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TEACHING NOTE

The Walt Disney Company

Case Overview

As the world's largest diversified mass media and entertainment conglomerate, The Walt Disney Company achieved record results in 2016 with revenues of $55.6 billion, net income of $9.4 billion, and EPS of $5.73. These results were possible through the strategic leadership of Walt Disney, Michael Eisner, and Rober Iger.

The case opens with Disney CEO Robert Iger and the major challenges he is facing that could potentially derail Disney from its current level of success. These challenges include: loss of revenue for Disney's Media Network business including the crown jewel ESPN due to technology disruption from streaming service providers; mixed performance results in international expansion attributed to cultural differences and foreign government regulations; and a focus on building large franchises can limit creativity and novel content. However, the most far reaching challenge is replacing Iger who was slated to retire in 2015. The Disney board has extended his contract to 2019, and no clear successor has been identified for this position.

The case covers the history of Disney through the lens of strategic leadership of the past two Disney CEO's, Walt Disney and Michael Eisner. The company had humble beginnings as a small cartoon animation studio founded by Walt Disney in 1923. It faced years of struggle before it went public in 1940 and eventually grew to become a media and theme park empire. Walt developed the company's competencies of creativity, branding and extracting synergies from Disney's different business lines as seen in Exhibit 3 in the case. He also continually reinvented the company through the use of innovative technologies as in the studio and parks businesses.

After Disney's passing in 1966, the company continued to grow until it faced financial deterioration and hostile takeover attempts in the early 1980s. Michael Eisner came to the rescue and was appointed as Disney's chairman and chief executive officer on October 1984. Eisner emphasized the core competencies of creativity, branding and synergy in a more aggressive manner where he believed the best ideas came from an environment of supportive conflict. Under Eisner's controversial leadership, the company's stock price soared and annual revenues grew from $1.5 billion to nearly $31 billion at the end of his tenure. In 2005, Eisner was forced to step down after a shareholder revolt over the company's performance and direction. The board of directors named Robert Iger as the company chief executive officer, who officially took the helm as CEO on October 1, 2005.

The remainder of the case focuses on the strategic direction, growth, and challenges of Disney under Iger's reign as CEO. When Iger first took office, he made some major changes that transformed the company such as: ending the conflict-based culture; viewing technology as an opportunity instead of a threat; and decentralizing decision-making power from corporate to the business segments. These changes made way for his strategic vision based on three pillars: (1) generate the best creative content possible, (2) foster innovation and utilize the latest technologies, and (3) expand into new markets around the globe.

The case proceeds to describe Disney's four business segments (Media Networks, Parks and Resorts, Film Studios, and Consumer Products & Interactives) and the competitive environment. Disney faces a myriad of competitors across the many markets in which it operates. However, its primary rivals are other media conglomerates including Comcast, Time Warner, Twenty-First Century Fox, CBS, and Viacom. In addition, the unprecedented disruption in the media industry, especially with regard to "cord-cutting" has led to competition from streaming services such as Netflix, Amazon, and Hulu who are now developing their own novel content to attract subscriptions.

The case continues to discuss Iger's strategic vision in more detail by examining his theme based billion-dollar franchise model, which generally begins with a big movie hit followed by derivative TV shows, park rides, merchandise, and sequels. Iger implements the franchise model reminiscent of Walt's legacy of investing in creativity, using innovative technologies, global expansion, and reaping synergies across the company.

The case ends by examining in more detail the major strategic challenges Iger must address in what may be his last two years as the CEO of Disney. First, Disney's billion-dollar franchise strategy may end up limiting creativity and novel content. Second, the disruption of streaming services is reducing the most profitable area for Disney, ESPN and other Disney programming subscriptions. Third, Disney has been accused of "American cultural imperialism" in its international expansion efforts, which can adversely impact its global brand reputation, growth, and profitability.

Fourth, and this may be Disney's most significant challenge, is finding a new CEO to replace Robert Iger. Two internal candidates left the company and three external candidates would not take the position. The case closes by asking if the next CEO will be from the Silicon Valley to guide the company's digital transition, an expert in global brand management, or a creative type from Hollywood.

