

Insights into the world's leading business families

At CMG, we aim to help business families tackle difficult conversations by emphasizing the importance of establishing a structured communication platform, like regular family meetings. It's why we find the Redstone family story of intergenerational conflict and unaddressed behaviours particularly intriguing. The Redstone family is an example of the consequences that can arise when such structures are not in place. By being proactive and mindful of the patterns set, families can avoid similar conflicts, recognize when it's time for the next generation to take over and achieve successful generational transitions.

The entertainment world is exciting, fast-paced, and filled with power and prestige. But amidst the glitz and glamour, the industry is notorious for scandal, rivalries, and behind-the-scenes corporate battles. Often this cutthroat business can get personal – and that's exactly what happened to the Redstone family, where it pitted father against daughter.

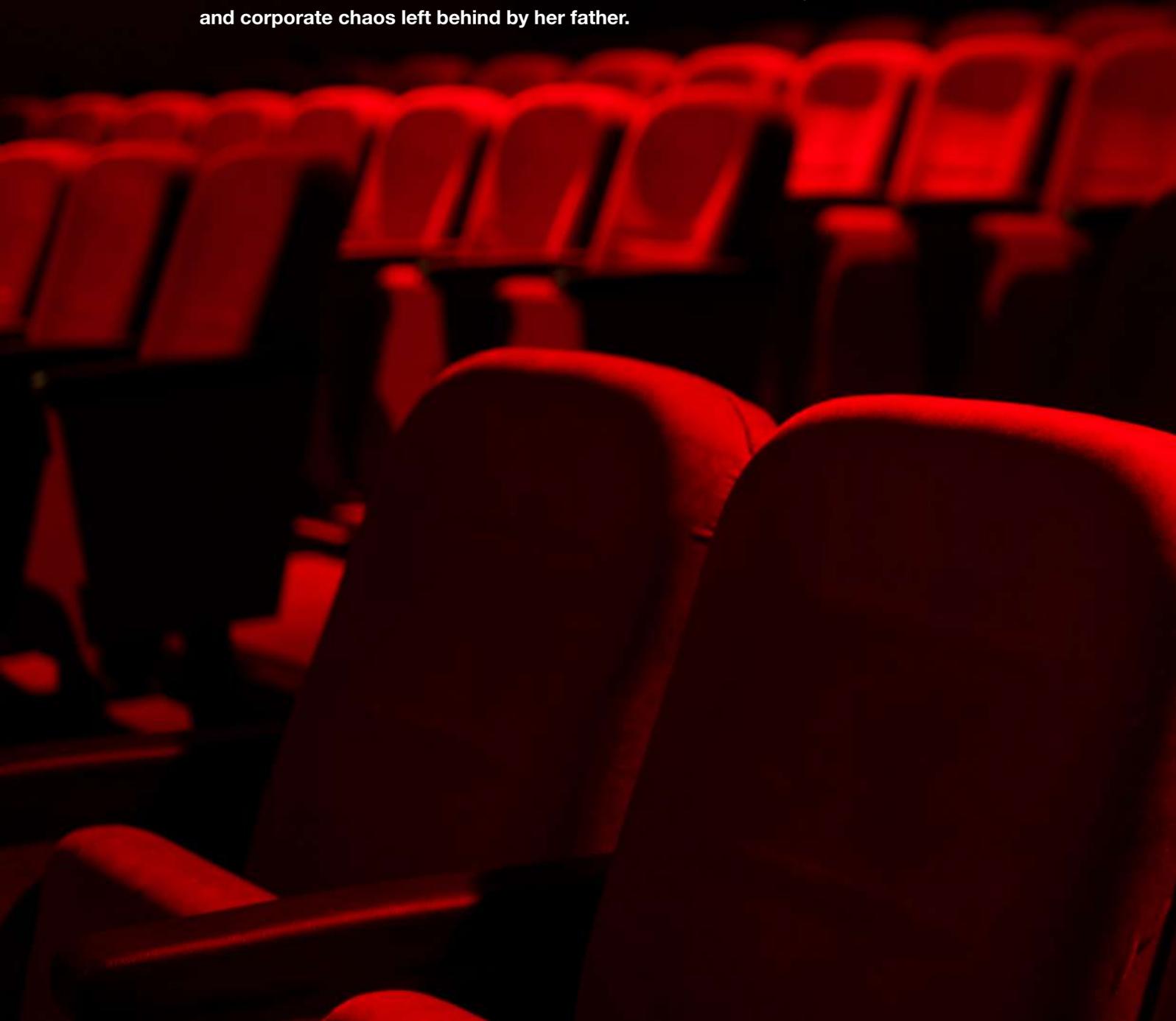
The Redstone family company is National Amusements, which owns and operates Paramount Global. Formerly ViacomCBS, Paramount Global operates over 170 networks in 180 countries. It runs Paramount Pictures film and television studio (creators of *The Godfather*), CBS entertainment group, various media networks including MTV, Comedy Central, and Nickelodeon), and its streaming service Paramount+.

