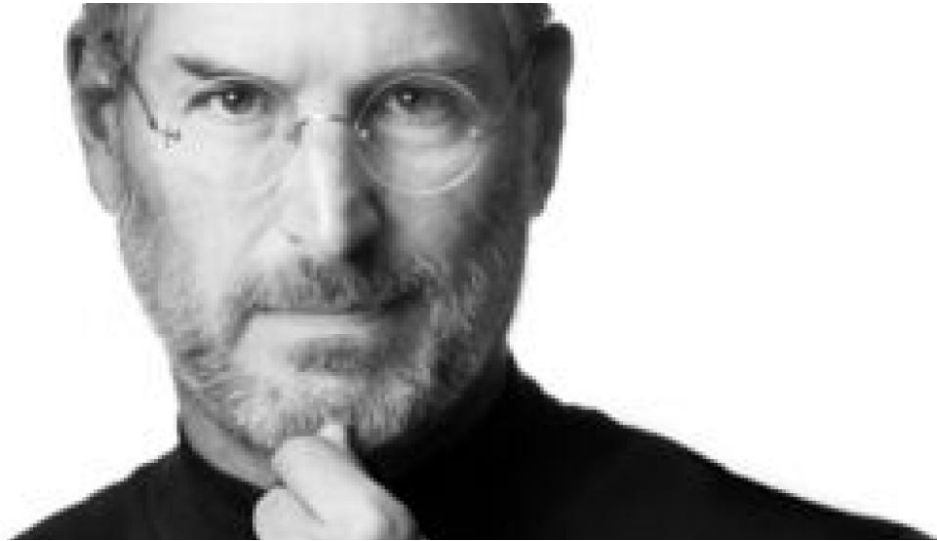




## Steve Jobs: Speaking from the wilderness



By [Shellie Karabell](#)

**Editor's Note:** Nearly 16 years ago to the day, I interviewed Steve Jobs at an investment conference in San Francisco, California. He was “out of favour,” in-between his bifurcated tenure at the helm of Apple, revolutionising movie-making as chairman and CEO of Pixar. In retrospect, we see that Jobs brought his Apple technology approach to the movies and took movie marketing with him back to Apple...

**Shellie Karabell:** Pixar (Nasdaq: PIXR) is the world's first and only digital animation studio, and obviously Toy Story is your biggest and your first effort. You are not yet finished reaping revenues from that. Let's talk a little bit about how much more you will make as Disney releases the video and as you come out with your CD-ROM.

**Steve Jobs:** Our business model is to make a successful animated feature film. And then use the fact that 50 to 100 million people will see that film, and hopefully love it, to create a demand for a series of related products around that film, which include toys and other merchandise: home videos, CD-ROMs and potentially sequels or direct-to-video sequels someday. And that's what's happening with Toy Story.

Toy Story is very successful domestically. It was the highest-grossing domestic film released last year (ed note: 1995). We beat "Batman Forever" and "Apollo 13". And it was released internationally about a month ago (ed note: March, 1996) and it's doing extremely well internationally. It was Disney's strongest opening ever in the U.K. for any film. And it was the fourth highest-opening in their history, so it's rolling out throughout the world right now. And then Disney has announced that they're going to make the Toy Story home video their Christmas home video this year, which is great. And they've announced it's going to be on sale October 30th. So we're expecting pretty strong sales of that product based on the success of the film. And they're putting together a terrific marketing campaign around the home video.

In addition to that, we've now released our first CD-ROM around Toy Story. We've developed - created and developed - CD-ROMs at Pixar. And the first one we released through Walt Disney interactive last week. And we have a second CD-ROM that will be ready in the fourth quarter of this year and then a third CD-ROM which will be ready next year. So we're starting to fire on all - most of the cylinders of the related products in addition to the film. And the revenues will be rolling in, you know, soon, starting soon, and then continuing all in to next year.

**Karabell:** Now what is special about the US\$200-million dollar mark for domestic sales? You're at the US\$184-million now and over US\$100-million internationally. How does your share of this increase? Does it increase incrementally?