Key Concepts

- Vision, mission, and values
- Strategic leadership and succession
- Core competencies
- Positioning strategy

- Corporate Strategy
    - Diversification
    - Vertical Integration
- Global Strategy
    - International growth opportunities
- Implementation of strategic imperatives
    - Organizational structure and cultural change

Suggested Discussion Questions

1. **Have you "experienced" Disney in some way such as TV programming, movies, parks and resorts, merchandise, or video games? How did this shape your view of Disney?**

2. **Are Walt Disney, Michael Eisner, and Robert Iger strategic leaders? Why or why not? Where would you place them on the Level-5 Pyramid?**

3. **How did Disney create its uniqueness in the Media and Entertainment Industry?**

4. **What strategic pillars did Robert Iger put in place to grow Disney into the world's largest Media and Entertainment Company? Detail each strategic pillar and explain why this may or may not be important to Disney's future.**

5. **How is the media and entertainment industry being disrupted?**

6. **What are Disney's biggest strategic challenges? What recommendations would you give Robert Iger to address the challenges? Be specific.**

7. **Where should Disney's Board of Directors look for the next CEO: Silicon Valley, Global Brand Management, or Hollywood? Explain why.**

Suggested Answers

1. Have you "experienced" Disney in some way such as TV programming, movies, parks and resorts, merchandise, or video games? How did this shape your view of Disney?

The purpose of this question is to get the students engaged in thinking about Disney from a customer's perspective in order to better understand Disney's past success and examine whether this is sustainable in the future. When facilitating this discussion, the board can have two columns, one labeled "experience" and the other "view" that can be filled-out as students provide answers. From past experience, students may give general answers such as movies, theme park, toys – at this point, it is important to ask students to provide "specific" examples such as particular movies like *Aladdin,* Disney World in Florida, or toy doll of Elsa from *Frozen*. See **Exhibit TN- 1** as one example from an MBA class.

As can be seen on **Exhibit TN-1**, there will be a variety of "experiences" and "views" from the students that can lead to the following observations and can be emphasized by the instructor:

- The conglomerate nature of Disney to provide a wide array of experiences.
- The views that students have such as "magical ability to create amazing stories" or "being treated like a princess" demonstrate that most experiences have been very positive and perhaps even transforming. Interestingly, there will also emerge some negative views such as "monetizing a child's desires is not so magical" where students felt they had to "pay" for everything. A google search will reveal this sentiment is also voiced in numerous articles and reviews that state Disney may be getting too expensive. For example, **Exhibit TN-2** provides a review from disgruntled customers indicating the commercial aspect of their experience at Disney World. This view can be important to bring up when discussing the strategic challenges of Disney in the future.
- The emotional connection that Disney develops with customers at a very early age, and continues to nurture this relationship throughout their lives. Students talk about how they still watch their favorite Disney movies many times due to "fond memories" from their childhood. This is important to highlight with regard to sustaining competitive advantage.
- Disney has something for everyone in the family as Walt Disney had intended. When teaching this case to an MBA class, students will talk about their experience as a child and also as a parent demonstrating the "family" attraction of Disney.
- Disney's reputation for strong values and ethics also comes up when discussing experiences for the entire family. This is a consideration later in the competency question.
- The use of innovative technologies that enhance the experience.

The discussion on this question can be wrapped up by stating that there are many reasons from a customer's perspective to demonstrate why Disney has been so successful in the past. However, the question remains if Disney can continue this success in the future.

2. Are Walt Disney, Michael Eisner, and Robert Iger strategic leaders? Why or why not? Where would you place them on the Level-5 Pyramid?

All three individuals can be viewed as strategic leaders based on three criteria: ability to set a strong vision, articulation and implementation of strategies and superior performance results. When facilitating this discussion, it is helpful to have three columns on the board for each leader and examine each leader in turn. The discussion can start with Walt, and the students can respond with whether they feel Walt is a strategic leader and what level on the pyramid. Do not let students stop at providing a simple answer such as "yes" – instead, ask the students to explain their answers. See **Exhibit TN-3** for an example of how one MBA class answered this question.