It may surprise you to learn that National Amusements began as a modest family-owned drive-in theatre in a Boston suburb in 1934. It would grow to become a multinational mass media entertainment conglomerate – and tear apart the Redstone family many times over.



INSIDE THE STORY...

- › Sumner Redstone built his father's drive-in theatre company National Amusements into a global media empire, and himself into one of the wealthiest – and most controversial – business moguls in the world of media. But not without a fight. Sumner had a complicated relationship with his father. They had a falling out over who would control the family business.
- › As Sumner aged, history repeated itself with his daughter Shari Redstone. Shari was successfully building her career within the company. But Sumner actively resisted relinquishing control, going so far as publicly slandering his daughter and her abilities to be his successor. Shari, in turn, argued that Sumner was no longer capable of making decisions for himself and that she was acting in his best interests.
- › Shortly before Sumner died in 2020, Shari finally took over the company reigns – but not without facing off in some of the greatest court battles in the history of corporate America. Her inheritance also included a slew of legal battles and corporate chaos left behind by her father.



The Redstone Family:

A long line of ingrained methods to conflict

BY JESSIKA MCQUEEN

When Sumner's grandfather Morris Rothstein emigrated to the U.S. from modern-day Ukraine in 1892, he and his two brothers each opened their own bakery supply company within blocks of each other. All three were competitors. In the next generation, Max Rothstein (Morris' son) would lose out on inheriting his father's company in favour of his brother. These events foreshadowed even bigger family strife to come.

The beginning of generational family conflict

Max dropped out of high school and pursued trucking, chauffeuring, linoleum peddling, Prohibition-era bootlegging, and post-Prohibition liquor wholesales. In 1934, he bought a drive-in movie theatre. Max later changed his name to Michael (Mickey) Redstone.

Mickey had two sons, Sumner and Eddie. Both were intelligent, but Sumner was considered the family prodigy. He worked the refreshment stand at one of his father's drive-ins during summer breaks while studying on scholarship at Harvard, where he pursued law. Eddie had his eye on a career in the family business and was his father's heir apparent.

In 1954, Sumner was disillusioned with his legal career with the U.S. Department of Justice. He wanted to join the family business. Mickey was thrilled to have both his sons at the company, which was now a growing chain of drive-ins. Mickey was still officially in charge but had mostly stepped back from running the company. Eddie handled day-to-day company operations, while Sumner focused on growth and expansion. The three split the company shares evenly.

Mickey's dream was for his sons to run the company together long after he was gone. But in 1967, he named Sumner its CEO. Eddie had been at the company for far longer than Sumner. He felt undervalued and disregarded while Sumner took the spotlight. A bitter legal battle of control ensued, with Sumner representing National Amusements against his brother.

With Eddie out of the way, Sumner had complete control by 1972. He expanded the drive-in chain into massive indoor multiplex theatres, invested in film studios, and then moved to take over television networks. Sumner battled

This story may sound familiar to you. If you're a fan of HBO's hit drama, "Succession" you will notice several real-life parallels between the show's fictional family, the Roys to the Redstones. Like the Roy family, the Redstones faced a public power struggle between the patriarchs and their successors – spanning several years. The hot-and-cold father-daughter dynamic is uncanny to the show's patriarch, Logan Roy and his only daughter Shiv's on-again-off-again affection and difficult conversations, much like Sumner Redstone and his daughter, Shari.

to win control of media giants Viacom, CBS, and Paramount Pictures. Under his leadership, National Amusements became one of the largest media holdings in the world.

