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esalgado@uniandes.edu.com

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Auletta, Nunzia; Helena Jaen, María

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# Miss Venezuela: more than just beauty?

Miss Venezuela

Nunzia Auletta and María Helena Jaén

*Instituto de Estudios Superiores de Administración (IESA), Caracas, Venezuela*

395

## Abstract

**Purpose** – The case study centers on the ways in which a world-renowned beauty pageant is deployed as a strategic asset by the Organización Cisneros (OC), a major player among Latin American television companies. The Miss Venezuela (MV) beauty contest has iconic status in Venezuela and enjoys an international reputation. Following the election of President Chávez in 1998 the OC gradually scaled-down its operations in Venezuela. Adriana Cisneros, OC Vice President, turned MV into a key element of the Corporate Social Responsibility strategy at Venevisión, the TV channel founded by her grandfather. She also sought ways to build on the MV brand, in order to strengthen the OC's business strategy.

**Design/methodology/approach** – The case study employs an inductive methodology, using a comprehensive approach to develop a teaching case study. It focuses on understanding a concrete business situation presented within a detailed contextual analysis.

**Findings** – Complex business and strategic decision making calls for a thorough analysis of internal business variables and a deep understanding of complex environmental forces.

**Originality/value** – The comprehensive approach and detailed information presented in this case study constitute a versatile resource that will be useful for teaching topics including strategy, innovation, and business model development.

**Keywords** Marketing, Innovation, Strategy, Family business, Product development, Business models

**Paper type** Case study

The 58th Miss Universe contest was held in Nassau, Bahamas, on August 23, 2009; it had 83 contestants. Osmel Sousa, president of the Miss Venezuela Organization (MVO), was both anxious and delighted as he walked in and out of the Imperial Room at the Atlantis Paradise Island Resort. He had just received a congratulatory telephone call from Adriana Cisneros, Vice President of the Board and Director of Strategy at the Organización Cisneros (OC), because Miss Venezuela (MV) had been chosen as one of the ten finalists of the competition.

Sousa understood clearly that MV had little chance of success; MV had won the Miss Universe contest the previous year, and no country had ever won the pageant two years running. But much to his surprise, his candidate continued to advance in the selection process and was now paired with Miss Dominican Republic. "It's hard to believe," he said to himself, but Stefania Fernández was about to be crowned by Dayana Mendoza, her predecessor, as the sixth Venezuelan beauty queen to win Miss Universe.

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Prepared by Professors Nunzia Auletta and María Helena Jaén of IESA, with the assistance of researcher Stefania Vitale. Case studies are developed for the sole purpose of serving as teaching aids for instructors in class discussion. Case content should not be considered to be a primary source of information, does not indicate either the correct or incorrect handling of a management issue, nor support the views of persons or organizations cited. The teaching note is available from the authors upon request. Published with the authorization of IESA. Research for this article was completed in March 2012.



MVO has won six Miss Universe and five Miss World contests (Table I), becoming a well-known global brand. Regardless of social class, Venezuelan women viewed contest winners as role models. In addition to their beauty, many had overcome their modest origins, earning fame and fortune by dint of hard work. MV title holders were seen as exemplary Venezuelan women, a symbol to be emulated. The OC's top management had long viewed MV contests as the Super Bowl of Venezuelan television, even as it mulled over new media opportunities to expand audiences, especially among younger viewers. In Hugo Chávez's Venezuela, Venevisión (VV) struggled for higher ratings even after its chief competitor, Radio Caracas Televisión, was removed from the air following the revocation of its state broadcasting license.

In December 2010, well over a year after that magic night in Nassau, Adriana was working on the OC's strategic plan. She considered the future of MV to be her chief overall challenge.

### The MV Organization

The MV pageant was first held in 1952, to select a representative for the first Miss Universe contest. In 1962, Ignacio Font Coll, head of the advertising agency Oppa Publicidad, purchased the Venezuelan rights to the contest and turned it into a TV event. Sousa joined Oppa in 1969. He soon proved skillful in identifying potential candidates for the beauty contest, and in understanding the kind of coaching required to win. Recalling those early years, he said:

I started out sketching for Oppa, but once I became involved with the Miss Venezuela contest I saw that candidates required training: they had to learn to walk, understand what to wear, get a different look. We sought help from makeup artists, trainers of catwalk models, and designers who in later years would become world class, such as Guy Melliet and Carolina Herrera.

Maritza Sayalero was the first Venezuelan to win Miss Universe, in 1979. Public interest in the contest mushroomed in the wake of her victory. In 1981, OC President Gustavo Cisneros bought the rights to MV. A run of the mill beauty contest was soon turned into MVO, directed by Sousa, whose strict selection practices brought him fame as a "beauty czar." The contest produced by VV and directed by Joaquín Riviera, Vice President of OC's variety programming unit, evolved into a TV show viewed in many countries. A double victory that same year, with Irene Sáez as Miss Universe and

Maritza Sayalero (1979)	Crowned in Australia. A photo sequence considered sensational showed the first Miss Universe, a Venezuelan, wearing a fur coat over a bikini
Irene Sáez (1981)	Crowned in New York. Subsequently elected Mayor of Chacao, a Greater Caracas municipality, for two terms; Presidential candidate in 1998; elected governor of Nueva Esparta state also in 1998
Bárbara Palacios (1986)	Miss South America, winner, crowned Miss Universe in Panama. For seven years, hostess of the MV contest
Alicia Machado (1996)	Crowned in Las Vegas. Her reign led to considerable controversy
Dayana Mendoza (2008)	Crowned Miss Universe in Vietnam after winning the MV contest as a model for the Elite agency
Stefanía Fernández (2009)	Crowned in Nassau, Bahamas. Venezuela's sixth crown, the second in successive years

**Table I.**  
Miss Universe contest  
winners 1979-2009

**Source:** Cisneros (2011)

Pilín León as Miss World, sparked worldwide interest in the beauty of Venezuelan women, and ushered in a period when Venezuelan women would win a record 70 times in as many beauty contests and make dozens of final appearances.

MVO was a small organization. Sousa worked with four collaborators who assisted him in all aspects of the selection and grooming of candidates; yet he was viewed as “involved in every single detail” and enjoying total freedom in decision making. After 30 years of leadership, he stated:

Here I do whatever I want. Only the financial manager intervenes, as invariably I exceed my budget. Gustavo Cisneros never gets involved in the contest; he has always liked what I do; happily, we have been successful.

Sousa attributed the MVO's success to “hard work, never letting up”; but others pointed to his natural esthetic skills, built on years of experience sketching and styling the female body and the fact he has served as society editor for a leading newspaper, a position from which he was able to spot fashion trends.