As shown in Exhibit 3, Walt Disney is viewed as a strategic leader for his vision, values, perseverance, implementing the synergy model (see **Exhibit 3** in the case) and building Disney into a profitable empire. Students will see him as either level 5 or a level 4 leader, and this could be an opportunity to initiate debate. Students who choose level 5 will make the argument that Walt made Disney "great and enduring" through his willpower and humility. The willpower is demonstrated by his tenacity to build Disney through bad times, at the brink of bankruptcy. And his humility by his values and commitment to creativity and quality even at the expense of losing money and/or appearing foolhardy. Level 4 students can argue that it was not Walt's humility but rather his ego or pride that propelled this emphasis on creativity and quality.

As **Exhibit TN-3** shows, Eisner can be viewed as either level 4 or level 3. Again, students can be engaged in a colorful debate. Some students will walk the middle line by claiming Eisner started out as a level 4 and ended his career at Disney as a level 3 leader. The level 4 arguments will emphasize his results such as growing annual revenue from \$2 billion in 1984 to \$25 billion in 2005 and market capitalization from \$1.8 billion to \$80 billion over the same time period. The level 3 will reason that although he may have grown Disney – he did this by doing some things right. However, he did not do the right things. And this is evidenced by his heavy-handed leadership style which is not conducive to fostering creativity or synergy in the long run. Also, the case can be made that having executives leave the company, customers angered over "commercialism," and a shareholder-led revolt are signs of ineffective leadership.

Iger is viewed mostly as a level 5 leader primarily for making "Disney great again" from the aftermath of Eisner's reign and for achieving remarkable results as stated in the case: Disney delivered a total shareholder return of 341% compared to 104% for the S&P 500 and the company's share value rose from \$24 to about \$98. As of 2016, Disney reported record financial results for the 6th year in a row with over \$55.6 billion in revenues and over \$9.4 billion in net income. Disney's current 12.3% ROIC is higher than any of the other large media conglomerates, including Fox, Comcast, Viacom, and Time Warner. The results were achieved based on some major changes he made when he first took office such as developing a strong vision, changing the conflict based culture, decentralizing decision making and emphasizing long-term growth. And the results can also be attributed to his franchise model and the following three pillars of strategy that he implemented diligently: (1) generate the best creative content possible, (2) foster innovation and utilize the latest technologies, and (3) expand into new markets around the globe.

3. How did Disney create its uniqueness in the Media and Entertainment Industry?

There are a number of factors that have contributed to the uniqueness of Disney. Some of the more important ones are: Walt's vision and mission for Disney, strategic leadership, a number of core

competencies (creativity, technology, synergy, branding, acquisitions), intellectual property (patents, copyrights, trademarks), Disney culture, and locations with weather acceptable for outdoor activities year around (California, Florida, Tokyo, Hong Kong, and Shanghai).

Disney's uniqueness is a testament to Walt Disney's **vision** and **mission** that is embodied in the statement below. Students may not state these exact words, however something reasonably close is acceptable.

Vision: Create magical moments for guests of all ages

Mission: We create happiness by providing the best in entertainment for people of all ages everywhere

Strategic leadership of Walt, Eisner, and Iger contributed to developing and leveraging core competencies of creativity, synergy, and technology. All three leaders had considerable experience in the media and entertainment industry with varying levels of success before they took the CEO office. They all understood the importance of taking risks and investing in new business ventures either through internal development as Walt did with theme parks or with acquisitions as Eisner did with Capital Cities/ABC and Iger did with Pixar, Marvel, Lucasfilms, and BanTech.

Core competency of fostering **creative content** either internally or through acquisitions resulted in the development of **unique characters** such as Mickey Mouse that provides the basis for Disney's **franchise model**. The use of **innovative technologies** is used to enhance customers' experience to emotionally engage with the characters and develop a meaningful connection. These characters in turn are used to **reap synergies** across the four related business segments (Media Networks, Parks and Resorts, Studios Entertainment, and Consumer Products) through advertising and marketing. The emphasis on advertising and marketing in turn has led to strong **brand equity** that can be further leveraged to create more synergies. In effect, there is a virtual core competency cycle among creative content, technology, synergy, and branding.