Sumner's company was behind the emergence of MTV as a dominant cultural force, the birth of reality TV and powerhouse televisions such as Survivor, Spongebob Squarepants, and The Big Bang Theory. In Hollywood, National Amusements produced the critically and commercially successful films; Titanic, Forrest Gump, and Indiana Jones. They also produced successful networks, Nickelodeon, and Comedy Central, a publishing company Simon & Schuster, and Blockbuster video retail. At its peak, the businesses Sumner amassed were worth over \$80 billion.

Sumner did not get here by playing nice. Just as he had fought and won against his brother Eddie for the family company, Sumner would take what he wanted by force when necessary. When provoked, he would use more force to keep competitors at bay. He was an aggressive negotiator with a rigorous approach and a brash attitude. He used his expertise in law and

corporate governance in creative ways to achieve unprecedented success in the media world, and his passion to win drove him ever-forward in his pursuit to be on top.

History repeats itself

In 1947, Sumner married Phyllis Raphael and they had two children, Brent and Shari. Their marriage was tumultuous. By 1998, Phyllis wanted out. Sumner owned two-thirds of National Amusements, and losing half to Phyllis would dilute his power. Sumner needed more voting power to maintain control after the divorce. He asked his children to sign over the voting power of their shares to him. Brent refused, but Shari agreed – provoking the next generation of Redstone sibling rivalry.

Like his father, Sumner's son Brent was a Harvard-trained lawyer. Their father-son relationship was difficult, and they grew increasingly estranged. In 2003, Sumner removed Brent from the Viacom board – seemingly in retaliation for Brent's lack of cooperation during the divorce.

In 2006, Brent sued his father, looking to force a break-up of his father's empire for unfairly shutting



Sumner Redstone

him out of the company. A bitter two-year legal battle ensued, and Sumner bought out his son's shares of the family business for roughly \$240 million. Sumner and Brent would never speak again.

Shari officially began working with her father in 1993, when Sumner installed her on the board of National Amusements. Just like her brother and father, Shari was a talented lawyer with a skill for making deals. She was qualified for a leadership role in the company and made quick work demonstrating that she was fit for the task. But she was far from being Sumner's golden child. Instead, her involvement quickly led to serious conflict. The two became embroiled in an ongoing power struggle that would create a rift in the Redstone family, and leave the future of their empire hanging in the balance.

A power struggle between father and daughter

Sumner avoided questions about succession planning, and Shari followed his lead – but it was clear she eventually wanted to run the company. Sumner did not want to cultivate a successor. He was convinced he could run the entire show better than anyone else, and that he could do it on his own.

As their relationship deteriorated, Shari knew she couldn't control her father – but she could make herself indispensable to the business and prove that she was worthy of the top role. She orchestrated a massive worldwide theatre expansion spree, was placed on the Viacom board and was soon named Executive VP of National Amusements – the same role her father held during much of his rise to power. When the press began to posit Shari as Sumner's second in command, he became hostile. He called her derogatory terms in public and business settings. He shut her out of meetings she rightfully belonged in.