Work on the contest began each year in April, attracting as many as 2,000 applicants aged 17-27. In 2010, some were put forward by modeling agencies or referred by other parties, while several registered on the MVO web site, [www.missvenezuela.com](http://www.missvenezuela.com). About 300 applicants got through to pre-casting. After two months of training and further selection, the number of candidates was narrowed to 28, equaling the number of Venezuelan states.

Candidates then worked 12-hour days over a four-month period, at MVO headquarters in Caracas, under a battery of nutritionists, psychologists, physical trainers, esthetic physicians, hairdressers, makeup artists and public speaking, and catwalk trainers (Table II). According to MVO's coordinator María Kallay:

MVO is a school for Miss Venezuela candidates. They must work very hard, learn a good deal, but suffer as well. They are heroines. These young women face a huge challenge because the pressure mounts as they begin to appear in public events.

Despite these demands, a spirit of camaraderie and sharing prevailed at MVO headquarters. Candidates were reminded daily that they should “prove their worth to themselves only.” Nonetheless, once public appearances began – such as at the Beauty Gala where candidates were presented to the press – competition surfaced and each candidate tried to find ways to stand out.

Time	Activity
06:30-11:00	<i>Gym.</i> Supervised by personal trainers in different gyms
11:00-12:00	<i>Transport to MVO headquarters</i>
12:00-1:00	<i>Lunch.</i> Food specially prescribed for each candidate by a nutritionist. Socializing
1:00-2:00	<i>Hairdressing and makeup.</i> Candidates trained in hairdressing and makeup, after weight and measurements are recorded
2:00-4:00	<i>Catwalk class.</i> Osmel supervises catwalk training by building on the personal style of each candidate
4:00-6:00	<i>Dance class.</i> Choreography training for the MV show at VV
6:00-8:00	<i>Public speaking.</i> Voice modulation and scenic presence, led by actor trainers
8:00-10:00	<i>Fashion designer session.</i> Selection of dresses and colors, led by designers

**Source:** Callay (2010)

**Table II.**  
A contest candidate's day

The training provided by MVO did more than prepare young women for a beauty contest. It has proved to be a springboard for many Venezuelan women to build careers as actresses, TV entertainers, and in business. Maite Delgado, a leading VV entertainer known equally for her beauty, professional career, and role as housewife and mother, said:

Miss Venezuela is a huge stage, not only for contest winners but also for those who lose. We learnt how to do everything: become candidates in a beauty contest, as well as dance, sing, and entertain.

One of the best-remembered winners of MV was Irene Sáez, the 1981 Miss Universe, who forged a political career and was elected mayor of the Chacao district of Caracas in 1992 and reelected in 1995. She ran for the presidency in 1998 but was defeated by Hugo Chávez. Subsequently, also in 1998, Sáez was elected Governor of the Venezuelan state Nueva Esparta (Margarita Island), with more than 70 percent of the vote. She served as governor until 2000, resigning when she became pregnant. At that time, London Times ranked her 83rd in its list of the 100 most powerful women in the world.

For VV, the professional development of MV candidates served as a deliberate strategy for shaping the channel's actresses, broadcasters, and communications staff, as well as building a unique and positive image for Venezuelan women. Gustavo Cisneros said:

It was a way of grooming women for what we knew was the future, for women dominate TV broadcasting. Women link us to a wide audience, just like the Leones del Caracas do too[1]. It's a great tie to the country, reinforcing the kind of values we promote: in Miss Venezuela, helping women to become successful and in baseball, because there's an umpire and rules must be obeyed. There's a civic sense in both activities; even though the two are very small businesses for the OC, they are huge in terms of promoting values for the country.

The Venezuelan public enjoyed a special, positive, relationship with MV contests, which were widely viewed as a way of promoting Venezuela internationally. MV became a platform whereby women from all walks of life could get ahead. Hinterlaces, a leading polling company, noted that, "In the Venezuelan mind-set, MV means adherence to demanding training standards and striving for self-improvement, for Misses are shaped, not born [...] what makes you a Miss is performance, not adscription." The MVO linked with the OC was positive because the OC was seen as a successful promoter of both the contest and the beauty of Venezuelan women, augmenting the country's image (Table III).

MV contests were held once a year, but fans could keep themselves informed via the web page ([www.missvenezuela.com](http://www.missvenezuela.com)), Facebook ([www.facebook.com/MissVenezuelaOficial](http://www.facebook.com/MissVenezuelaOficial)) with 130,000 subscribers, Twitter (@missvzla) with over 30,000 followers, and many other groups. Social networks offered a space for interaction with younger audiences who could share their opinions on the contest, choose the design of the winner's crown and support and promote their candidates of choice. They reinforced emotional bonding with the Misses, as shown in the following tweet: "Miss Vzla Universe 10 @MVUniverso10: Thank U @GiulyM15 @MVUniverse10 Greetings to the most beautiful Miss Venezuela ever [...] we all love you."

Adriana recalled, alluding to the web page:

We broke the once-a-year TV show pattern by publishing videos showing candidates in training, learning public speaking and parading on the catwalk. We also offered advice on how to use makeup or move elegantly. I look out for opportunities, and our business is to widen audience viewing figures. The web is an alternative space for advertisers at a more accessible cost; but it's still new to Venezuela. In this country, few people fully understand the potential of new media.

Miss Venezuela has, over the decades, become a cultural industry, spawning beliefs, expectations, values, and perceptions about women in general, but particularly Venezuelan women. Moreover, the contest has shaped a multi-class and multiracial consensus in its favor

The cultural influence of the contest has established and powered values and interpretations among average Venezuelans that, for years, have contributed to its survival

Miss Venezuela reflects the self-image of the Venezuelan public, or its view of what it ought to be. The institution generates social beliefs that contribute to national self-esteem, the most widely known perception being that it is “the country with the most beautiful women.” But the contest also fosters the view that Venezuela has the most entrepreneurial, the hardest working and the most combative and spirited women, who are committed to, and supportive of, other women

As the visibility of Venezuelan women on the world stage serves as a criterion for their success, the contest contributes to shaping expectations, a way of turning success into a key feature of the ideal of Venezuelan womanhood

Similarly, the contest serves as a platform for social and economic progress for contest participants, offering them an additional opportunity to gain public fame and to develop personally and professionally. The contest therefore contributes to social mobility, the progress of women, and national development. It has become a symbol of hope for progress and a vindication of Venezuela’s international image

**Source:** Case writers based on Company records

**Table III.**  
Symbolic impact of the  
Miss Venezuela contest

For the 2010 contest, the web became an interactive space where fans could choose the crown the new MV would wear, and directly elected their favorite on [missvenezuela.com](http://missvenezuela.com), as the web page slogan put it: “the Miss that you elect” (Figure 1).