Another factor contributing to Disney's uniqueness is the intangible resource of **intellectual property**, especially patents. The majority of patents were filed under Iger who changed the way Disney viewed technologies as opportunities to further enhance and deliver Disney's content.

Also, under Iger the **ability to acquire** creative content from Pixar, Marvel, and Lucasfilm that developed into billion dollar franchises is another factor that has contributed to Disney's uniqueness.

Disney **culture** under Walt and Iger is another factor that contributed to uniqueness. The culture is one that emphasizes high standards, innovation, family values, and most importantly enjoyment. This culture is important for supporting Disney's core competencies of developing creative content using the latest technology and leveraging this to further create synergies across the company, while also enhancing the Disney brand.

After discussing the factors contributing to Disney's uniqueness, the VRIO framework can be applied to each factor to determine where Disney has the greatest sustainable competitive advantage. See **Exhibit TN-4** for the VRIO framework.

4. What strategic pillars did Robert Iger put in place to grow Disney into the world's largest Media and Entertainment Company? Detail each strategic pillar and explain why this may or may not be important to Disney's future.

This is a relatively easier question and much of the answer can be found in the case under the heading "Iger's Strategic Vision" discussing each of the three pillars. The purpose of this question is to allow students to think about why strategies are important to a company. However, when explaining the "why" students often stop with trivial answers such as growth or beat the competition. If this is the case, students need to be challenged to go deeper with their explanation. Use probing questions such as "why is growth important to Disney, if it is already the world's largest media company?" And "Disney competes in many different markets, what specific competition is Disney trying to beat?"

There are three strategic pillars Iger has initiated to continue Walt's legacy: (1) generate the best creative content possible, (2) foster innovation and utilize the latest technologies, and (3) expand into new markets around the globe. These pillars are supportive of Disney's corporate strategy of related-linked diversification which involves the sharing of common resources, capabilities, and competencies among its four business segments. Iger's strategic vision is to make this diversification strategy profitable by creating theme-based billion dollar franchises, which generally begin with a big movie hit followed by derivative TV shows, theme park rides, video games, toys, clothing, among many other possible spin-offs.

The first strategic pillar of generating the best creative content included acquisitions of Pixar, Marvel, and Lucasfilm among others to secure rights to interesting characters and movie sequels. This was important for a number of reasons. First, Disney was experiencing abysmal performance in its own releases attributed to lackluster content. Therefore, it needed new, fresh content that would maintain and grow its viewing customer base. This in turn is important for growth, profitability, and a competitive advantage. Second, these acquisitions were aligned with supporting Iger's vision of becoming the "most admired entertainment company" based on the popularity of the characters it obtained. Third, Disney was able to pre-empt its competition from acquiring these companies. For example, when Eisner and Jobs' negotiations did not go well, Jobs started looking for another partner among Disney's competitors.

The second strategic pillar of fostering and using the latest technologies involved bold moves including decentralizing the role of the CTO, setting up the CTO council, having technology savvy members on Disney's board of directors, and acquiring 75% stake in BanTech. The importance of this pillar is to stay abreast of the latest technologies that can enhance creative content and provide the means to deliver this content to viewers worldwide. The aim here is to keep and grow the viewer base, especially for ESPN and Disney content.

The third strategic pillar of international expansion includes various initiatives across six regions: (1) Asia, (2) Australia and New Zealand, (3) EMEA [Europe, Middle-East, Africa], (4) India, (5) Latin America, and (6) Russia. The more important expansion efforts being the opening of theme parks in Tokyo, Paris, Hong Kong, and in Shanghai. The importance of this pillar is in the case as the following:

> To expand to international markets is beneficial because it will enhance market share for Disney, enhance brand reputation for Disney, increase revenue, and generate growth for the business, tap into bigger market (in the international context), and to diversify the businesses geographically...Besides, it is also reasonable to believe that Disney wishes to expand to the international market to duplicate its success in the foreign countries.[1]

If students comment on duplicating Disney's success in foreign markets, this can provide an opportunity to initiate debate about cultural differences between United States and other countries. Disney has faced the accusation of "American cultural imperialism" from France and China and it can be worthwhile to examine if this will impede globalization in question six.