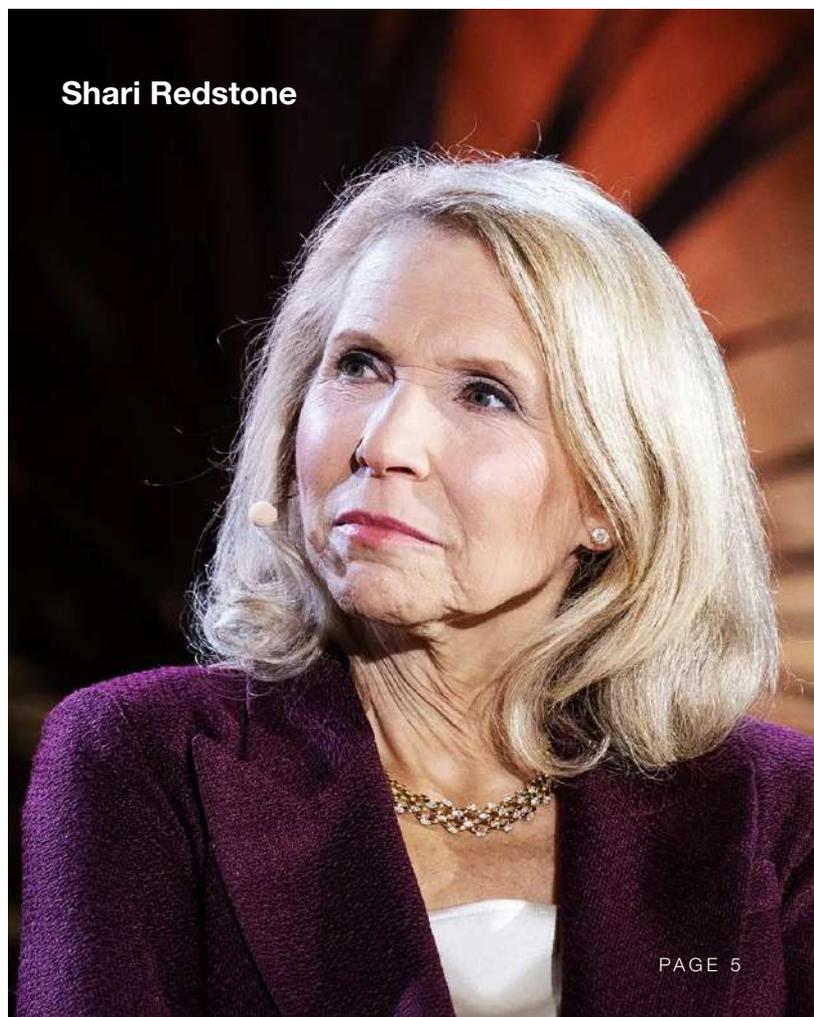
Shari knew that if she wanted to take over the company after her father was gone, she would need to retain his favour up until the end – and that was going to be difficult.

It was a tough position. Shari needed to protect the company she hoped to inherit, but she also had to stay in her father's good graces. She ultimately decided it would be best to do

what was right for the company – but it pitted her squarely against her father. Sumner and Shari had multiple battles over major business decisions. Sumner used every opportunity he could to tighten his reigns of control instead of passing them off to Shari. He would also deliberately pass over her for positions she was imminently qualified for in favour of others. Sumner wanted everyone to understand that only one Redstone was running the family business – and that was him.

Through all of this, Shari tried to keep her head down and focus on doing her job, now as President of National Amusements and Vice Chairman of Viacom and CBS. But she continued to speak up when she did not agree with her father's decisions despite the repercussions she faced.

Sumner retaliated against Shari's dissent. In 2007, Sumner wrote a letter to the committee in charge of his trust. In it, he argued that the terms of the divorce decree no longer applied, as "Shari does not have the requisite business



Shari Redstone

judgement to serve as chairman of any of the family's companies". A few weeks later, he wrote another letter – this time, an open public letter that was published in Forbes. In this letter, he attacked Shari's leadership skills and wrote that she was unfit to be his successor. Shari was furious. She hired lawyers to negotiate her exit from the family empire.

Sumner's final years

In early 2013, 90-year-old Sumner Redstone began living with 42-year-old Sydney Holland and 49-year-old Manuela Herzer. The two women had lavish spending habits – with Sumner's money – and had been written into his will. They made coordinated efforts to keep Shari away from her father.

some ill-considered decisions her father had made to the company (i.e., splitting up Viacom and CBS in 2005), and finally gain control over the family company. In 2019, Shari was named chair of the newly recombined ViacomCBS. Not long after, in August of 2020, her father Sumner passed away at the age of 97 years old.

Shari had ascended to the top of the family empire – and was now a media mogul in her own right.

Looking to the future

Shari Redstone is the first woman to wield true power and ownership in the world of media. With \$5 billion in family assets and \$36 billion worth of companies under her control, she

is the chairwoman of Paramount Global and the president of National Amusements, the controlling shareholder of Paramount Global.

Sumner did manage to find ways to control the company beyond the grave. His estate planning documents go to elaborate lengths to bar his heirs from selling his companies. The trust he put in place to go

into effect after his death severely restricts any sales or mergers that would reduce the family's controlling stakes in the companies.

Shari's professional ascent required her to fight against her father within their own company. Any power she gained had to be wrested from him in one way or another. As a woman in an overwhelmingly male-dominated industry, Shari was already faced with the challenge of earning respect – and her father made it even harder for her by deliberately instilling doubts about her abilities time after time.

