Early on a July workday in 1997, Jim McCluney, then head of Apple's worldwide operations got the call. McCluney was summoned with other top brass of the beleaguered company to Apple Computer's (AAPL) boardroom on its Cupertino (Calif.) campus. Embattled Chief Executive Gil Amelio wasted no time. With an air of barely concealed relief, he said: "Well, I'm sad to report that it's time for me to move on. Take care," McCluney recalls. And he left.

A few minutes later, in walked Steve Jobs. The co-founder of the once proud company had been fired by Apple 12 years before. He had returned seven months earlier as a consultant, when Amelio acquired his Next Software. And now Jobs was back in charge. Wearing shorts, sneakers, and a few days' growth of beard, he sat down in a swivel chair and spun slowly, says McCluney, now president of storage provider Emulex.

"O.K., tell me what's wrong with this place," Jobs said. After some mumbled replies, he jumped in: "It's the products! So what's wrong with the products?" Again, executives began offering some answers. Jobs cut them off. "The products suck!" he roared. "There's no sex in them anymore!"

FULL OF PROMISE. The one-time enfant terrible of the technology world has calmed down considerably en route to becoming a 50-year-old billionaire. But what hasn't changed is his passion for doing, and saying, just about anything to help create the kinds of products that consumers love. In the nine years since Jobs returned to Apple, his unique modus operandi has sparked broad changes in the world of music, movies, and technology.

Now, Jobs is stepping into the Magic Kingdom. On Jan. 24, Walt Disney (DIS) agreed to pay $7.4 billion in stock to acquire Pixar Animation Studios (PIXR), where Jobs is chairman, CEO, and 50.6% owner. As part of the deal, Jobs will become the largest shareholder at Disney and take a seat on the entertainment giant's board. His top creative executive at Pixar, John A. Lasseter, will oversee the movies at both Pixar's and Disney's animation studios (see BW Online, 1/26/06, "A Pixar Exec's Fairy-Tale Story"). Pixar's president, Edwin Catmull, will run the business side for the two studios.

The alliance between Jobs and Disney is full of promise. If he can bring to Disney the same kind of industry-shaking, boundary-busting energy that has lifted Apple and Pixar sky-high, he could help the staid company become the leading laboratory for media convergence.

DONE ON INTERNET TIME. It's not hard to imagine a day when you could fire up your Apple CEO and watch Net-only spin-offs of popular TV shows from Disney's ABC network. Or use your Apple iPhone to watch Los Angeles Lakers superstar Kobe Bryant's video blog, delivered via Disney's ESPN. "We've been talking about a lot of things," says Jobs. "It's going to be a pretty exciting world looking ahead over the next five years."

One reason for the rich possibilities is that Disney CEO Robert A. Iger is a kindred spirit. The 54-year-old Iger, who succeeded longtime Disney Chief Michael D. Eisner on Oct. 1, is a self-avowed early adopter who listens to a 120-channel Sirius satellite radio in his car. He travels with a pair of iPods, bopping along to the new nano during his 5 a.m. workouts. Jobs seems to know it: Iger says the first call that he got in March when he was named to the top job came from the Apple CEO. "He wished me well and hoped we could work together soon," recalled Iger in an interview two months ago.

Lightning fast is more like it. Two weeks after Iger took office, the Disney CEO was on stage at a San Jose movie theater with Jobs as
the two men introduced Apple's new video iPod and the availability of such ABC shows as *Lost* and *Desperate Housewives*. The deal came together on Internet time, in just three days. Iger wanted to show that Disney can be a nimble company, willing to embrace the latest digital technologies to deliver its content. "I think we impressed [Jobs and other Apple execs] with how quickly we could make a decision," said Iger in the earlier interview.

"A GUN TO HIS HEAD." Yet the alliance has plenty of risks, too. Jobs will have to navigate a minefield of conflicts as he runs Apple and sits on Disney's board. He'll also have to demonstrate he can take on the unfamiliar role of supporting player. The same perfectionism that allows him to help create great products has made it difficult for him to stand by if someone is going in what he considers the wrong direction. When he returned to Apple as part of the next acquisition, he insisted he didn't want Amelio's job, and then quickly took charge. Already, there's speculation in Silicon Valley that Disney's chief could get "Amelioed."

Iger isn't in the most secure spot. He has revamped Disney's management style and has improved some operations. Still, the company's stock is at about the same level it was a decade ago. And Iger has only been CEO a few months, so he's on new footing with Disney's directors. One management expert calls the Jobs move "courageous" but says "Iger just put a gun to his head," predicting that Jobs's influence in the boardroom would be so pervasive that Iger could be gone within a year.