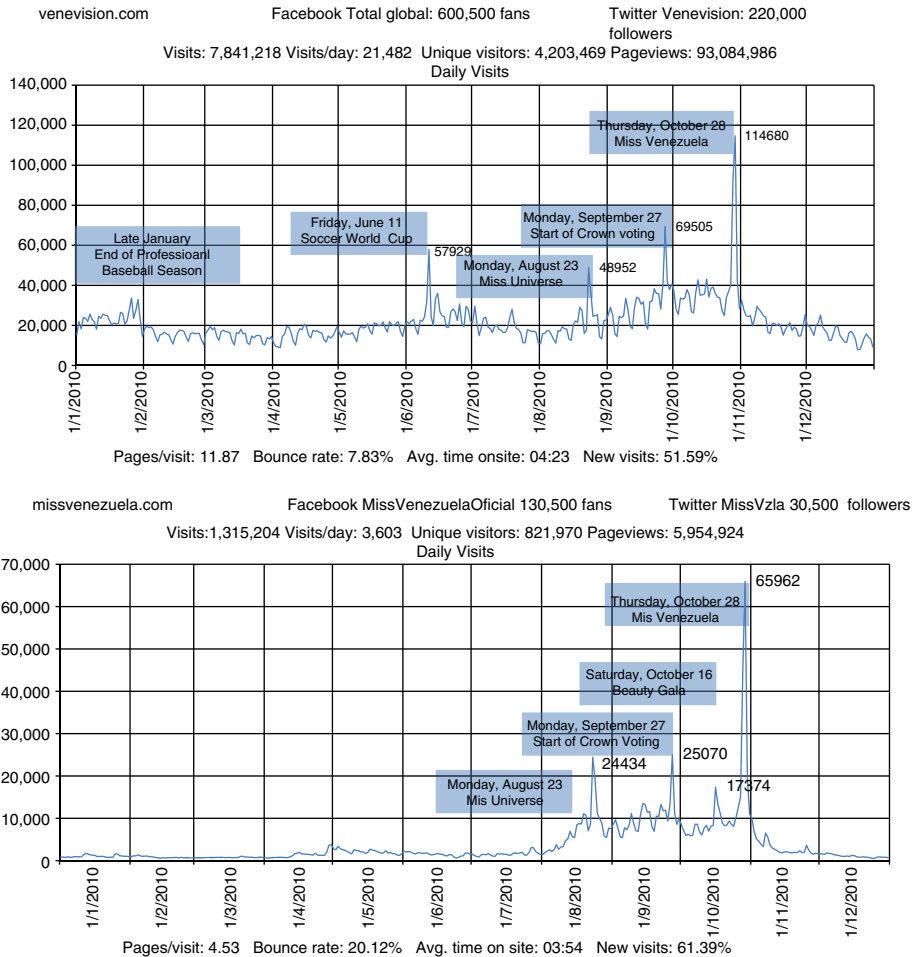
### The OC

In 2010, the OC comprised more than 30 companies. It was described by Forbes as a “diversified empire” that in over 80 years had built a family fortune of USD 42 billion (Forbes, 2010), the second largest in Latin America. Its strategic focus was on the entertainment industry, specializing in TV production and broadcasting; other businesses dealt with telecoms, beauty, sports, education, and tourism (Figure 2). OC brands and services supplied over 550 million consumers in the Americas and Europe, and its TV programming and other media content were distributed in over 150 countries (Cisneros, 2011).

The OC was founded in Venezuela in the early 1930s by Diego Cisneros, remembered by his colleagues as a highly innovative leader who followed “the rule of the three Cs: brains, heart, and courage [*cerebro, corazón* and *coraje* in Spanish]” (Bachelet, 2004). Operations began with a small public transport business, soon followed by auto parts, home appliances, a Pepsi-Cola franchise, Tío Rico ice cream, and, in 1960, the acquisition of VV. Gustavo Cisneros described the management style in place at OC as follows:

We are a family business that still takes risks; we look after what we have but will not keep still. We will go forward, let’s call it risk-taking entrepreneurship.

Gustavo Cisneros, one of Diego’s sons, learned the business at VV, where he was still recalled as “a kid who fetched cables from the warehouse,” despite having graduated from the prestigious Babson College business school and worked in the USA for ABC Television. Gustavo Cisneros became OC president in 1971. He and his brother Ricardo led the firm’s diversification throughout the decade and created a corporate central office to run the group. One branch of the business was vertically integrated to support

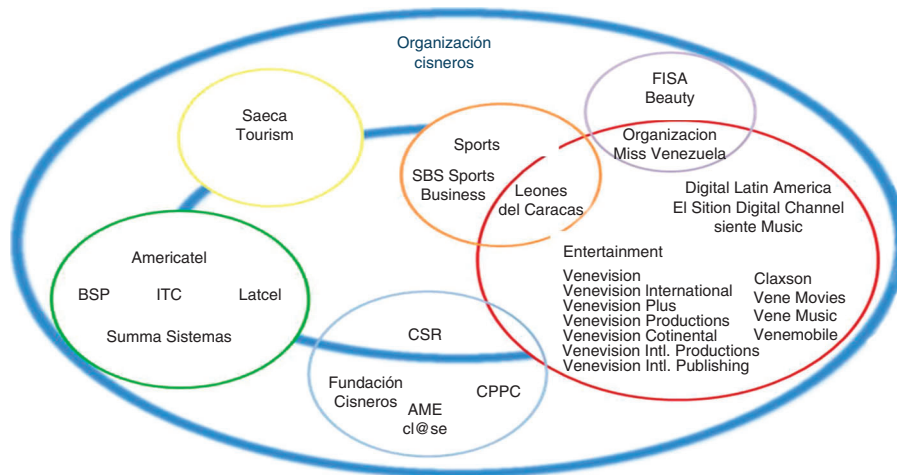


**Figure 1.**  
Web traffic: Venevisión and Miss Venezuela

**Source:** Company records

Pepsi-Cola: bottles being made by OC company Produvisa, for example, caps by Corona and sugar by Central Portuguesa. Business diversified swiftly: a liquor wholesaler, O'caña (1974); the CADA supermarket chain (1975), founded by Nelson Rockefeller's IBE Corporation; and beauty aids manufactured by Helene Curtis Industries Inc (1976), a longtime sponsor of MV.

International growth followed in the 1980s, alongside expansion in Venezuela: in the USA the OC acquired All American Bottling (1982), Spalding and Evenflo (1984); in Spain, the Galerías Preciado department stores; and real estate holdings in the UK. By 1985, the OC had become Latin America's largest privately owned group, with some 50 companies and 35,000 employees. In Venezuela, the OC acquired the Sears Roebuck department stores (1984), turning them into Maxy's and a beverage producer, Yukery (1986). In 1989, VV International was founded in Miami, Florida, to produce and market TV content for the US Hispanic and Ibero-America markets. Companies such



**Figure 2.**  
Organización Cisneros

**Source:** Case writers adapted from Cisneros (2011)

as Rodven International (1980), a music company, and TV producer Videomóvil (1988) were expected to expand OC presence in the entertainment business. According to CEO Steven Bandel, up to this time the OC vision had been to “build on opportunities that often surface together,” yet to keep in mind viable “exit strategies.”

