

The Walt Disney Company

Research Paper

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Abstract

This analysis will focus on The Walt Disney Company, its growth and development, its business attributes, and its industry. Disney serves as a unique brand as it competes its several varying industries and markets based on its diverse assets and entities. Generally speaking, Disney is an entertainment-providing company. Disney owns and operates amusement parks around the world, is the parent company to several other entertainment producing firms, and provides enjoyment for consumers of all ages. The research behind this analysis provides a brief history of the company, discusses its current conditions, details a SWOT analysis, and a description of its corporate mission and expressed values. The overall purpose is to explore The Walt Disney Company through a lens that focuses on its management domain, legal domain, economic domain, and international domain.

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Introduction:

The Walt Disney Company, more generally known as Disney, is a dominant force in the entertainment and media industry. Its assets include several of the most popular amusement parks internationally, television stations and film-making companies, its own characters and products, as well as countless more that it offers consumers. Disney was named after founder, Walt Disney. Although the California-based company grew into arguably the greatest international media and entertainment dynasty, it all started in the 1920s as a simple cartoon illustration of a mouse (TheWaltDisneyCompany, 2019a). According to the official Walt Disney Company website, in 1923 Walt Disney signed a contract to initiate Disney as a company, first known as Disney Brothers Cartoon Studio. Later, in 1986, following decades of change, domestic and international growth, and entertainment innovation, Disney became recognized as The Walt Disney Company (TheWaltDisneyCompany, 2019a).

To develop a better initial understanding of the business environment within which Disney competes and functions, it is important to recognize its internal strengths and weaknesses, and external opportunities and threats. Beginning with its internal environment, Disney greatest strengths include its tremendous cash flow generated between its extensive numbers of diverse assets, as well as its trusted and developed reputation of reliability through corporate social responsibility (BusinessStrategyHub, 2019). Also according to Business Strategy Hub, its weaknesses include its major spending on employee training while still possessing an increasingly high attrition-rate as well as its historic minimal marketing aside for new movie releases which may be leaving Disney vulnerable to competition. Next, in terms of the external environment, Disney's opportunities lie within its core competency of media and entertainment expertise. This expertise sets Disney up to predictably have many opportunities to

be a leader in technological innovation between its parks, film graphics, and more (Brown, 2017). Additionally, the general public's perception of Disney is overall tremendously positive and leads to a continual opportunity to simply allow Disney to do what it does best. Disney's greatest threat in recent years concerns itself with diminishing economic activity within the United States (Westerman, 2018).

Finally, before delving into a more substantial analysis of Disney's management, legal, economic, and international business domains, its corporate mission and values should be noted. According, again, to Disney's website, its mission statement is as follows, "... to entertain, inform and inspire people around the globe through the power of unparalleled storytelling, reflecting the iconic brands, creative minds and innovative technologies that make ours the world's premier entertainment company." Additionally, its values are exposed through its environmental efforts, expressed by its commitment to "using resources wisely and protecting the planet" (TheWaltDisneyCompany, 2019b). Its philanthropic values are noted by its commitment to "strengthening communities by providing hope, happiness, and comfort to kids and families who need it most" (TheWaltDisneyCompany, 2019c).

Management Domain:

The management domain covers many different areas of business from how a company hires employees to how it is structured and led and what kind of culture it strives to achieve. This domain affects businesses on every level and can easily determine if a company will rise or fall. How a company is managed sets the direction of the company and the strategies it will employ to achieve competitive advantage. If a company is managed well, it can thrive even in the most difficult environments. If it is managed poorly, the best conditions may not be able to help it survive. Ultimately, the management domain serves as a foundation and indication for how a company operates in terms of setting goals and creating strategies, training and treating employees, and overall how it operates as a brand entity.

The Walt Disney Company is operated at an executive level by CEO, Robert Iger, and numerous other executives, as well as a board of directors. Iger was named CEO in 2005, and has since implemented his strategic vision for the company (TheWaltDisneyCompany, 2019a). His vision, noted on Disney's website, focuses on producing the best creative content, fostering innovation by use of new technology, and global expansion. Since Iger's start as CEO, he has executed each founding pillar of his strategy for Disney through acquisitions of and collaborations with Pixar, Marvel, 21st Century Fox, ESPN, and more. Additionally, Iger initiated the first China-based Disney theme park, Shanghai Disney Resort, and continues to perform as a technological leader, noted in Disney's anticipated 2019 launch of a Disney streaming service, Disney+. The success of Iger's strategy can be affirmed based on several awards Disney has won during the implementation of this strategy. These awards include, but are certainly not limited to Forbes' "Most Reputable Company," Fortune's "World's Most Admired

Companies,” and BusinessWeek’s “Best Places to Launch a Career,” (TheWaltDisneyCompany, 2019a).