**Jobs:** The numbers, as best as I understand, we're about US\$185-million domestically and as of last week, about US\$129-million internationally and climbing weekly. Pixar's share is based on the gross receipts, and we get a percentage of those receipts. But our percentage does escalate the better

the film does. So we believe that we're going to do pretty well with Toy Story. ...

**Karabell:** Let's look at technology as art, if we can. You received an Oscar – John Lasseter received an Oscar this year (Special Achievement Academy Award for the development and inspired application of techniques that have made possible the first feature-length computer-animated film – Toy Story.) . Do you think Toy Story would ever – or something like Toy Story – could ever be a Best Picture?

**Jobs:** It's a good question. The answer is: no. The reason for that is that the way the Oscars are selected, the Academy Awards are selected, is that they're voted on by the members of the Motion Picture Academy of Arts and Sciences. I think there are about 8,000 members, and they are made up primarily of live action directors and live action producers and animation just doesn't have much of a constituency. So the strongest that animation has ever done at the Academy Awards is to have been nominated for Best Picture. I believe "Beauty and the Beast" was nominated for Best Picture, but none was ever won. And the Academy has chosen three times to say, OK we recognise this, but this picture is so much of a landmark that we are going to give a special Academy Award.

And the first time they did that was in 1938: Shirley Temple presented a special Oscar to Walt Disney for Snow White. The second time was with Roger Rabbit and the third time was for vice-president and creative director of Toy Story, John Lasseter, who was presented with a special Oscar at the Academy Awards last month.

**Karabell:** What does that add to your bottom line? Is it simply cachet? It's an important industry award.

**Jobs:** I think it definitely does. I think it's very important in our ability to, you know, continue to attract the best creative talent that the world has to offer. And I think the fact that John has now won two Academy Awards – he won one a few years ago for a film that we did called "Tin Toy" - is a very important thing for the company.

Oh, we also have several members of the company who have won Academy Awards of the technical kind. One of our executive vice presidents has won two of those, and employees in the company have won a total of four. So, fortunately, Pixar's work has been recognised with a lot of awards and we're very grateful for that.

**Karabell:** Given your background as the founder of Apple, the idea of graphics and computers seems to be part of your genetic makeup. How do you see the future of this industry? And by that, I want to start talking about Apple, Silicon Graphics, Microsoft PC...there seem to be two camps. How do you see the future of this industry going?

**Jobs:** Well, one of the reasons I'm so interested in graphics is that it makes things accessible to people without them having to know how it works. So as an example, the Macintosh was really that - we used graphics to make it easy to use; it was the computer for the rest of us. And you didn't really have to know all this computerese to use it because of the great graphics and user interface. The laser writer/printer that we pioneered, the first laser printer again, you could hand that output up to somebody and say, "Do you want this laser printed-output?" And back in 1985 that was pretty stunning.

And you didn't have to know the sophisticated zero graphic print engine or the computer or the postscript software inside that laser printer; you just had to know if you wanted the output or not. And it's the same way with Toy Story at a much higher level. An audience between 80 and 100 million people will hopefully see Toy Story by the time it rolls out throughout the world, and yet none of them had to read a manual before they saw the movie to appreciate it. None of them had to understand the technology and the ten years of R&D and investment that went in to be able to create that movie to enjoy it, and that's what's so wonderful. And I see more and more of that infusing society where you have a tremendous technology but it has a face which is very approachable and you don't have to understand the technology to interact or use the product.

**Karabell:** I guess that's what people want and that's the "mass appeal of the Internet" - people want the information but they don't want to have to be computer wizards in order to be able to get to it.

**Jobs:** You know I think that's the potential of the Internet. We're certainly not there today. Typing an H-T-T-P slash slash colon w-w-w, you know, is arcane. I mean, you shouldn't even need a keyboard to use the Internet but we still do. And I think we'll get to where it really is very simple, but we have a few years to go.