5. How is the media and entertainment industry being disrupted?

With the advent of digitalization, the media and entertainment industry is being disrupted by the easy access to high-speed Internet which has led to the emergence of new online streaming media platforms such a Netflix, Hulu, Amazon, and YouTube. These online platforms have changed consumer viewing habits from watching TV and cable to online "on-demand" video services. Also, this disruption has caused streaming services companies to start developing their own original content to attract subscribers. As the subscriber numbers increase, these streaming companies are able to gather data and use analytics to customize their content to audience preferences to ensure long-term retention, maybe even for life.

Interestingly, many of the viewers that are switching to streaming are from the younger demographic profile which are among Disney's target audience. They feel that content on demand is cheaper than subscribing to cable and it better meets their viewing needs. Also, the streaming service companies are gaining popularity among niche markets that Disney feels are too small to invest in based on its billion-dollar franchise strategy. However, Disney has realized that it is losing a significant number of subscribers in its ESPN programming and has decided to provide videos directly to consumers through various initiatives including purchasing 75% stake in BamTech a streaming technology company.

In effect, this increasing disruption has resulted in media and entertainment companies vertically integrating either upstream as Netflix has done into content development with *House of Cards* and or downstream as Disney has done investing in BamTech. And it is important to note, this disruption and convergence may be the tip of the iceberg, as more media companies engage in diversification strategies in the quest to obtain a larger share of the consumers viewing time.

6. What are Disney's biggest strategic challenges? What recommendations would you give Robert Iger to address the challenges? Be specific.

Students will reference the strategic challenges section of the case and focus on the following three challenges: (1) the quest for creative content, (2) disruption of streaming technologies, and (3) lack of understand of local culture and government policies in global expansion efforts. It is helpful to place these three challenges on the board and fill in the recommendations as students discuss them. Again, if students are very general with the recommendations, they must be encouraged to be as specific as possible. It may also be helpful to have students break out in groups and pick one challenge and come up with specific recommendations that they present to the rest of the class.

Exhibit TN-5 provides an example of recommendations made by an MBA class. There is no limit to the recommendations that can address these three challenges. The litmus test is whether Disney has time and resources to implement the recommendations and is there a high probability Disney will be successful.

As seen on Exhibit 5, the creative content recommendations include collaborating with smaller high potential companies versus acquiring large billion dollar companies. Also, Disney can think about developing better in-house capabilities by starting a Disney Academy, Disney Foundation, or a crowdsourcing competition to promote the development of creative content. The recommendations for disrupting streaming technology are to have strategic alliances or joint ventures with streaming companies such as Amazon, and possibly acquire Netflix or Hulu. The lack of understanding of local culture recommendations run the gamut of using design thinking method and taking a purely customer centric view in international expansion efforts to hiring executives who familiar with both US and local culture, customs, and government. A novel recommendation is to shift Disney from being an "American" brand to being a "worldwide" brand that represents fun childhood and family times that all countries can identify with. A practical recommendation is to always give the controlling interest to the host countries' government who will take the responsibility for any cultural misunderstandings that will protect Disney from damage to its brand and from any legal ramifications.

7. Where should Disney Board of Directors look for the next CEO: Silicon Valley, Global Brand Management, or Hollywood? Explain why.

The appointment of the next CEO is perhaps Disney's most important challenge. The selection of this individual will determine the future direction of Disney in an extremely volatile and uncertain environment. Arguments can be made for selecting an individual from any one of the three areas. Again, it is helpful to facilitate this discussion by drawing three columns on the board and filling them out as students respond to the question. See **Exhibit TN-6** as an example.

Out of the three choices, students who select Silicon Valley as the place to find a CEO may name various tech executives such as Sheryl Sandberg as an appealing candidate.[2] The rationale being that media and entertainment is being disrupted by fast-paced technology changes and Disney needs a CEO who understands this well and can develop new business models to keep up. Another reason is that Disney has not been successful in the past in managing high tech acquisitions such as Maker Studios and Playdom, and therefore needs a tech savvy CEO to better manage BamTech and other possible tech acquisitions. Also, it is relevant to note between 2011 and 2017, traditional TV viewing by 18–24 year olds has dropped by 41.3% and migrated to streaming or other activities.[3] This will require a CEO that can develop new technology-based business models to take advantage of this changing behavior.