While the 1990s ushered in sweeping financial, political, and social uncertainty in Venezuela, the OC focussed on internationalization, coupled with disinvestment in Venezuelan consumer goods firms. According to OC President Gustavo Cisneros, “a company that cannot internationalize has no justification.” In 1995, the CADA and Maxy’s chains were sold to Colombia’s Cadenalco for USD 80 million. Most growth took place in the TV and entertainment business: the OC acquired Chilevisión, and a share of Univision Communications (1992), the leading company in the US Hispanic market; launched Galaxy Latin America (1995), the first satellite-based home TV cable service that later became DirecTV; founded the Cisneros Television Group (1996), aimed at offering TV cable services; and acquired Imagen Satelital (1997), a leading pay-TV service in Argentina.

Recalling these years, OC Executive Vice President Carlos Bardasano said:

It was what could be called well-managed audacity [...] Univision was bankrupt when we bought it. We obtained a USD 25 million loan to finance our share and it turned out to be one of our best business ventures before we sold it in 2008 for USD 1.2 billion.

After 2000, activities centered on TV content platforms: Claxson Interactive Group (2001), a multimedia content provider, and VV Productions (2004), targeted on the Hispanic TV soap opera market in USA.

Despite complex yet sustained growth, labor relations as well as management supervision were based on trust and responsibility. Corporate Affairs Vice President Antonieta Mendoza de López said:

This is a decentralized holding, built on business units in different countries, where each unit is responsible for management accountability. We are linked by an entrepreneurial spirit coupled with decision-making power, and by the challenge posed by the OC’s owners to always stand ahead of the curve. We simply don’t know what it means to take our feet off the gas.



Management planning was project based; managers were given flexibility to select and pursue new businesses opportunities as they arise. Yet, as MVO president Sousa had put it, “nothing is improvised.” It was an organization that paid close attention to detail, where perfection was sought but errors tolerated, and where financial budgeting played a core role in operations. Bandel stated:

We prefer to make mistakes than keep everything under control. But in budget and planning meetings we stay focused on the numbers. We congratulate our people, and the key questions are “What are you planning to do? What new projects are there? Why didn’t this work out?”

People were closely supervised, making for visible promotion decisions and improved pay. Bandel said:

There’s a way Gustavo recognizes you; people who bring something different are identified [...] regardless of potential success or failure. We reward people on the basis of what they try to do, not how much profit they have made or how much they lost; this makes managers feel ownership of the business.

OC vice presidents spoke of a mix of work methods, teamwork, and loyalty. According to Bardasano:

The key lies in work methods, with a select team of top managers and a great deal of loyalty – a feature we all learned from Don Diego, that is followed today by Gustavo and Adriana. Those of us who are long timers have served the organization for over 25 years.

In 2010, according to Legal Consultant Luis Emilio Gómez:

Only 15 percent of the CO portfolio was made up of businesses based in Venezuela, 80 percent operated in the US, and there was an incipient entry into terrestrial digital TV in Spain.

Despite having sold Univision, the OC maintained a programming and distribution agreement for VV outputs in the USA: a natural route to serve Hispanic audiences was ensured up to 2017.

Reflecting on the future, Bandel commented:

We employ a two-fold strategy. On the one hand we focus on our core business, centered on content production and distribution, on a technology context where everything converges on different screens – PC, TV or mobile – and where the consumer reigns. But we must also seek businesses where we can create value and that we might subsequently sell. As Gustavo Cisneros puts it, if we spot a diamond on the floor we must pick it up.

### **The Cisneros Foundation (CF)**

The CF was a private, not-for-profit organization founded in 1968 by Patty and Gustavo Cisneros. In 2009, Adriana became head of the CF, and after taking on her post at the OC, she made Corporate Social Responsibility (CSR) a centerpiece of the Foundation’s strategy. The CF’s mission was to “improve education in Latin America and foster global knowledge of the region’s contribution to world culture” The mission derived from Gustavo and Patty Cisneros’s hopes for the region: “[to] strengthen the values that characterized their business: democracy, free trade, hemispheric integration, economic development centered on social need and the application of technology as a transforming social force” (Fundación Cisneros, 2010).

The CF’s main projects were the Patricia Phelps de Cisneros Collection (CPPC), Think Art, Upgrading Schoolteachers (AME), and CI@ss, which was responsible for

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OC's vision of CSR, aimed at fostering sustainable development and social capital in the region. The CPPC was founded in 1970 to promote Latin American art and foster excellence in art education across the region. AME provided support to schoolteachers and educators. Its aims were to develop programs based on art appreciation to foster critical thinking and problem solving. AME operated in 15 countries, employing a distance-learning platform to offer school teachers training to upgrade the curricula in the areas of literacy, mathematics, environment, health, ethics, and information technology. Cl@ss was an educational channel, featuring cultural, language, mathematics and science programming, and entertainment for schoolteachers across the region. According to CSR Managing Director María Ignacia Arcaya:

In 1997 AME, together with the Cl@ss channel, enabled the OC to draw on the DirecTV satellite network by launching a CSR product focused on education.

Adriana was convinced that it was necessary to fulfill the intentions that originally underlay the relationship between the OC and the CF, not only because they reflected family and company values, but because in practice the two organizations had always worked together. In her words:

OC and CF projects are the same. Looking back, my father would not have been able to grow the majority of his businesses had he not found ways to couple them with the social conscience he felt for Latin America. Nowadays social investment projects are a key feature of all our business ventures, and CF strategy has always been managed hand in hand with that of the OC.

Following organizational restructuring in 2009, CSR strategy was linked directly to the business plan, under the leadership of Corporate Affairs Vice President Antonieta Mendoza. According to Arcaya:

The transition at CF required considerable coordination with my post in the corporate area. From the start we envisioned what the key messages and projects would be. We sought to articulate and structure what the OC and the CF had been doing for years, but had not publicized adequately.

In 2009, the OC decided to link MV to its CSR strategy. According to Mendoza:

This decision was welcomed by MVO leaders, including Osmel. In 2009, for the first time, the Miss Venezuela show featured a 6-minute video showing CSR activities undertaken by contest candidates.

Nonetheless, Mendoza perceived certain risks:

The public might think we were simply working on corporate image, overlooking the two-fold value being generated: first, contest candidates were primed on the Millennium Development Goals, children's rights, and our CSR principles and values; and second, communities would benefit. Thus, the contest took on a different stance, more human, more in tune with the country: the image of a beautiful woman who also showed social awareness.