In addition to a seemingly successful top-level management and strategy foundation, Disney also is recognized by the admirable way it treats all employees. This is a significant feat considering the fact that Disney participates in the parks, experiences, and products industry with not only numerous parks worldwide, but also a cruise line, hundreds of stores, a publishing company, and more. Additionally, it competes greatly within the studio entertainment market with 12 participating firms either through internal development or acquisition, as well as direct-to-consumer and international markets by being the parent company to Hulu, ESPN, and more (TheWaltDisneyCompany, 2019a). Ultimately, what this information indicates is that while Disney employs nearly 200,000 people, when looking at all that Disney owns and operates it is likely that this number will continue to rapidly increase; making it tremendously impressive that Disney is recognized as a superb place to work and start a career in several aspects (Forbes, 2019). Forbes also deemed Disney one of its leaders in employment criteria in several categories in recent years. In 2018, Disney was ranked #4 for World’s Best Employers and #201 for Best Employers for Women (Forbes, 2019). More recently, Disney has been named #17 on Forbes’ 2019 list for Best Employers for Diversity (Forbes, 2019).

For a company that participates in such a large amount of industries, as well as being one that finds success in each of them, it is staggering that Disney offers such incredible customer service and treatment of employees overall. Disney believes that the answer behind this lies within its dedication to empowering all of its employees at all levels and equipping them as best as its abundance of resources allow (Jones, 2018). Bruce Jones, Senior Programming Director at Disney Institute, indicates to Harvard Business Review that Disney goes beyond the standard of

training employees with the necessary skills required for a job, but includes an extension of learning that ensures each individual employee understands their purpose within the organization and that it is an important one to the success of the overall strategic plan. This, in turn, encourages employees to be empowered in their positions by being trained to know that they are valued by their employer, which motivates them to implement and appreciate Disney's high standards in all industries.

Finally, Disney's management structure emphasizes its dedication to corporate social responsibility through its philanthropic participation and environmental considerations (TheWaltDisneyCompany, 2019a). First in terms of Disney's environmental standards, the company, as it strives to be consistently recognized as the most admired company in the world, indicates that to achieve that is to act ethically and responsibly; which includes treating the environment well. For reference, Disney's most recent environmentally-based CSR goals include reaching zero net greenhouse gas emissions, zero waste, and conserving its water resources (TheWaltDisneyCompany, 2019b). Disney hopes to achieve these goals in steps and possesses a realistic action plan in doing so. For example, by 2020 Disney hopes to have reduced emissions by 50% of 2012 levels; an accomplishment that would keep the company on an impressive pace to achieve its goal of zero emissions (TheWaltDisneyCompany, 2019b). Next, in terms of philanthropic opportunities, Disney also has standards for its monetary donations for charitable causes and goals for collective volunteer hours through an employee program (TheWaltDisneyCompany, 2019c). For reference, in 2018 Disney donated \$103.7 million in cash donations and \$229.1 million in in-kind donations. Additionally, in 2018 Disney employees spent a total of 600,100 hours participating in Disney's voluntEARS program, and the goal is to reach 5 million hours by 2020 (TheWaltDisneyCompany, 2019c).

Legal Domain:

The legal environment of business is another key area to have a firm understanding of. Knowing its legal environment well can put a company many steps ahead of its competitors and can help it to avoid costly fines and law suits. On the other hand, knowing a company's rights can also provide many advantages, and a savvy analysis of this domain can help a company know when to fight a legal battle that could benefit it and when to step away from a costly loss. Regardless of the size of the company or the industry it is in, knowledge of this domain is vital for a successful business.

Specific laws that The Walt Disney Company as an entity, its employees, and the companies it has acquired throughout its successful life each must comply with include antitrust laws, securities laws, tax laws, environmental laws, food and drug laws, intellectual property laws, and several others (TheWaltDisneyCompany, 2019d). Specifically, Disney's outline of how and why it must abide by antitrust laws is indicated as the requirement that the company must compete fairly and to its greatest extent in all markets that it participates in. Essentially it prohibits Disney from monopolizing any market, which does not necessarily hinder its potential because it competes in several markets. The securities laws that must be followed indicate that all material documents and information that Disney discloses to the public must be full and accurate, and additionally, the securities laws prohibit Disney from trading on the stock market on the basis of any information that has not been publicly disclosed. The tax laws are much simpler than the previous examples, and requires that Disney comply with and are subject to several state and federal taxes. This simplicity is similarly noted in Disney's commitment to abiding by environmental laws in that it ensures it will follow all regulations and encourages employees to make authorities aware of any violations. In terms of food and drugs laws, Disney

must be honest about the food products that it provides, particularly at its parks. Finally, Disney's interactions with intellectual property laws involve refraining from using other companies' trademarks or patented inventions, while also requiring employees to protect its own intellectual property (TheWaltDisneyCompany, 2019d).

