
It's A Small World After All: An International Analysis of The Walt Disney Company

Author: Coral Douglas

Faculty Sponsor: Linda McMullen

Department: Business and Nonprofit Studies

Abstract

This paper focused on a variety of business factors related to the Walt Disney Company at an international level through an examination of specific international business topics and use of examples in support of each topic. The paper includes a review of Disney's management structure, operational strategies, global reach, flexibility to accept opportunities, and effectiveness in combating sizeable challenges. Throughout the paper, The Walt Disney Company will generally be abbreviated to Disney.

Introduction

The Walt Disney Company is one of the largest entertainment businesses in the world. Beginning with one man and an idea, Disney has become a Fortune 500 company, with \$98.6 billion in total assets (NASDAQ, 2018). The Walt Disney Company supplies entertainment in customary ways, such as television, films, music, video games, but also in greater ways, such as grandiose cruise ships and amusement parks. Disney's success can be attributed to an excellent management structure, adaptable operational strategies, a prosperous global reach, and flexibility to accept opportunities and combat sizeable challenges. For all these reasons, Disney is especially worth observing from an international perspective.

Scope of Disney's Products and Services

The Walt Disney Company caters to many audiences in a thorough manner. Disney's scope of business appeals to a large range of ages, strategically targeted in a way to create a consistent wealth of income.

First, their movies appeal to their youngest audiences, with many parents commenting that not purchasing Disney movies and accompanying products led to a feeling of guilt (Bohas, 2015). Their next target audience are pre-teens, consuming television, music, and video games marketed towards a slightly older audience than their movies (Bohas, 2015). These are introductory-level media that establish brand awareness with younger audiences. Both media networks and studio entertainment combined create more than 50% of Disney's revenue, calculated to be over \$34 billion in 2018 (The Walt Disney Company, 2018).

Going further, after brand awareness and trust has been established, Disney markets its expensive provisions to families, selling vacations formulated on nostalgia. Disney's vacation offerings accounts for more than 34% of their annual revenue, as Disney parks and resorts generated over \$20 billion (The Walt Disney Company, 2018). This figure also includes the Disney Cruise Line, which accounts for 2.2% of the total market share for cruises (Cruise Market Watch, 2018).

Disney also generates significant revenue from licensing and merchandising. This accounts for toys and branded merchandising available online, through Disney retail stores, and through their Disney parks. In 2018, Disney's consumer products revenue was \$1.1 billion, and is expected to rise in upcoming years with new Star Wars and Marvel products (The Walt Disney Company, 2018).

Disney's International Management Structure

The Walt Disney Company is often viewed as a company to admire for their management structure. Their mission statement is reflective of and enforcing of their organizational culture in a way that takes precedent and establishes values. Walt Disney designated the company's "four keys," a type of core values statement for the Magic Kingdom's opening in

1971. In order of priority, the four keys are as follows: safety, courtesy, show and efficiency (Jones, 2015). This is just one of many principles that align Disney theme parks' management across the globe.

Organizational Values

Organizational values, unlike most other international management components, do not differ tremendously across country borders with Disney parks. This is due to an overt emphasis on specific organizational values. According to a case study done on the Walt Disney Company, the Disney recruitment process relies on "values, behaviors, and beliefs" (Ingelsson, Eriksson, & Lilja, 2012). The following is said about the importance of soft values over technical skills:

The recruitment process at the Disney Company focuses on hiring personnel with the 'right' values to become new members of the organization. This demand for great awareness among the leaders involves knowing which the right values are for the company. Of course, competence and skills also are important factors when hiring, but not as strong as having the right values. (Ingelsson, Eriksson, & Lilja, 2012, pp. 7)

Disney also focuses on the values associated with teamwork. According to a current Disneyland Paris resorts staff member, teamwork is emphasized as a vital function to engineering a guest's experience (M. Langer, personal communication, April 23, 2019). According to Maddie Langer, a participant in the Disney College Program within Disneyland Paris, "Disney management stresses teamwork as a necessary and beneficial role in serving guests, because every Disney staff member has to be able to work with any other staff member in order to create a meaningful and memorable experience for guests" (M. Langer, personal communication, April 23, 2019).