Activities were undertaken at the Mano Amiga School, located in a rural area, where the Cisneros family owned a property. Contest candidates, together with ballplayers from the Leones del Caracas, played with the children in environmental workshops. In 2010, in partnership with the IESA (Institute of Advanced Studies in Administration), an Entrepreneurship Program was set up for women in vulnerable circumstances, and contest candidates participated in classroom motivational activities.

As Arcaya noted:

We combined the objective of building on the social capital of brands such as Miss Venezuela and Leones del Caracas with our own traditional focus on education.

These two brands, beauty and baseball, linked with the values of self-improvement and success, represented a potential emotional bond with the Venezuelan public, much needed in a complex and polarized social and political context.

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### **President Hugo Chávez's Venezuela**

Hugo Chávez was elected president of Venezuela in 1998, remaining in power in 2010. He implemented a "Bolivarian" revolution, dedicated to creating "21st Century Socialism." In 2010 his administration remained popular but faced growing opposition. Toward the end of the year, the country was warming up to the 2012 presidential election campaign, in which Chávez expected to run for the fourth time. Venezuela was perceived as a polarized country, with an electorate split into three large segments: pro-administration, pro-opposition, and non-aligned, the latter known colloquially as the Ni-Ni (Neither-Nor). This group included medium and lower income segments, and was chiefly comprised of women and younger voters.

In 2009 the management consultancy ODH Grupo Consultor reported that over a ten-year period extreme poverty had declined from 23 to 11.2 percent, while general poverty had fallen from 54.7 to 37.4 percent. Between 2000 and 2009, Venezuela steadily climbed the UN Human Development Index, number 58 (United Nations Development Programme, 2010). Men and women had similar labor conditions: 62 percent of women worked outside the home, *vis-à-vis* 63.5 percent of men (Datos, 2010). In a country with three million entrepreneurs (18.7 percent of the population), 48 percent were women (IESA-GEM, 2011).

Venezuelans were recognized internationally for the value they placed on beauty, with both men and women ranking highest worldwide for vanity. Among women, 65 percent were constantly thinking about their looks, vs 47 percent of men. Women allocated roughly 12 percent of their budget to purchasing goods and services linked to personal appearance. Even on a low budget, women preferred not to forego their consumption of "beauty products, although they may reduce the variety of products they buy and purchase less frequently" (Esqueda *et al.*, 2011).

By 2010, Venezuela's economy was one of the worst performing in Latin America, with an inflation rate of 26 percent (Table IV). Following five years of rapid economic growth fueled by high oil prices, the economy declined in 2009 and GDP fell by 3.5 percent in the first half of 2010. Private investment suffered significant disincentives, dependence on imports rose, and access to foreign exchange was restricted (Puente and Gutiérrez, 2010). Conindustria, the country's leading industrial association, reported that 234 firms were expropriated or confiscated in 2010. Venezuela was considered one of the riskiest countries for investment in the region (Pablo, 2009).

Under Chávez, many laws were passed to regulate mass media. The balance of private and public radio broadcasting was altered, with a greater concentration of government and community-operated stations (Urbina Serjant, 2009). The Telecoms Law (LOTEL) (Comisión Legislativa Nacional, 2000), together with the 2005 Radio and TV Social Responsibility Law (Resorte Law) (Asamblea Nacional de la República Bolivariana de Venezuela, 2005a), reinforced the regulatory role of the state over the media and intervened in content; and a revised penal code (Asamblea Nacional de la República Bolivariana de Venezuela, 2005b) established that citizens could be jailed for

Year	GDP (million USD in 2,000 dollars) <sup>a</sup>	Per capita GDP (USD in 2,000 dollars) <sup>a</sup>	GDP yearly change (%) <sup>a</sup>	Per capita GDP yearly change (%) <sup>a</sup>	Inflation (yearly) <sup>b</sup>	Official exchange rate (BsF × USD) <sup>b</sup>
2005	130,395	4,879	10.3	8.4	14.4	2.15
2009	157,019	5,493	-3.3	-4.9	25.1	2009: 2.15 2010: 2.6 and 4.3
Year	Alternate official rate (BsF × USD) <sup>b</sup>	Unemployment rate (%) <sup>c</sup>	Percent poor <sup>c</sup>	Human development index (HDI) <sup>d</sup>	Year	President's approval rating (%) <sup>e</sup>
2005	Not yet available	11.4	43.7	0.666/high HDI	1999	80
2009	2010: 5.3	8.1	31.8	0.696/high HDI	2010	38.7

**Sources:** <sup>a</sup>United Nation, Economic Commission for Latin America and the Caribbean (2010); <sup>b</sup>Banco Central de Venezuela (BCV) (2012); <sup>c</sup>Instituto Nacional de Estadísticas (INE) Venezuela (2012); <sup>d</sup>United Nation Development Programme (2010); <sup>e</sup>Consultores 21 (2010)

**Table IV.**  
Venezuela: social and economic indicators (2005 and 2009)

“lack of respect” shown to government officials. LOTEL Article 7 stated: “the radio broadcasting spectrum is a public domain, use and exploitation of which are subject to a respective concession.” It also said that “the content of transmissions or communications [...] may be subject to limitations and restrictions for reasons of public interest.” In December 2010, Venezuela’s National Assembly approved a reform of the LOTEL, extending it to apply it also to digital media (Asamblea Nacional de la República Bolivariana de Venezuela, 2010).

The journalist Marcelino Bisbal argued that Venezuela was a “media-led society,” that “the media, not politicians, granted internal structure to society” (Table V), and that television was “the medium with greatest penetration and impact” (Bisbal, 2007). The media had played a key role in times of political turmoil, such as when the administration of President Carlos Andrés Pérez (1989-1994) faced two attempted coups promoted by Chávez. Following the first coup attempt (February 4, 1992), Chávez became a media icon. To persuade his comrades to cease fire, he declared on live TV:

I wish a good morning to all the people of Venezuela. This Bolivarian message is directed at the valiant soldiers now at the Aragua Paratroop Regiment, and at the Valencia Armored Brigade. Comrades: unhappily, for now, the objectives we sought have not been achieved in the capital city (Analitica.com, 2010).

The expression “for now” (*por ahora*) became a popular slogan with strong emotional connotations. Once he became president in 1999, Chávez’s love of public attention led to a weekly TV show *Hello President (Aló Presidente)* on the state channel Venezolana de Televisión (VTV), which by 2010 had broadcast 368 shows. During the events of April 11-13, 2002 – depicted by the government as an attempted coup, and by the opposition as a power vacuum – Chávez’s supporters took control of VTV to call on his followers to demand his return to power, while claiming that privately owned media outlets were conspiring against the President.

Chávez and Gustavo Cisneros were brought together in June 2004 by former US president Jimmy Carter. After the meeting Chávez stated: “There was no honor pact with anyone, my only pact of honor is with the people” (*Aló Presidente Episode 194*, 2004). At that point Cisneros announced VV’s decision to “offer balanced programming, making equal space available to all political tendencies.”

