



Paramount's "Beverly Hills Cop II" was a major hit in 1987; its "Family Ties" TV series is in its eighth season.

# Sharpening the Focus

*Martin Davis is reshaping Gulf & Western to make it a player in the developing battle of global communications powers.*

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Martin S. Davis became chief executive of Gulf & Western in 1983, when corporate raiders like Carl C. Icahn and Carl Lindner were buying the giant conglomerate's stock in hopes of forcing a merger that would earn them millions.

Ivan F. Boesky, the fallen stock speculator, even plopped down on a sofa in Davis' Manhattan office one day and tried to pressure him into moves to increase the value of Boesky's stake. "He had an armed bodyguard waiting for him outside, so I can't say I threw him out," Davis said. "But I asked him to leave."

Boesky and the raiders got the message. They soon sold their shares and haven't mounted a serious challenge to Gulf & Western since, though the company has never bothered to put the standard anti-takeover defenses in place.

## New Evidence of Resolve

Davis has often shown such determination in the past six years, as the Bronx-born, 61-year-old executive has reshaped Gulf & Western from a ragtag agglomeration of about 100 businesses to a thriving corporation focused in entertainment, publishing and finance. This week, Davis' resolve was evident again, as he announced that Gulf & Western will sell its huge consumer finance business to try to evolve into an even larger global entertainment and media firm.

Davis' plan is to auction the finance arm, Associates Corp., then reinvest the \$3 billion-plus of proceeds in new entertainment and media companies. The acquisitions will complement holdings that in-



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clude the Paramount movie and TV studio, the big Simon & Schuster and Prentice Hall publishing businesses, and interests in cable networks, TV stations and sports teams.

The goal is to make Gulf & Western a player in the developing free-for-all between such global communications giants as Rupert Murdoch's News Corp., the now-forming union of Time Inc. and Warner Communications, the West German Bertelsmann AG, and the French Hachette SA.

Davis makes clear that he will try to reach the new goal by urging on his troops in the way that has given him a reputation as one of corporate America's toughest bosses. "Weak people have a problem, with themselves as well as with me," he says. "I don't work well with incompetents."

He does work well, however, buying and selling companies, his many fans in the investment world believe. "Many big companies have tried to change their corporate focus, but few have pulled it off as well as he has," said Jeffrey Logsdon, an entertainment analyst at the Crowell, Weedon & Co. brokerage in Los Angeles. "He's the quintessential corporate manager."

## Kept Growing

Davis began winning fans on Wall Street when he took control of the company after the 1983 death of founder Charles Bluhdorn, the volatile, Vienna-born entrepreneur. Bluhdorn had built one of the great industrial conglomerates of the 1960s—sometimes jokingly called "Engulf & Devour"—by piling on companies from zinc to auto parts, from cigars and sugar to race tracks.

But Gulf & Western's profitability was low, and by the 1980s

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# DAVIS: Focus on Entertainment and Media Businesses

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industrial conglomerates had fallen from favor on Wall Street. The company earned \$169 million on revenue of \$5.3 billion in 1982.

Davis began divesting the old businesses, quickly selling off 50 worth about \$1.3 billion as he bought others in the three new areas where Gulf & Western was to concentrate. "Not many can sell off dozens of companies, lose lots of people, and still keep growing the basic business at a clip of 35% to 40% a year," says Logsdon.

One of the fast risers was Paramount, which survived the 1984 departure of dozens of key employees, including Chairman Barry Diller, who went to 20th Century Fox, and President Michael D. Eisner, who left to become chairman of Walt Disney Co. Some blamed Davis' tough style, saying he hadn't done enough to keep the talent.

But with longtime Paramount executive Frank Mancuso in charge, the studio kept up its momentum and has "remained the predominant studio over the five-year period," said analyst Logsdon. The studio was bought by Gulf & Western in 1966, on Davis' suggestion, and was run directly by him in the late 1960s.

Later, as Paramount prospered in the early 1980s, Davis was spending \$1.5 billion on 40 acquisitions in the publishing industry. They transformed Simon & Schuster into a publisher of educational and professional books and of information services.

## Other Key Roles

Simon & Schuster now sells far more books than any other publisher.

To the delight of Wall Street, Gulf & Western's stock rose from \$8 a share, when Davis began in 1983, to a current \$51.50 a share.

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Source: Daily Variety

Los Angeles Times

Last year, the company earned \$384 million on revenue of \$5.1 billion.

Gulf & Western has not been the only place where Davis has recently made his presence felt. Davis has been a director of RJR Nabisco and was a key member of the five-member special directors committee that resisted former RJR Chairman Ross Johnson's effort to buy the company at a price that many considered unfairly low.

The committee called for a special evaluation of RJR's worth. Ultimately, last December, the directors agreed to sell the company to the Kohlberg Kravis Robert & Co. leveraged buyout firm for a record \$25 billion. Davis "wasn't a wallflower about speaking his mind," said Peter Atkins, a lawyer with Skadden, Arps, Slate, Meagher & Flom who played a key role in the transaction.

Because of that background, he still frequently deals directly with the press.

Despite a fever of interest in what the company plans to do next, Davis has limited his comments on acquisition plans. Many analysts believe that it will take Gulf & Western many months to complete the sale of Associates Corp. After that, they speculate, the company will look to buy television stations, cable programming services and perhaps print media properties as well.

Davis says that, despite his ties to Los Angeles, the company's headquarters will remain in New York after it changes its name to Paramount Communications. "We already have the right distribution of people in New York and in Los Angeles," he says, adding: "And me, I'm bi-coastal."

Ross Johnson "had his obligations . . . and I had mine," said Davis, who adds that he hopes Johnson still considers him a friend, despite the outcome of the deal.

As well as plain spoken, Davis is known as an executive who generally disdains memos and long studies and prizes decisiveness in his subordinates. "He believes you have to move, and if you spend your time writing memos, nothing moves," said Donald Oresman, Gulf & Western's executive vice president and general counsel.

The son of a real estate broker who emigrated from Poland, Davis' first job after he got out of the Army was as an office boy at the Samuel Goldwyn Studios in Los Angeles. By 1958, he was directing sales and marketing at Paramount, which meant, among other things, that he was in charge of publicizing the studio's movies.