The next choice is an individual with a Global Brand Management background. This choice can make sense based on Disney's vision statements:

Vision: Create magical moments for guests of all ages

Mission: We create happiness by providing the best in entertainment for people of all ages everywhere

Disney's core identity is to provide the best entertainment experience for people of all ages. The development and branding of the "experience" is the reason for Disney's success, and technology is used to enhance this, not replace it. Another reason could be to change the perception of Disney as an "American" company to one that belongs to the "world" bringing to life childhood dreams for all peoples and ages.

The final choice is a person with Hollywood entertainment experience. The primary argument is that Disney is in the entertainment business and requires the expertise of someone who understands the potential of creative content to be successful. Also, the successful franchise model is based on having blockbuster movies, therefore an individual who has a track record in creating such hits is an important consideration. And since Disney promotes the "larger-than-life" characters, it may be advantageous for the CEO to reflect this persona to attract and grow the number of loyal fans to the company. One possible candidate mentioned includes former President of News Corp. Peter Chernin who is viewed as an "important force in Hollywood."[4]

This question can be used elicit debate since students tend to polarize among the three choices. However, a few students will suggest that individuals with some background in each of the three areas would be best. The issue here would be finding such as individual. If students suggest this, further probe them to come up with possible names of executives with such a varied background who would be willing to become the CEO of Disney. This is a hard role to cast, and the Disney board of directions have been searching for over three years by the end of 2017.

Recent Updates

As of November 2017, ESPN's operating income has dropped 12% from a year earlier. This was due to lower advertising revenue and higher programming costs which pays a premium to carry National Football League and Major League Baseball games.[5]

As a result, ESPN sacked about 100 people in April 2017 and is planning to lay-off another 100 more people by the end of 2017, including a number of on-air personalities. ESPN has about 8,000 employees worldwide.

Also, there was a further reduction in ESPN subscriptions from 100 million in 2010 to about 87 million in 2017. Consumers are no longer willing to pay high pay-tv bills for content they do not watch and are continuing to migrate toward mobile streaming devices.

Iger has responded by saying: "that Disney may eventually sell ESPN directly to consumers, forgoing the need to pass its network through pay-tv operators."[6]

As 2019 is looming, at the age of 66, what are Bob Iger's plans after Disney? There are rumors he may be considering a presidential run in 2020. And Iger would not confirm or deny the rumors.[7]

Additional Resources

1. Articles

- "Disney's Profits Disappoint as TV Unit Struggles" http://www.latimes.com/business/hollywood/la-fi-ct-disney-earnings-20171109-story.html
- "Bob Iger Plans to Leave Disney in 2019 – Really, This Time" https://www.thestreet.com/story/14329918/1/disney-will-need-to-replace-ceo-iger-in-2019.html
- "Is Bob Iger Considering a Presidential Run?" https://www.cbsnews.com/news/is-bob-iger-considering-a-presidential-run/

2. Videos

- "Disney's Iger on Streaming Apps, ESPN, Acquisitions," *Bloomberg TV Markets and Finance*, October 3, 2017 [10:14 min] https://www.youtube.com/watch?v=Zvu88CFKkd0

EXHIBIT TN-1 Example of Board Work for Question One from an MBA Class

Disney "Experience"	View of Disney
• Specific Disney characters like: Mickey Mouse, Elsa, Snow White, Aladdin • Specific theme parks like: Disneyland LA, Disney World, Disneyland Paris • Broadway musicals like Lion King • Toys like My Polly Pocket Disney Castle • Movies like the new Star Wars sequels • Saturday morning cartoons • Mickey mouse wall paper and lamp • McDonalds happy meals with Disney characters • Many other experiences…	• Represents happiness, magic, innovation, and creativity • A magical ability to create amazing stories and make imagination come to life • Something for everyone in the family with strong values and ethics • Use of technology is innovative and cutting edge • Treated like a princess and made to feel really special and important • Commercialization of Disney and having to pay for everything • Monetizing a child's desires is not so magical

Source: Courtesy of F.T. Rothaermel.