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*Marcelino Bisbal, Journalist, Head of Graduate Studies, Catholic University Andrés Bello (UCAB)*  
“It’s a commonplace to hold that the media have supplanted politicians, at the same time as the media often dismiss, or even ‘don’t understand’, that they have become the chief players in a politicized society. Not that the media wish to turn into political parties, but the way in which they build and rebuild reality, creating society, makes them behave as though they were political parties either in government or opposition [...]” “We are part of a media-led society and the media, not the politicians, provide society with internal structure [...]” Accordingly, even if the idea appears overly crude, nowadays “[...] media representation has become a new social project that gives structure to society; i.e. we are discovering that new kinds of social relations have been shaped by the media. They are the “here and now” of the public arena -a virtual arena but no less real for that- that reflects our existence and where citizens are coming into being who are different from those we are familiar with: they are media citizens, part of a media civil society. Roles have changed: people power, citizen power, has been passed on to the media – including political party power; government action has been supplanted by these new protagonists. There was a time when the media acted as bridge and messenger, but now they have become the chief actors in new and in old scenarios

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### VV: a generalist channel

VV first went on air on February 27, 1961, following its acquisition by Diego Cisneros from Televisa de Venezuela, which had declared bankruptcy. Don Diego was convinced TV could contribute to strengthening what at the time was a young democracy. From the start, and as recently as 2010, programming was described by VV Executive Vice President Manuel Fraíz as “generalist, featuring news, sports, family and children’s entertainment and with a special focus on women.” From 2008, this positioning was reinforced by the slogan “pure entertainment.”

For over 50 years, VV had differentiated its production and programming by featuring musical shows with live audiences (*Super Sensational Saturday*), game shows (*War of the Sexes*) and comedy (*How Crazy!*). News and talk shows were hosted by well-known journalists, and the editorial line claimed to be “balanced and fair.”

Key differentiated productions were soap operas which, from 1970, with the success of *Lucecita*, became a leading export to Latin American markets. Soap content evolved from sentimental, tear-jerking stories to real-life drama that mirrored Venezuelan society and its social conflicts. In 2010, prime time, high rating, VV programming was dominated by soaps. The US-based VV International exported VV soaps to some 150 countries, translating them into 24 languages.

A radical change in TV production took place in 2004 following the approval of the Resorte law, which promoted local independent producers, generally individuals or small companies to which open-signal channels were required to allocate at least 50 percent of their programming. Concurrently, exchange controls limited the acquisition of international productions. The law also introduced a strict classification of programs and content. According to OC Executive President Miguel Dvorak:

Restrictions contained in the law on both content and scheduling led to programming changes, often removing the realism the public sought in soaps and other programs. This increased costs, as we produce one version for export and a local version to comply with the law.

VV led audience ratings in open-signal TV, with an average rating of 5.5 percent and a 55 percent share (Figure 3a, b and Table VI). It was followed by Televen (Channel 10), which registered steady growth, featuring canned programs from the USA together with highly rated Brazilian soaps. VV’s traditional competitor, Radio Caracas TV, had been forced to migrate to cable in 2007 after CONATEL, the government’s regulatory agency, revoked its broadcast concession and cut off transmission in Venezuela. Dvorak added:

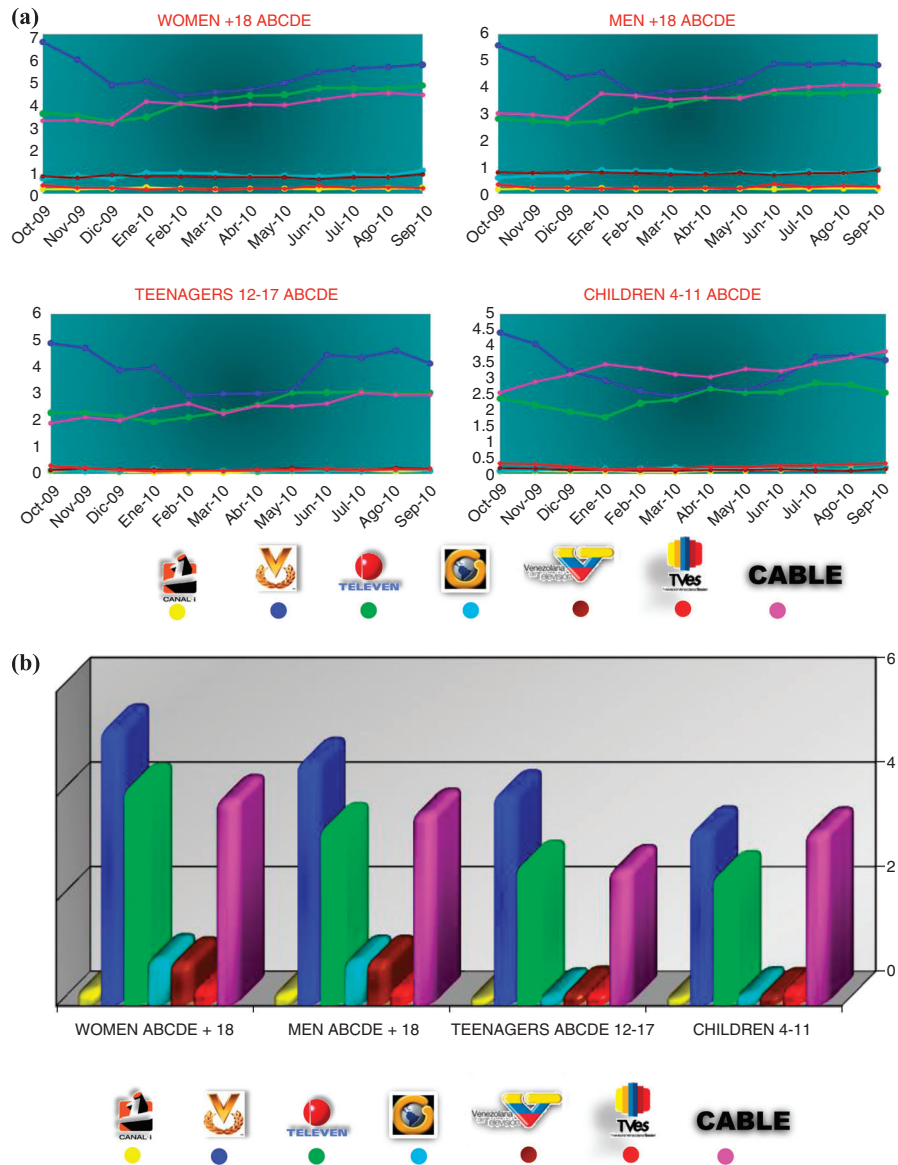
Spirited but loyal competition between VV and Radio Caracas TV fostered better programming. One channel or another was always ahead of the other. We now seem to have lost our compass; maintaining local production has become increasingly complex.