In addition to the aforementioned laws that Disney and all of its entities must abide by, there are laws concerning safety specifically required by the Disney parks within the United States. Since 2015 Disney has faced two separate lawsuits that pertain to unmet safety requirements at the Orlando theme park, Disney World (Boda, 2019). The first incident occurred in 2015, during which Disney World's PeopleMover crashed and caused injuries requiring orthopedic surgery to members of a family visiting the park. The Tregigdo family's lawyers indicated that the surgeries required cost \$175,000 (Boda, 2019). The second suit was based on a similar incident involving the PeopleMover in 2017, in which two friends were visiting the park and again, the PeopleMover crashed causing injuries. Between the two lawsuits, Disney is being sued for \$15,000 in damages for failing to not only fix the safety issue after realizing there was a malfunction, but also for failing to report the injury causing incidents, which is typically a safety regulation practice that Disney and other theme parks take part in to avoid future inspections (Boda, 2019).

Although Disney imposes and outlines legal regulations unto itself and seems to typically do so successfully, it is rare for a company as large and as prominent as Disney to consistently refrain from finding itself in legal battles. In terms of an overall analysis of Disney's legal environment, although it has faced lawsuits under the pretenses of several violations including the example provided above, it seems that Disney puts forth an active effort to maintain its publicized ethics and consistently abide by its required laws.

Economic Domain:

The economy that a company seeks to do business within will also have a vast impact on it. An economy is made up of all the buyers and sellers of products and services within a given region and understanding what affects the economic decisions that are made will not only give a company a competitive advantage, but a lack of understanding of market triggers may very well lead to its demise. A growing economy is an excellent place to do business since it supports increased output. Knowing how much to produce at different times and for whom to produce it are essential to capitalize on different factors of an economy. Government policies, natural disasters, and social unrest can all affect an economy as well. All these things must be taken into consideration and analyzed before making key business decisions.

The Walt Disney Company possesses an ingrained and adaptive understanding of the economies within which it performs. Presently, Disney is facing an economic environment with decreasing consumer activity as of mid-2018 (Westerman, 2018). This is troublesome for Disney as a company that is essentially reliant on consumer spending whether it be at Disney parks, on branded products, and/or purchasing either tickets to see films in theaters or movies to watch from the couch. While the United States' economy seems to be facing this decline in activity that is expected to impact Disney's revenue, it is also true that upcoming changes in exchange rates may have adverse effects on Disney's international sales as well (Westerman, 2018). Ultimately, based on the information surrounding the economies in which Disney operates, it is implied that Disney should expect decreases in demand for its products, services, and experiences.

In terms of specific and recent economic performance, Disney has made its fiscal performance in the first quarter of 2019 public. Disney trades on the New York Stock Exchange

under the symbol DIS, and its diluted earnings per share, as well as standard EPS for the most recently ended fiscal quarter indicate that the dwindling economic activity is having a negative effect on the company's economic performance. Disney ended its first fiscal quarter of 2019 with diluted EPS of \$1.86, down 36% from the same quarter last year, which was \$2.91 (TheWaltDisneyCompany, 2019e). Further, Disney's financial summaries indicate consistent decreases in performance in relevant criteria for the first quarter of 2019 when compared to the equivalent quarter last year. This information includes a small but existent decrease in revenue, an 8% decrease in segment operating income, a 37% decrease in net income, a 3% decrease in EPS which excludes factors that may affect comparability, a 6% decrease in cash from operations, and a 28% decrease in free cash flow (TheWaltDisneyCompany, 2019e). Based on Disney's most recent fiscal quarter when compared to that of 2018, it is evident that the overall decline of economic activity noted in mid-2018 did affect its economic performance throughout the year. Conversely, however, CEO Robert Iger indicated that he is confident that with Disney's recent acquisition of 21st Century Fox and upcoming release of the Disney+ streaming service, that the company will see a turnaround in the upcoming fiscal quarters of 2019 (TheWaltDisneyCompany, 2019e).