EXHIBIT TN-2 Tripadvisor Customer Review of Disney World in Florida

Ridiculously Expensive & Unhappy Atmosphere

The cost for a one day pass for someone not living in Florida is $86.00, not including the $14.00 to park your vehicle. This $86.00 entitles you to visit only one Disney World Park, and covers only the rides within that park. We chose Magic Kingdom.

At the entrance, they have tiny lockers (Twice the size of a shoe box) that you can rent for the day at the cost of $12.50. The lockers are to store sweaters, jackets, purses, backpacks, etc. that you don't want to carry around the park for the day.

Food & souvenirs are outrageously expensive there. A 16 oz bottle of plain water is $2.50. A single ice cream bar was $6.50. A simple child's souvenir key chain $16.50. I bought a souvenir tee shirt for $21.00. I don't expect it will last much more than 3 or 4 washings, as the quality was extremely poor. The cost of everything there was so ridiculous. It really takes the fun out of the experience. I don't know how families can afford to go there with their children.

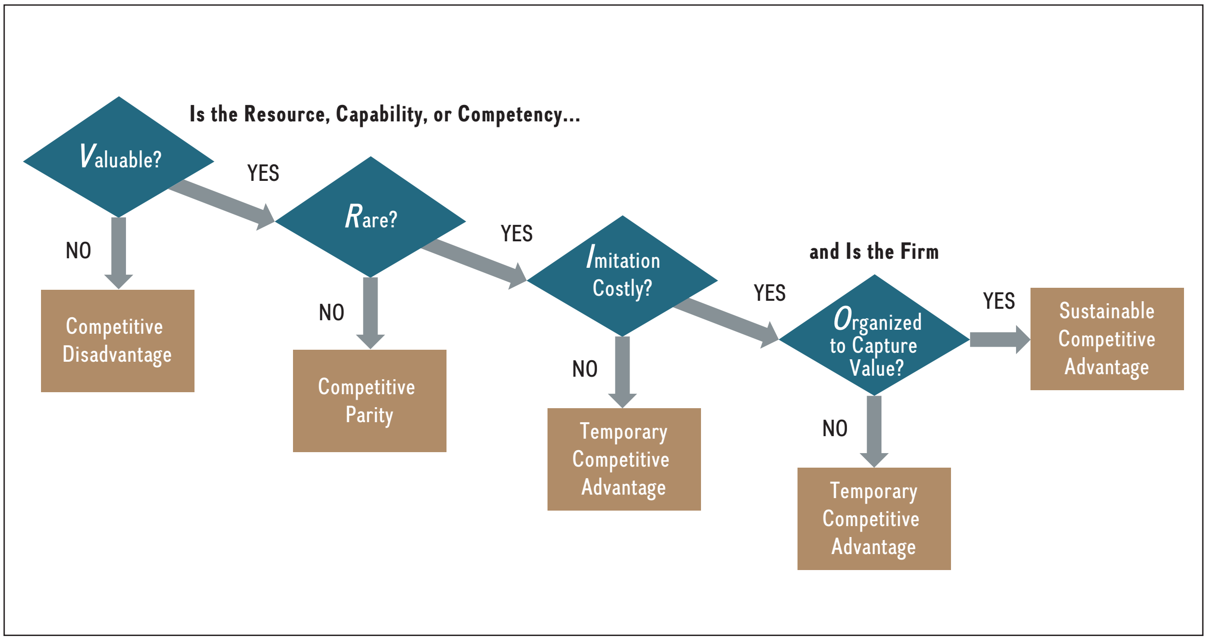
Source: Depiction of publicly available data.