The market was also influenced by cable TV. Official data noted that cable reached 32 percent of households, but in low-income areas unauthorized cable services were said to reach 60 percent. Cable TV offered more than 150 local and international channels, with highly segmented programming aimed at youth and children (MTV, Disney), followed by channels catering to women (Fox Life, Universal) and sports fans (Meridiano, ESPN). Efforts to tap-specific audiences, even though coverage indicators were not high, had led advertisers in Venezuela to assign cable TV about 25 percent of an overall outlay of USD 2.5 billion in 2010 (Figure 4). Fraíz remarked:

Competition is tough. Local and community channels, and certain cable services, take small bites out of the overall advertising spend, but added up it impacts all open-signal TV. For advertisers the decision is rendered more complex, as in order to obtain frequency and reach they must buy into all channels together.

ARLA  
26,3

408



**Figure 3.**  
Audience information

**Notes:** (a) Audience data (October 2009-September 2010); (b) Audience segmentation  
**Source:** Company records

VV developed a web presence in order to adapt to media trends ([www.venevision.com/](http://www.venevision.com/)). Overall web penetration was estimated at 35 percent, with over 60 percent among youth audiences. Viewers could obtain program information, videos, streamed news, games, and even share in programming decisions. Advertising offered were launched featuring new formats – videos, games, mailing, banners, and photo galleries – that combined web site presence with social networks like Twitter and Facebook.

*Televen (1988)*: Started operations in 1988. Owned by Omar Camero. Generalist channel featuring information, opinion, drama, childrens' and sports programs, and films. Open signal, national coverage, distributed by satellite cable services. [www.televen.com](http://www.televen.com)

*VTV (1964)*: Venezolana de Televisión (VTV), leading state-owned channel, started as a private channel in 1964 and nationalized in 1974. Now focuses on news and opinion, shifting its traditional variety programs to **Tves**. [www.vtv.gov.ve](http://www.vtv.gov.ve)

*Channel I (2004)*: Formerly a music channel (PUMATV). In 2007-2008 tried to compete with Globovisión. Sold by William Ruperti to a Canadian firm owned by Radio Caracas Television shareholders, 1BC. Variety programming. [www.canal-i.com](http://www.canal-i.com)

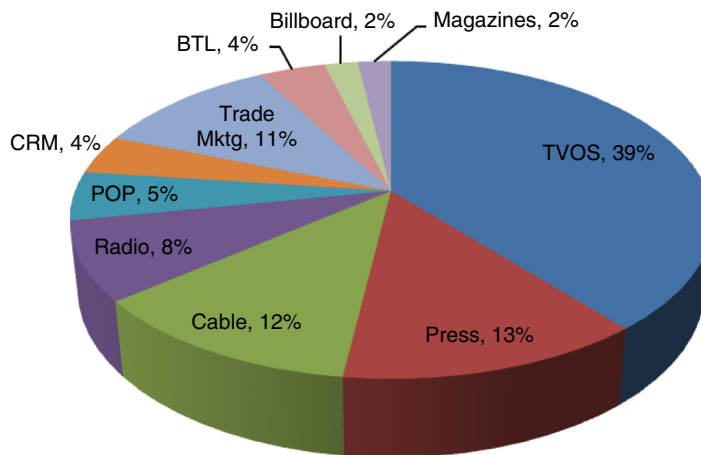
*Globovisión (1994)*: Owned by the Zuloaga family for 17 years. Critical of the Venezuelan government. Open signal for Caracas and Valencia, cable elsewhere in the country. News and opinion. Target audience: "Venezuela's middle class." [www.globovision.com](http://www.globovision.com)

*Tves (2007)* *Tves*: State-owned, using the signal formerly used by Radio Caracas Television before its concession lapsed and was not renewed by the telecoms regulatory agency. Most programming is purchased and not of recent origin

*Cable*: Supercable, Intercable (now Inter), and DirecTV are the leading cable TV providers, featuring Venezuelan and international channels chiefly from the USA and Latin America

**Source:** Case writers based on channels web sites (accessed 2010)

**Table VI.**  
Venezuelan TV channels



**Source:** Company records

**Figure 4.**  
Advertising investment  
(October 2009 to  
September 2010)

VV employed a staff of 2,000 in 2010, plus another 500 indirect employees – most of whom were talent hired under project contracts, such as actors, singers, and screenwriters. More than 8,000 program hours were scheduled annually. Physical plant measured more than 30,000 square meters, plus dozens of mobile units. VV employed technology both to transmit and receive program content via satellite. Its open-signal transmissions reached 96 percent of Venezuelan households. As its concession would expire in 2012, it was absolutely necessary to comply at all times with the demands of the regulatory agencies.



**Show of the year**

In October 2010, VV production facilities, directed by Vice President of variety programming Joaquín Riviera, were preparing for the show of the year. As Riviera noted:

Miss Venezuela is our biggest event, taking up the most hours and creativity; it generates huge expectations from the public, making it a serious event for us. Everywhere people ask me about Miss Venezuela and what's planned for this year.

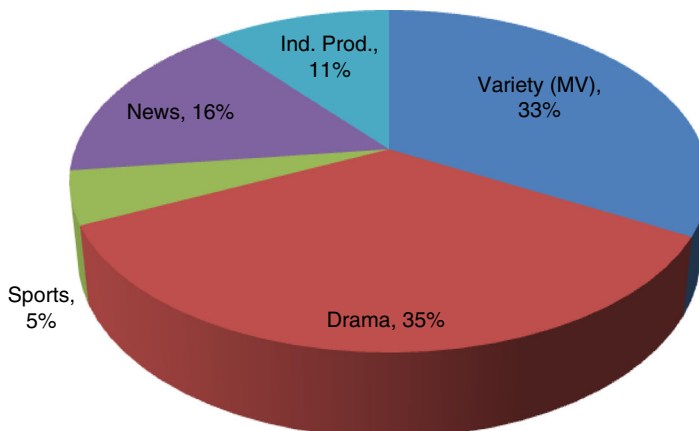
The cost of the show was USD 5.4 million (Table VII and Figure 5), justified on the grounds of Gustavo Cisneros' vision of producing "the world's best beauty program." No effort was spared to surprise the audience and to connect with younger viewers by booking the most popular singers. In 2010, the show was moved for the first time to the city of Maracaibo, in search of an adequate location given difficulties in hiring the state-owned Caracas Polyhedron, and to enable it to get closer to people living outside the capital city, despite the higher costs this implied.