**Karabell:** Do you have an Internet strategy at Pixar to use the Web?

**Jobs:** You know there are several legs to our chair at Pixar: we have the creative leg, we have the technical leg, we have the awesome production capability. But we also have a business capability and we examine things from all of those perspectives. We look at the internet and it looks very exciting to us, but we don't see how to make any money from it. We haven't seen any business models emerge where we can put content on the Internet and end up being rewarded for that. And since our talented people always have opportunities to work on things where we do get financially rewarded, we're not about to take them off that and put them on the Internet until we see a business model that makes sense. And I think we will, you know, in the next one to two years (Ed note: Eventually, Jobs solves that issue by creating the Apps store and iTunes and revolutionised the music industry in the process).

**Karabell:** Have you tried any that haven't worked? What have you discarded?

**Jobs:** We're good observers. And we're watching a lot of other people spend their money and pioneer because we don't have to be first. We know we can be the best, so we're waiting to see a business model emerge that makes sense for us.

**Karabell:** Do you have a sense of how much of this will be migrating to the desktop? I notice a lot of authoring tools coming out to do graphics and visual effects right at the desktop. This is something you'd want to be involved in, I imagine.

**Jobs:** We are on the desktop with our CD-ROMs. I think we'll see our Toy Story CD-ROMs be very well accepted in the marketplace. And we're going to find out because we just released our first one last week. In terms of creating things like this, we are at a quality level that is vastly beyond the kinds of desktop with make your own movie tools that are out there now. Those tools are primarily oriented towards people making lower-quality CD-ROMs and things like that. But to make a feature film we believe that Pixar is the only company in the world that has the technology to do what we do. (Ed note: Apple-based Final Cut Pro software made it possible to create films on a laptop, while iPhone videos are rampant if not professional today...)

**Karabell:** So why did you get into this movie business?

**Jobs:** We did it because – that's a very good question – when I first met Dr Ed Capple he was running the computer division of Lucas Film, which was up for sale, and Ed showed me what they were doing. And I always had an appreciation for computer graphics because of the reasons we talked about, but I had never seen anything as good as this. And Ed shared with me his dream to make the first computer-animated feature film. And I bought into that dreamboat sort of spiritually and financially, and I bought the computer division from Lucas Film. We incorporated it as Pixar, an independent company, and we were off to the races. And we spent ten years with that singular vision in mind, investing every year, bringing together the best people in the world, both technically and creatively. And I think our perseverance was rewarded after ten years, capping our first decade, with the success of Toy Story.

**Karabell:** Now from that you signed a deal with Disney. Was it for five pictures?

**Jobs:** Three pictures. We have a three-picture deal with Disney. Toy Story was the first picture. We're going to have our second picture out in 1998 and we're going to have the third one out in the year 2000.

**Karabell:** Now, on one level, having a three-picture deal with Disney

certainly assures you of X-number of dollars with an upside to it. On the other hand, it also means that you can't go out and work with Paramount or whatever.

**Jobs:** Right.

**Karabell:** Do you have any regrets about signing that?

**Jobs:** None, no. We're working with the best in the business and we're learning a lot. We call it going to Disney University.

**Karabell:** What are you learning?

**Jobs:** You know, not only are they helping us in the production process of making these films and providing us with a very great set of eyes to help us on the creative side as well – they're very very good partners in both of those ways – they are also the premiere marketers one can say not only of animated films, but really in the world of anything. And we're learning a lot from that, too.

I've had a little bit of consumer marketing experience from my days at Apple and even so, I've been extremely impressed with the marketing job that they've done with our products. I think they're terrific. So we're learning a great deal and we're getting a launch for our studio unlike we could ever get anywhere else. And so I think we're pretty pleased with the relationship.

**Karabell:** Can you tell us what your next movies with Disney will be about and do you have ideas about whom you'd like to work with after that?

**Jobs:** Well, first part of question, we are well into the development of our second film and it's coming along wonderfully. Everybody is very excited about it. Disney, Pixar. That is an original story developed by Pixar just like Toy Story was. We have an incredible story team. And we've been working on it now for well over a year, approaching a year and a half, and I think

we're pretty excited about it.

**Karabell:** Where do you find your labour force? What kinds of people do you look for? I assume this is a whole new category of person.

**Jobs:** In some sense, yes; in some sense, no. There are very great computer scientists and some that have worked in areas related to what we do, possibly special affects and other things like that. And there are creative – there is creative talent generally, you know, that have worked on other films: some live action, some animated. We're the only place that brings both of those together to or on animated feature films. And it's hard to do.