The concepts of core values are also prevalent in Disney theme parks due to the scarcity of constant management. Disney parks differ from smaller establishments in terms of scale and size. Due to this, superiors do not constantly supervise many of Disney's employees. Destiny Savenger, an Epcot tram driver spoke about independence in the Disney system:

"Working at Disney can be very independent, depending on the role. We do not focus on who is above us in the management system, as we do not see them often. Since our jobs do not change daily, we follow a main, guiding principle: to create happiness" (D. Savenger, personal communication, April 24, 2019).

Core values play an important role within Disney culture, but so does the overall organizational culture.

Because of Trompenaars, international business culture can be classified by organizational culture as well. Disneyland can easily be classified as a guided missile culture. The guided missile organizational culture has a domestic nature. This means that employees are evaluated based on individual performance. Also, employees are required to be focused on results (Francesco and Gold, 2005). This is important to consider when comparing work culture alongside different international cultures, as individualistic nations might favor a guided missile culture, whereas a less individualistic culture might not adapt easily to this performance system. This was the case for Disneyland Paris in France.

Parisian Management Issues

Though Disney values may transcend border lines, internal culture within international Disney properties may vary. For example, Disneyland Paris is managed differently from Disney World due to the cultural differences between the average American citizen and the average French citizen. When Disneyland Paris first opened, many employees were unsettled by the management approach used (Matusitz, 2010). Employees were underpaid per French custom, and labor policies were conflicting with employee expectations (Matusitz, 2010). On top of this, English was designated as the official business language during meetings, even if most attendees were French (Matusitz, 2010). To add to the language debacle, park staff had to be completely bilingual (Matusitz, 2010).

Disneyland Paris had many management issues with beginning establishment. Employees were required to adhere to a strict dress code, which conflicted with French culture's perception of appropriate protocol. Women employees were shocked with the "invasiveness of Disney's policies," as the dress code mandated everything from nail polish to mascara color (Matusitz, 2010). Disneyland Paris also was unable to abide by USA Disney's protocol of constant smiling, as French employees felt uncomfortable displaying false smiles (Matusitz, 2010). This concept of 'emotional labor' denoted that employees exhausted themselves with artificial emotions, leading to an "emotional dissonance between inner feelings and outer expression" (Matusitz, 2010).

For all the above reasons, Disneyland Paris was not an immediate success. American management lacked perception and comprehension of French culture, leading to a few years of chaos. To address these issues, Disney eventually completely changed their management strategy in France. Disney changed from ethnocentric staffing (sending one of the original organization's members abroad to manage) to polycentric staffing (hiring local managers to fill management positions) (Matusitz, 2010). Polycentric staffing is done to minimize cultural challenges by hiring locally,

especially when the hiring company feels that only locals can manage effectively (Business Dictionary, 2019). This eventually led to the success and rebranding of Disneyland Paris.

Operational Strategies

Disney has also been quick to adjust their operational strategies when situations are not positive. In their theme parks, they have become clear leaders in the technological realm. In their media releases, they have become groundbreaking forces, pioneering animation and film. This is due to their ability to strategize effectively, as well as their ability to make quick adjustments when plans fail unexpectedly.

Managing Change

Disney, as explained previously, is one of the largest companies in the world. Therefore, change and adaptability are important concepts, considering the scale on which change would need to happen quickly. Lee Cockerell, the former Vice President of Operations for Disney World, explains this in many of his business help-books. According to Cockerell, “Change should be a part of the culture of your organization. If your organization does not have a culture of change, you will face resistance when it happens” (Cockerell, 2016). Cockerell also explains the operational changes needed to institute drones in their light shows (Cockerell, 2016). Having fluent change in Disney’s operations is key to pivotal advancement and advantage in the theme park industry.