Particularly ticklish will be Disney's animation business. While Iger has stressed that it's crucial to the company's future, Jobs may have closer ties, since his two lieutenants will be running the show. Even during the conference call announcing the Disney-Pixar deal, there were hints of differences. One analyst asked whether Lasseter would have authority to decide whether Pixar movies such as *Toy Story* will be made into Broadway plays. Jobs began by acknowledging that Lasseter works for Iger, then added, "[Lasseter] has always had strong feelings about the exploitation of stories and characters." So if Lasseter and Iger disagree, who would Jobs back?

CONSUMER LUST. Jobs declined to be interviewed for this article. But some executives who know him well insist that Iger has nothing to fear. "People are misreading Steve Jobs," says Edgar S. Woolard Jr., the former chairman of Apple and former chairman and CEO of chemical giant DuPont. "If he has a good relationship with you, there is nobody better in the world to work with. Iger made a very wise move, and two years from now everyone will be saying that."

Jobs certainly has much to offer. The past few years have been a thorough vindication of his ideas and leadership. Just a decade ago he was considered a temperamental micromanager whose insistence on total control and stylish innovation had doomed his company to irrelevance. While Apple tried to develop both the hardware and software for its computers, Microsoft (MSFT), Intel (INTC), and a flock of PC makers slashed the onetime industry leader to bits by separating the two. Asked in late 1997 what Jobs should do as head of Apple, Dell's (DELL) then-CEO Michael S. Dell said at an investor conference: "I'd shut it down and give the money back to the shareholders."

Fighting words that Dell may regret today. Apple shares have soared from $7 a share three years ago to $74, and the company's market cap of $62 billion is just shy of Dell's. Why? Jobs has applied his old strategy to the new digital world. With absolute control, breakout innovation, and stellar marketing, he has created products that consumers lust after. The smooth melding of Apple's iPod with the iTunes software has helped make it an icon of the Digital Age. Rivals from Microsoft to Dell to Sony (SNE), have been left in the dust.

STRING OF HITS. "He has set the basic model for any digital business from now on," says Toshiba CEO Atsutoshi Nishida. Microsoft is even considering making its own digital music player, since providing its software to Dell and other hardware developers has failed to slow Apple (see BW Online, 1/26/06, *"The Bug in Microsoft's Ear*").

Jobs's success at Pixar is no less remarkable. He bought the business from director George Lucas 20 years ago for $10 million. Catmull and Lasseter believed they could use computer animation to create full-length movies, even though many in Hollywood and at Disney thought computers could never deliver the nuance and emotion of hand-drawn animation. Jobs bought into the vision.

The result: Pixar has knocked out six blockbusters, from *Toy Story in 1995 to Finding Nemo and The Incredibles* in recent years. "The great thing about Steve is that he knows that great business comes from great product," says Peter Schneider, the former chairman of Disney's studio. "First you have to get the product right, whether it's the iPod or an animated movie."

NO "B TEAMS." Of course the trick isn't in wanting to make great products. It's being able to do it. So what is Jobs's secret? There are many, but it starts with focus and a near-religious faith in his strategy. For years, Jobs plugged away at Apple with his more proprietary approach, not worrying much about Wall Street's complaints.

In fact, one of his first moves was to take an ax to Apple's product line, lopping off dozens of products to focus on just four. "Our jaws dropped when we heard that one," recalls former Apple Chairman Woolard. Time and again since, Apple has eschewed calls to boost market share by making lower-end products or expanding into adjacent markets where the company wouldn't be the leader. "I'm as proud of what we don't do as I am of what we do," Jobs often says.

It's all based on a fundamental belief that a killer product will bring killer profits. That's certainly the case at Pixar. While analysts have
often urged the company to crank up its movie machine and pump out more releases, it's only now reaching the point that it can make one a year. And at least until the Disney deal was struck, the plan was to stay there for good. The reason: Pixar's executives focus on making sure there are no "B teams," that every movie gets the best efforts of Pixar's brainy staff of animators, storytellers, and technologists.

HANDS-OFF CREATIVELY. Indeed, Jobs says with pride that Pixar has made the tough call to stop production at some point on every one of its movies to fix a problem with a storyline or character. "Quality is more important than quantity, and in the end, it's a better financial decision anyway," Jobs told BusinessWeek last year. "One home run is much better than two doubles," he said, explaining that then there's only one marketing and production budget rather than two.

