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How to succeed at empire building

Wednesday 3rd March 2010

Jim Shaw is a force to be reckoned with in the Canadian cable industry. The third-generation CEO of the Shaw family empire is known for his western cowboy charm, gruff temperament and ability to deliver healthy returns to shareholders. Shaw's recent bid for bankrupt CanWest Global Communications Corp means the tenacious CEO must now navigate the troubled waters of the conventional broadcast business, writes Jennifer East.

Shaw bid \$95 million Canadian dollars for 20% of CanWest's equity and 80% of its voting stock. Despite an 11th hour rival bid that included the Aspers, CanWest's founding family and Wall Street's Goldman Sachs Group, Shaw won the right to take control of CanWest's broadcasting empire on 19 February.

Analysts point to Shaw's takeover of CanWest as a shift in strategy away from a core business of subscription television and wireless communications. Many argue that a similar shift from broadcasting into the newspaper business marked the beginning of the end for CanWest and the Asper family.

CanWest's founder Izzy Asper began his foray into broadcasting in 1974 with a money-losing television station on the North Dakota border. In 1989, Asper bought struggling Global TV, which he built into one of Canada's three national broadcasting networks. By 1992, CanWest included TV3 in New Zealand and Network Ten in Australia.

Izzy Asper and his son Leonard suffered from what many describe as a powerful hubris. They aspired to sit on the world stage alongside News Corp and Viacom. In 2000, they took a fateful step towards that dream by buying the Southam newspaper chain from Conrad Black. The \$3.2 billion price tag saddled CanWest with an unmanageable debt.

The combination of CanWest's elevated debt level, their move away from broadcasting into the unfamiliar territory of the newspaper business and the challenges faced by both industries in the recent economic crisis led to bankruptcy in 2009.

Can Jim Shaw avoid a similar fate for his family's cable dynasty? Two important factors place him and the company in a strong position to succeed where the Aspers have faltered.

Firstly, the Shaw family has built their empire shrewdly, but conservatively. Jim Shaw's grandfather Francis dabbled in trucking, pipe-coating, drive-in-theatres, construction and the nascent cable business in the 1950s. Jim's father JR and uncle Les used this knowledge base to select the businesses they truly enjoyed, and the ones with the most potential. JR moved west to Calgary and established Capital Cable TV Ltd in 1966. By the early 1980s, Shaw Communications began to spread across the country.

Unlike CanWest, Shaw's growth has not unduly burdened the company with debt. Even as Shaw spent an estimated \$490 million in 2008 and 2009 to acquire Mountain Cablevision and wireless spectrum licenses, their debt load dropped from \$3.4 billion in 2006 to \$3.1 billion in 2009. Analysts believe the company is in a relatively strong position to enter the uncertain world of conventional broadcasting.

Shaw Communications' second advantage is Jim Shaw himself. Unlike many family business heirs, the 52-year-old CEO and vice-chairman worked his way to the top job through dedication and hard work. Long before he joined the family firm, Shaw was pitching hay and trucking grain on the family farm. With an entrepreneurial bent and a good instinct for numbers, Shaw started several businesses.

When Shaw's father asked him to join the rapidly expanding family cable business, he started at the bottom installing cable boxes and driving a truck. This hands-on approach has given Shaw an edge when making strategic decisions, as he understands the business he's in from the ground up.



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Shaw is feisty and rarely walks away from a battle. Although he's a polarising figure in the cable industry, his determination means he usually wins. Since the media convergence battles of the early 2000s, Shaw has waged war with regulators, big TV networks and niche cable channels and emerged the clear victor over the content providers. Now that Shaw controls the distribution of content through cable, internet and phone service, his acquisition in the broadcast business seems like a logical step.

Jim Shaw saw an opportunity to get out in front of the changing media landscape, and has positioned his business well to take full advantage of entering the broadcast business.

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Bridas Energy Holdings, the oil and gas company owned by the Bulgheroni family, on Sunday confirmed that China National Offshore Oil Corporation Limited (CNOOC) will take a 50% stake in a its subsidiary company Bridas Corporation.

Founding family member appointed to Hyundai board

Hyundai Motor Corporation, the Korea-based car company controlled by the Chung family, has announced third generation Chung Eui-Sun has been appointed to the company's board.

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