The technical people we hire are the cream of the cream. And the only people that can hire that level of talent seem to be Disney and Pixar and possibly DreamWorks. These people will not go to a CD-ROM company, they will not go to a software company. It takes so long to make these films, you know: three, four, five years to make these films that, you know, if you're 30 years old and you get to work on an animated feature film, you've only got four or five films in your whole career. So you're going to go to the place that's going to make great films, and that's Disney, Pixar and possibly in the future DreamWorks. So we're the only place that's able to hire from both of those pools and bring them together to work in this new medium of computer animation.

**Karabell:** You're someone who comes from computers. You've made your own mark on the computer industry and now you're making movies. What's that like? You seem quite enthusiastic and passionate and happy about the shift.

**Jobs:** It's great.

**Karabell:** What's the upside and what's the downside?

**Jobs:** What we're doing now is telling stories, and that's how I look at it. And you know...I don't know if you have kids, but I have kids and I don't let them



watch TV but we do let them watch movies – twice a week we have movie night. And they oftentimes choose to watch one of Disney’s animated films, one of the classic animated films. And, you know, Disney does a pretty doggone good job. We’re lucky. And those films really do give kids a sense of good and evil and right and wrong, but they do come from one perspective. And what we would like to do is tell some stories that are lasting and that enter the culture and the kids watch and that are not any better or worse than Disney’s but come from our own perspective, that are our own stories.

And we had an interesting experience in our family last year when Disney released Snow White on video. We, like tens of millions of families bought it. And this is a film that’s 60 years old, right? And our kids watched it and they loved it. And I observed that this was a product that was 60 years old, that was still being renewed with each generation of children. And, you know, I think people are going to be watching Toy Story 60 years from now and I think they’re going to be getting something out of it 60 years from now. And that gives us, I think, a tremendous amount of satisfaction, that we are able to put something back into the culture that is going to impact generations of kids growing up in a small way but

potentially, you know, a measurable way. And it’ll outlast all of us.

**Karabell:** In the nearer future – say in the next two or three years – where would you like Pixar to be?

**Jobs:** Our challenges are to continue to attract and retain the best people in the business and to be able to turn out products as wonderful as Toy Story on a, you know, every-other-year basis, followed up by a suite of related products. So we are working very hard to get to that and I think this is the goal that we have. We’ve had a chance to examine several companies that have wanted to be acquired since our IPO - now that we have a publicly-traded company.

And in meeting with a lot of these companies and talking with a lot of these executives with their different perspectives, the thing that’s been reaffirmed in us is we’ve got our eye on exactly the right prize, which is to grow, really, the first animation studio since Disney. A lot of people have tried and a lot of people have failed. And we believe we can succeed at this with the help of our partner Disney today and build the second great animation studio.

**Karabell:** Before we end, I have to segue into your other life a little bit and that's because you've given something to computer culture with Apple. The situation with Apple now is perhaps turning around, and I was just wondering about the situation at Apple and what you think their outlook is. Do you feel they're on an innovative path at this point?

**Jobs:** They don't send me their plans to review any more.

**Karabell:** I was just wondering what you feel about the whole situation at Apple and what you think their outlook is.

**Jobs:** Oh, I don't know. I don't follow it too much anymore. I'm happy whenever they ship a Mac and I want them to prosper. All I can say is I think it was true back when we built Apple and I think it is just as true today which is innovation is the only way to succeed in these businesses. You can't stand still.

You can't cut expenses and get out of your problems. You've got to innovate your way out of your problems. And to the extent that Apple can do that, they will continue to prosper because they have a very loyal following that hasn't given up on them yet. But time is not, you know, time is not abundant and if they have the right leadership, I think they still have a lot of very good people there, they can innovate their way out of this; just like that's how we built Apple, that's what Pixar has done. And I think innovation is still just as important as it's always been.

*This interview was first broadcast April 29, 1996, on the Dow Jones Investor Network - in itself a "first" in online desktop video service - and reprinted in the Wall Street Journal "Business and Money" February 24, 2012. We reprint it here with their permission (wsj.com)*

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