The fixation on quality over quantity refers to personnel as much as production. Ever since the days when he marveled at Stephen G. Wozniak's engineering skill while building the first Apple computer, Jobs believed that a small team of top talent can run circles around far larger but less talented groups. He spends a lot of energy working the phones, trying to recruit people he has heard are the best at a certain job.

This is one reason that Jobs, while a micromanager at Apple, plays a very different role at Pixar. He handles many of the business duties. But he's very hands-off on the creative side. Sources say he typically spends less than a day a week at the company's picturesque campus in Emeryville, across the San Francisco Bay from Apple's Cupertino headquarters. "Steve doesn't tell us what to do," says one Pixar employee. "Steve's our benevolent benefactor."

PRACTICED INFORMALITY. Jobs may be a multibillionaire, but that hasn't cut into his work ethic. He brings an entrepreneur's energy to tasks many CEOs would see as beneath them, whether it's personally checking the fine print on partnership agreements or calling reporters late in the evening to talk over a story he thinks is important. And Jobs seems perfectly willing to forgo some aspects of the executive life to focus on his own priorities. For example, unlike most CEOs he rarely participates in Wall Street analyst conferences.

His famous keynote speeches are maybe the best example of his intensity. In trademark jeans and mock-turtleneck, Jobs unveils Apple's latest products as if he were a particularly hip and plugged-in friend showing off inventions in your living room. Truth is, the sense of informality comes only after grueling hours of practice. One retail executive recalls going to a Macworld rehearsal at Jobs's behest, then waiting four hours before Jobs came off the stage to acknowledge his presence.

Rude, perhaps, but the keynotes are a competitive weapon. Marissa Mayer, a Google (GOOG) executive who plays a central role in launching the search giant's innovations, insists that up-and-coming product marketers attend Jobs's keynotes. "Steve Jobs is the best at launching new products," she says. "They have to see how he does it."

ONE-ON-ONE DEALS. Of course, that entrepreneurial zeal is there for a reason: He's one of a shrinking collection of tech chieftains who are actually entrepreneurs. "I was very lucky to have grown up with this industry," Jobs told BusinessWeek in 2004. "I did everything coming up -- shipping, sales, supply chain, sweeping the floors, buying chips, you name it. I put computers together with my own two hands. As the industry grew up, I kept on doing it."

The same can be said of his role as a movie mogul. Following Pixar's hit with Toy Story in 1995, Jobs and then-Chief Financial Officer Lawrence B. Levy gave themselves a crash course in movie business economics. That helped Jobs persuade Disney to agree to a far more lucrative distribution deal than Pixar had had in the past.

Former Disney executive Schneider, who negotiated that deal with Jobs, says he applies equal parts industry knowledge, intensity, and sheer charisma. Jobs prefers to negotiate one-on-one, and let lawyers tie up the details after the handshake is done. "He says 'Fine, we have a deal,' and you're saying, 'Wait, wait, I need to check with Michael [Eisner], and he's saying, 'No, it's done.'"

VISION AND GUT. That's not to say Jobs is an easy partner. Unlike every other electronics maker, Apple refuses to let even the biggest retailers know what new products are coming until Jobs unveils them. That means the retailers can't get a jump on arranging ad campaigns or switching out inventory. But Jobs would rather have the surge of publicity that comes with his dramatic product intros. Indeed, Motorola (MOT) executives were furious when Apple surprised them by announcing the iPod nano last October, stealing the thunder from the iTunes phone that Apple and Moto had developed together.

In the final analysis, Jobs's true secret weapon is his ability to meld technical vision with a gut feel for what regular consumers want and then market it in ways that make consumers want to be part of tech's cool club. Says a leading tech CEO who requested anonymity: "God usually makes us either left brain people or right brain people. Steve seems to have both sides, so he can make extraordinary experiences."

In the wake of the Disney-Pixar deal, the question is how Jobs can apply his unique skills to the media industry. From record labels to music studios, many execs are only reluctantly experimenting with technological change. Besides being concerned that piracy protections aren't strong enough, they're petrified of losing control since it's unclear how they'll make money in the new world.
POTENT COMBO. And Jobs is a polarizing figure. While the major music labels were excited by the possibilities opened up by Apple's iPod, they're now leery that Jobs has pulled a fast one. Apple reaps billions from selling its hit music player, but there are sparse profits from the songs being sold over the Net.