In contrast to the overall downfall of Disney's comparative financial performance based on the underlying factors of the surrounding economic environment, its year-by-year standings remain strong. Disney finished 2018 having grown overall revenue by 12% from the previous year, up to \$14.3 billion and operating income had grown by 17% from 2017 to \$3.3 billion (Trefis Team, 2018). Based on the year-to-year growth and the confidence surrounding new acquisitions and the upcoming launch of Disney+, it is likely that the slowed economic activity of 2018 and its early effect on 2019's fiscal performance is not something that will continue to

negatively impact Disney for long. Disney performs with a competitive advantage for predicting consumers tastes, preferences, and trends; its performance relies on these predictions and the company's reputation for doing so accurately is unmatched (Westerman, 2018). While the overall reduction in economic activity within the United States in 2018 did have an apparent impact on Disney's economic performance, it is not likely that it will hinder Disney's competitive advantage in the long term. It will continue to serve and fulfill the demand of consumers of all ages and from everywhere in the world by successfully predicting the unpredictable in all industries within which it performs.

International Domain:

Operating internationally can be very beneficial for companies, especially if they are finding it difficult to continue to grow domestically. The international component of business can become very complex very quickly, however, as most countries have different laws regulating the business activities that occur within their borders and have different social customs, expectations, and cultures. In addition, local politics and economies will be vastly different from country to country and each will provide their own opportunities and threats. These are all important reasons for a company to carefully analyze all the factors of international expansion before making the decision to do so.

While The Walt Disney Company has been operating internationally in countries such as China, France, Japan, and more with its parks and entertainment platforms, it announced in early 2018 implementations of a new strategic plan that will continue to heighten its global expansion (TheWaltDisneyCompany, 2018). Disney, under Iger's leadership, has been working to function as a primarily direct-to-consumer organization; as international demand continues to grow and become more important to the company, its need to satisfy in this regard grows as well. This reorganization is largely based on the new combination of company segments, Direct-to-Consumer and International; done to empower a cohesiveness between the two segments that were previously separate (TheWaltDisneyCompany, 2018). Ultimately, the globalization strategy was implemented based on increased demand from international consumers that see value in Disney's new media ventures such as its ownership stake of ESPN. According to Disney's website, the reorganization strategy will make international consumers able to utilize Disney+ once it is released, ESPN+, and Hulu (TheWaltDisneyCompany, 2018). Ultimately, the goal of the strategy is to align all segments of Disney's operations that currently do, or will in the future

possess an international component. This will make international business practices run smoother for Disney domestically, as well as for Disney's international managers located across Europe, The Middle East, Africa, Asia, and Latin America (TheWaltDisneyCompany, 2018).

As Disney proceeds with this international reorganization strategy, there are several global economic factors it must consider. First, as previously mentioned, Disney should consider that changing exchange rates for international currencies may lead to several potential outcomes that could negatively affect this strategic international business venture (Westerman, 2018). The changes in exchange rates, according to Westerman, could cause decreases in foreign demand, increases in labor and supply costs outside of the United States, and/or could reduce the American dollar value of revenues received from foreign markets. Disney likely prepared for potential troubles it may face when building upon and simplifying its already present and strong international brand presence. Nonetheless, it is important that the company continues to recognize factors such as these when setting prices and predicting demand internationally.

Specifically in terms of Disney's international success, its theme parks are of significant notability. It is not often that one single formula or strategy is successful around the world; Disney's parks are the exception. After finding such substantial success domestically with its parks in Florida and California, Disney then ventured into Tokyo, Paris, Hong Kong, and most recently, Shanghai (Sylt, 2015). According to Sylt, in 2014, prior to the opening of Shanghai's resort, 134.3 million consumers visited a Disney park somewhere across the globe. Contrary to what most may expect, the foreign location of a Disney park does not have an impact on the premises surrounding the parks that are often known as the "happiest places on Earth." This is a significant international feat for Disney considering this enables it to conduct one of its several international business ventures successfully and while remaining true to its brand.

Summary:

Overall, throughout the course of this research, it became apparent that it is possible to conduct highly successful business with noble attitudes. Having been taught business as a noble profession, it is something that has become incredibly important for me to implement in my own career; but it also has been deemed a rarity throughout my academic experience. My research of The Walt Disney Company, while likely does not cover every business venture or decision it has undertaken, leads me to believe that Disney works to conduct business as nobly as its resources allow. This is something that I admire, and that I was excited to learn more about as I approach graduation this May. Additionally, some significant learning points that I am eager to take into my own career include Disney's ability to focus on its own expansion through acquisitions and initiatives, while also persisting with its environmental and philanthropic goals. I, personally, decided to study marketing because I believe in selling memories and experiences to bring people together. Disney is especially known for doing just this, and my research made the possibilities of doing so, while also striving to improve the world, greatly apparent.

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