EXHIBIT TN-3 Strategic Leadership of Walt Disney, Michael Eisner, and Robert Iger

Walt Disney	Michael Eisner	Robert Iger
Strategic Level 4 or 5 Leader: Vision: have fun making the impossible possible Strategy: creativity, synergy and, technology Results: built Disney into a media and entertainment empire Level 5 vs. 4 – Walt's humility or egotistical pride? Emphasized creativity and quality, willing to give up profits to protect Disney's high standards	**Strategic Level 3 or 4 Leader:** Vision: balance creativity with sound business sense Strategy: creativity, branding and, synergy Results: grew revenues from $2 billion in 1984 to $25 billion in 2005 and market cap from $1.8 billion to $80 billion, turning Disney into a conglomerate Level 4 vs. 3 – Eisner's autocratic conflict based leadership style and centralization of decision making to corporate strategic planning	**Strategic Level 5 Leader:** Vision: Disney to be the most admired company in the world Strategy: franchise model, creative content, innovative technologies, and global expansion Results: shareholder return of 341%, share value rose from $24 to about $98 and12.3% RIUC is higher than competitors Other Changes: positive approach to technology, decentralize decision-making to the four business segments and take a long-term view

Source: Courtesy of F.T. Rothaermel.

EXHIBIT TN-4 Valuable, Rare, Costly to Imitate and Organize to Capture Value (VRIO) Framework



Source: Rothaermel, F.T. (2018), *Strategic Management*, 4th edition. Burr Ridge, IL: McGraw-Hill.

EXHIBIT TN-5 Recommendation for Disney's Three Strategic Challenges

Quest for Creative Content	Disruption of Streaming Technology	Lack of Understanding of Local Culture in International Expansion
Acquire or collaborate with smaller high potential content companies such as ... (ask students to name potential current companies) Create Disney Academy to recruit, train, and employ a future talent pool for internal development of content Set up Disney Foundation to support small start-ups dedicated to developing creative content and acquire them if they are promising Set up an on online crowd sourcing site where individuals can promote their original creative content and hold a competition to find both novel content and potential talent	Disney has not done well with technology acquisitions, so it may be better to have a strategic alliance with companies such as... (ask students to name potential companies) Acquire or build its own streaming platform and use its synergy competency to promote the streaming services across all four of its business segments Acquire Netflix or Hulu and leverage their streaming services for Disney content, to reduce competition and consolidate the industry Develop a joint venture with Amazon to develop streaming platform to dominate all other platforms	Use design thinking method when expanding Disney businesses to other countries, this approach puts customers at the center and really seeks to understand them well Instead of making Disney an American brand, make it a "worldwide" fun childhood and family brand that all countries can identify with Hire executive level people with background in both US and country of expansion to ensure there is understanding of local culture Give the controlling interest to the government of the host country who will take responsibility for any cultural misunderstandings, and protect Disney's brand

Source: Courtesy of F.T. Rothaermel.

EXHIBIT TN-6 Selection for the Next Disney CEO

Silicon Valley	Global Brand Management	Hollywood
Disney has not done well in the past with its technological acquisitions, therefore a CEO with greater technology experience may be able to better manage technology based acquisitions such as BamTech A CEO who understand new innovative technologies such as Augmented Reality (AR) and Virtual Reality (VR) that can enhance Disney characters and theme parks Younger teens and millennials are watching less TV and spend more time on mobile devices, a new technology-based business model needs to be developed to accommodate this change	CEO that knows how to build brand aligned with Disney's vision, mission, and values and effectively manage all stakeholders to have a positive perception of Disney Disney is an "entertainment experience" company, not a technology or movie company. Its past success has been primarily in developing its brand through the franchise model Creating the "worldwide" Disney brand requires global brand management expertise, this may alleviate the "American imperialism" perception of Disney	Disney is in the entertainment business and requires the expertise of someone who understands the potential of creative content to be successful CEO that knows what it takes to create blockbuster movies that can be leveraged in the franchise model A well-known persona that provides a public face to Disney's brand could further increase fame and popularity of Disney and create more loyal fans

Source: Courtesy of F.T. Rothaermel.

Endnotes

1 "Global Business Strategy: Case Study on Disney Corporation," *BussinessEssays.net Website*, http://businessessays.net/international-business/global-business-strategy-a-case-study-on-disney-corporation/#respond.

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3 MC Editor, JC Lupis, "The State of Traditional TV: Updated with Q1 2017 Data," *Marketing Charts Website*, July 26, 2017, https://www.marketingcharts.com/featured-24817.

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