The spectacle took five months to prepare, and involved more than 1,200 people. In addition to the candidates who were engaged in learning their choreographed moves,

	2010	2009	2008	2007	2006	2005
<i>Revenues</i>	6,500	4,610	3,718	2,174	1,995	1,648
Revenues (% change)	41	24	71	9	21	
<i>Costs</i>	5,400	3,253	2,541	1,324	919	1,121
Costs (% change)	66	28	92	44	-18	
<i>Gross profits</i>	1,100	1,357	1,176	850	1,075	527
<i>Operating expenses</i>	1,066	889	705	519	399	330
Op. expenses (% change)	20	26	36	30	21	
<i>Operating profit or loss</i>	34	468	471	332	676	197

**Table VII.**  
Miss Venezuela estimated income statement (thousands US\$)

**Source:** Case writers estimates



**Figure 5.**  
VV production costs distribution

**Source:** Case writers based on Company records

there were three TV presenters, a dozen invited artists, 150 dancers, 350 security and technical staff, plus 180 stylists, makeup artists, and hairdressers.

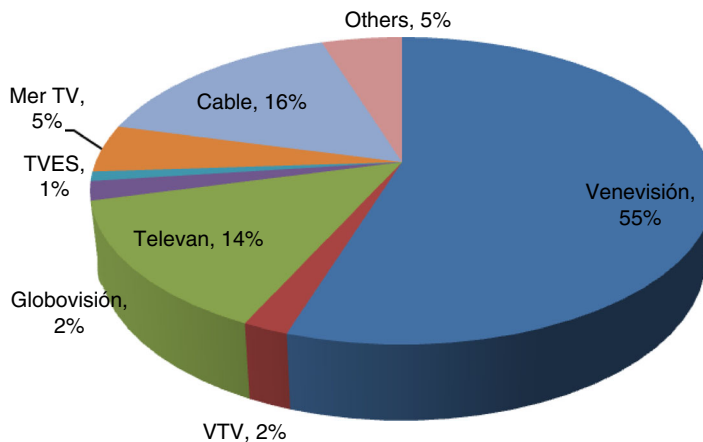
Entertainers for the 2010 show included three former MV winners who had gone on to become TV personalities – Maite Delgado, Viviana Gibelli, and Chiquinquirá Delgado – as well as Boris Izaguirre, a Venezuelan presenter with his own TV show in Spain. The show opened with a dance performance based on the music and style of Lady Gaga, followed by the appearance of reggaeton[2] stars Chino and Nacho. Thought was also given to the senior audience and sections were included featuring traditional music.

This was the second consecutive year to feature MV candidates participating in CSR activities, reinforcing the image of Venezuelan women – beautiful, triumphant, and yet predisposed to solidarity.

Pre-show promotions, media presence, public events attended by contest candidates, fan networks, and showbiz gossip about the potential winner provided the show with far greater space and better value for sponsors than would have been warranted by its one-night presentation. A small number of companies shared exclusive sponsorship of the event, among them L’Bel, Colgate, and Kellogg’s, negotiated on the basis of annual contracts exceeding USD 410,000 when presold, and USD 820,000 under usual terms. The package included sponsor presence in all contest and Beauty Gala announcements, plus five 20-second commercials during both events. Additional revenue was obtained from the sale of advertising space during the show, with as many as 30 companies investing up to USD 50,000 each for a 20-second spot, in exchange for 15 percent rating and 70 percent share among open-signal channels (Figure 6).

Dvorak commented on the economic returns of MV, noting that he strived for equilibrium in “satisfying, within tolerable limits for the business in terms of budget goals and returns, the creative vision of Joaquín Riviera and Osmel Sousa.”

As MV was the most expensive show on Venezuelan television, in part because it was transmitted live to other Latin American countries, the impact on return could well



Source: Company records

**Figure 6.**  
Miss Venezuela show  
audience share (October  
28, 2010)

prove negative were production demands not subject to strict control. Yet Dvorak claimed:

Independently of production costs or revenue obtained from franchising, which has had its good and bad times, Miss Venezuela is an event that connects Venevisión to the country, and especially to Venezuelan women.

Reflecting on the role of MV in VV business strategy, Fraíz said:

It's a musical show that can be exported, but we could take it to a different level by turning it into a regional event, with participation not only of Venezuelan contestants but others from a large number of countries. Osmel's experience in the Univision show "Our Latin Beauty" proves there's an opportunity to export the beauty theme.

### **Adriana Cisneros on December 23, 2010**

On December 23, 2010, just days after the new LOTEL and Resorte law reforms were passed, Adriana was aware that VV's concession would expire in 2012 when it would have to be renewed by the Venezuelan Government. She also pondered the previous day's strategic planning meeting with OC top management. It had been an intense working session, highlighting divergent views on MV's strategic potential. She recalled views expressed by participants in the meeting, reflecting that it would not be easy to reconcile Bandel's expectations with those of Sousa and Riviera, not to speak of Fraíz and Dvorak. Mendoza insisted on reinforcing CSR strategy, to bond with Venezuelan society. Bandel made it quite clear he wanted to connect VV to a new generation of viewers and make changes in the show's format, with an international vision at that, bearing in mind that 80 percent of OC business was outside Venezuela. Sousa wanted to increase efforts to ensure MVO was in a position to keep on winning international contests. Riviera dreamed of coming up with another surprise for his show. What appealed to Fraíz was how to strengthen programming to keep the Venezuelan audience. Finally, Dvorak looked to growing MV into a bigger and more profitable business.

Adriana was well aware that any decision taken would impact several levels of management. Later that day she boarded a flight to New York, and continued to mull over the future of MV:

Miss Venezuela is not just a beauty contest, but one of the flagship products of Venevisión, the channel founded by my grandfather. The channel represents the main bond between my family and our country. As a product and a brand, MV has a potential we have not fully developed in our international operations; but a wrong decision could alienate the Venezuelan public, or the new generation of viewers on whom the future of the business rests. What should I do?

### **Notes**

1. Acquired in 2001, a professional baseball team, which has won 17 championships.
2. Reggaeton was a dance music style, very popular with young people across Latin America.

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**About the authors**

Nunzia Auletta is a Full Professor in the Entrepreneurship and Marketing Centers at the Instituto de Estudios Superiores en Administración (IESA), Caracas, Venezuela. She has a PhD in Political Science and an MBA. Professor Auletta has carried out research on entrepreneurship, family businesses and innovation, and coordinated the Global Entrepreneurship Monitor (GEM) and the Successful Trans-generational Entrepreneurship Practices (STEP) research teams at the IESA. Nunzia Auletta is the corresponding author and can be contacted at: [nunzia.auletta@iesa.edu.ve](mailto:nunzia.auletta@iesa.edu.ve)

María Helena Jaén is a Full Professor in the Management and Leadership Center at the Instituto de Estudios Superiores en Administración (IESA), Caracas, Venezuela. She was a Visiting Scholar at the Harvard Business School, and a Cisneros Visiting Scholar in the David Rockefeller Center for Latin American Studies at the Harvard University (2012-2013). She has a PhD in Development Studies in Social Sciences and Masters in Public Health. Professor Jaén's research focusses on business ethics and social responsibility, change management, management education and learning.