Just like her father, Shari's shrewd determination got her to the top of the Redstone family media empire. And parallel to Sumner's history, she joined the business right at a moment of disruption in the industry – for Sumner, it had been television; for Shari, it was the internet. Sumner expanded National



Shari refused to abandon her father. She had never given up her dream of one day taking over the family business. Moreover, she was deeply concerned about his well-being. His health was deteriorating, and he had great difficulty communicating. Many believed his mental capacities were waning and suspected Sydney and Manuela were taking advantage of him. Shari intervened, working hard to win back her father's trust. Another significant legal battle ensued in May 2016, in which Shari was personally attacked. It was a media circus. In the end, Shari triumphed. Manuela and Sydney were officially out of her father's will and his life.

Shari and Sumner were now reconciled, and Shari returned to the family business. She moved to restructure company leadership at National Amusements, reorganize and undo



Amusements from a content exhibition into content creation. Shari continued the family tradition of innovation, unveiling Paramount+ and her vision for the company's future in the world of streaming in 2021.

Yet Shari is determined to be different from her father. She refreshed and reset the family business, both in the public and private realms. She insists she does not want to run the companies, but only to ensure they have great leadership and strong boards.

Shari's three children – Kimberlee (40), Brandon (38), and Tyler (36) – now serve on the National Amusements board, positioned to take up the mantle as the next generation of leadership over the family empire. Kimberlee and Tyler are lawyers, like their mother and grandfather, and Brandon is a director at National Amusements. The three work amicably together (they run a charitable organization together) – and just might be able to break the Redstone sibling feud cycle.

Sumner Redstone may have built a media empire, but he also left behind a legacy of conflict and turmoil. He spent his life battling for power and control and stubbornly refused

to be succeeded. Shari is left to keep the billion-dollar media empire afloat while making sure the rest of her father's legacy doesn't drown it out.

Shari finally wins control

After a long and protracted battle for control of her family's media empire, Shari Redstone has finally emerged victorious. With control firmly in her hands, she is now eager to put her stamp on the company by transforming it into a leading streaming provider.

Shari has long been a prominent figure in the media industry, and her determination to succeed in the battle for control of her family's empire has been evident throughout the process. Her commitment to transforming the company into a streaming powerhouse is no less evident, and it's clear that she has big plans for the future of the business.

Thoughts to consider
from Bob Gould on the
next page:





A Closer Look



Bob Gould is a partner at Creaghan McConnell Group and, for over 30 years, has worked with some of Canada's most accomplished and wealthy business families, helping them build trust and navigate through difficult conversations and the unique challenges business families face.

The Redstone family is filled with dysfunction and scandal – allegations of abuse, adultery, heated legal battles, public backstabbing, defamation, and the list goes on. But amidst the drama, there are important lessons in their story that apply broadly to all business families:

1. Be proactive in having those difficult conversations. At CMG, we emphasize the importance of having regular family meetings and encourage the business families we serve to use this as an opportunity to develop effective ways of having difficult conversations. During these meetings, we help families identify the challenges and issues they face, develop a shared vision and values, and create a plan for open and caring communication and authentic trust with the parents and their children, the next generation.

2. Be aware of the patterns you are setting in your family. The Redstone family experienced three generations of conflict between siblings and their parents, leading to history repeating itself, and creating family conflict for years. Over time, the next generation learns and sees this as the only way to deal with conflict, leading to numerous court battles among members of the Redstone family.

It's a reminder of why productive (and focused) family meetings are valuable when improving family dynamics and transitioning the family business from one generation to the next. The next generation is learning directly from their parents. Until those family meetings, the next generation may not do anything differently or feel comfortable expressing their vision and values for the future of the family business. We want to ensure the parents and children speak and understand the same language to avoid what happened with Sumner and his daughter, Shari.

3. Know when it's time for the next generation to lead. Giving the next generation the opportunity to "play the game" of running the family business is a critical step for business families. CMG works with families to develop a roadmap for this process, allowing the next generation to understand the responsibilities and the key decisions to be made as if the parent were no longer here. This approach has several benefits giving the next generation a chance to gain experience and build confidence in their abilities. It also allows them to have conversations about the business and its future that they might not have had otherwise. And it gives the patriarch the confidence that the next generation is paying attention to the right things and is capable of being an engaged owner.

Jessika McQueen is a freelance writer based in Toronto.

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Creaghan McConnell Group is a uniquely specialized insurance advisory focused on 'the business of the family.' We help Canada's leading business families preserve, continue to grow, and successfully transition their capital to the next generation.