The Disney deal may help give Jobs some additional credibility in the media world. While he had a major stake in Pixar in the past, he now sits on the board of one of the biggest media companies in the country. That means he has a fiduciary responsibility to protect the company's assets, from *Desperate Housewives* to Mickey Mouse.

Iger's assets and Jobs's vision could prove a potent combination. They've already shown how they can experiment in new areas and then create enough consumer excitement that others are compelled to follow. After Iger agreed to put ABC's shows on iTunes for downloading to video iPods, the other major networks followed suit. The same day as the Disney-Pixar agreement, iTunes began offering short films from the early days of Mickey and Goofy. How long before protective movie studio chiefs are digging through back catalogs in hopes of bringing in extra revenues?

ALL-IN-ONE APPLE? It's one more way in which iTunes is evolving into something much more powerful than a simple music store. Besides songs, TV shows, and short films, it offers music videos and podcasts from National Public Radio and independents like Brian Libbott, creator of the cover song show *Coverville*. In December alone, 20 million people visited the site, triple the number the year before.

What could the future according to Jobs look like? For starters, no radical changes will occur overnight. Given Apple's powerful branding, it's easy to forget that Jobs hasn't typically been the first to pioneer new areas. Many MP3 players existed before the iPod, and Microsoft has been slogging away for years on PCs fit for entertainment in the living room. Apple has taken the first steps in this direction by adding the ability to control a Mac from the couch via the Apple Remote and FrontRow software.

Speculation is ripe that Jobs will move Apple fully into the living room, and there's little reason he wouldn't. The most likely scenario is that Apple would build a version of its Mac mini that could be attached to a TV and entertainment center so the mini could store family photographs and home videos along with music and videos downloaded from iTunes. Taken to the extreme, the living room of 2010 may no longer need to have a CD-rack, DVD player, TiVo, set-top box, or stereo. All those capabilities could be built into a single box, an Apple TV, or an Apple-branded home-entertainment center.

BOLD STEPS. Then there's the wireless-phone realm. Apple purchased the domain name iPhone.org years ago and in December trademarked the name Mobile Me. That may suggest it will introduce a mobile phone or personal digital assistant to download songs over the air or sync up with a Mac or PC.

The Disney-Pixar deal could open up all sorts of strategic options for Disney and Iger if they can capitalize on Jobs's skills. For example, Disney could decide to push hard toward distributing more of its content directly over the Internet rather than relying on cable companies or movie theaters. Iger has been the most vocal voice in Hollywood on this score of late, even suggesting that new Disney movies should be released on the Internet the same day they hit the cinemas.

Since taking over from Eisner, Iger has shown himself willing to move quickly and take bold steps to remake the bureaucratic company he inherited. Among Iger's first decisions was dismantling the corporate strategic planning operation Eisner often used to scuttle risky new plans. Iger patched things up with dissident former board members Roy E. Disney and Stanley P. Gold, who incited a shareholder revolt that kept large investors away.

And while Eisner worried with Jobs, Iger worked hard to improve Disney's relationship. A key part of the reason for the Disney-Pixar deal, says Jobs, was "we got to know Bob."

TOO MANY CONFLICTS? Still, Jobs will be joining a Disney in short supply of its old pixie dust. As a board member, Jobs may argue for fast-tracking some of the digital distribution experiments Eisner discarded. Yet that could clash with Iger's ideas about how or how quickly Disney should proceed. A board showdown could prove difficult. Not only is Iger a new CEO, but he also was the second choice among at least some of Disney's 13 board members. Some favored Meg Whitman, eBay's (EBAY) CEO and a former Disney executive.

Iger's worst nightmare may be that Jobs could sway so many Disney board members that he would win a wide-open race to become Disney chairman. Last year, with the board reportedly split between directors Gary L. Wilson and Robert W. Matschullat, former Senator George J. Mitchell was named interim chairman. He will remain as chairman until he retires at the end of 2006.

Jobs has said he doesn't want the Disney top board job. Plus, that would complicate the potential conflicts of interest with Apple, as Disney makes more high-tech deals to distribute its content. Still, the mercurial new Disney board member could make a play to become chairman, say those with knowledge of Disney's board. "The problem then is that Bob would have a larger-than-life chairman to deal with only a year after a larger-than-life CEO was running his life," says one source close to Disney. "I can't imagine he's thrilled over that."
Steve Jobs's arrival at the Magic Kingdom could have more thrills than a trip to Disneyland.