In recent years, Disney has been changing many policies for its theme parks, resorts, and cruises. Just recently, Disney parks across the globe have ruled out plastic straws and drink stirrers (Burns, 2018). They are also planning to transition to refillable amenities and toiletries in their resorts and cruise ship rooms, reducing the amount of single-use plastic within their company (Burns, 2018). This is not only a smart public relations change; this is a smart economic change, as not having to buy plastic for every guest on their property will reduce unnecessary costs.

Changing Operational Strategies in China

Disney changed their operational strategy in China when guests left increasingly negative feedback. This was not due to the management, but directly due to the way in which Disney operated Hong Kong Disneyland. Because of their operational flexibility, Disney was able to regain the Hong Kong attraction market.

To begin, it must be noted that Disney intended for the culture difference between America and Hong Kong. According to an article by Schuman and Ressler, the park’s designers brought in feng shui experts for optimal cohesion (Schuman & Ressler, 2005). They even opened the park on a ceremonially important opening day, for good luck (Schuman & Ressler, 2005). The Hong Kong Disneyland team prepped for as many culturally significant differences as they could find, even including dressing Mickey Mouse in a “red-and-gold Chinese suit” and offering “to serve shark fin soup” (Schuman & Ressler, 2005). However, all these desperate attempts to blend into Hong Kong’s surroundings seemed conspicuous to the locals (Schuman & Ressler, 2005). Disney also did not expect for visitors to take so many pictures, as many guests would take pictures on rides while standing up for a better view, risking safety (Juan, 2007). Finally, the park is notably smaller than the rest of Disney parks, earning some bad reviews due to its size (Juan, 2007).

In response to these issues, Disney stopped selling shark fin soup, to the thankfulness of many environmentalists (Schuman & Ressler, 2005). Disney also installed replicas of each ride installation, to allow their guests to take pictures of the rides’ features (Juan, 2007). Disney also boosted the amount of character interaction zones, to accommodate the photography-driven crowd. Finally, to address the size of the park, Disneyland Hong Kong has focused on expanding (Tsang, 2019). As of April 2019, Disneyland Hong Kong will raise their daily ticket price by 3% in order to finance two large expansions in upcoming years: A Frozen-themed land, and a Marvel-themed land (Tsang, 2019).

Global Reach

In 2016, Disney overtook Lego in the fight for the title of “strongest global brand.” According to *Marketing Week*, Disney surpassed Lego with the acquisition of the Star Wars and Marvel brands (Hobbs, 2016). According to Hobbs, “brand strength is calculated by focusing on marketing investment, brand equity (the goodwill accumulated with customers, staff, and other stakeholders) and the subsequent impact on business performance” (Hobbs, 2016). Therefore, in these aspects, Disney is the strongest brand in the world.

Emotional Branding

Disney has also captured the world through emotional branding. Through their historical presence, Disney has channeled their brand towards nostalgia, affecting children from a noticeably early age. In the United States, Disney is a

cultural brand, and children are exposed to Disney's marketing through superfluous means. Some of these being catchy songs, purposely designed to spark wistfulness after not hearing them for a few years (Ruffalo, 2014). Disney also sparks emotional branding through offering their parks guests with multisensory experiences (Ruffalo, 2014). Appealing to a child's sight, sound, smell, and taste senses can clearly have an impact on young children.

Nostalgia

Moreover, Disney has proven that nostalgia is an extremely effective business strategy, as Disney's live-action remakes have drawn in copious amounts of viewers. Disney's live-action remake of *Beauty and the Beast* was able to topple box offices, "bringing in \$170 million and surpassing both analyst expectations and even Disney's own estimates" (Johnson, 2017). The following was said by Johnson about Disney's use of nostalgia:

"Nostalgia is a lucrative path to travel down, and the media giant knows just the right strings to pull to make you smile widely as you buy movie ticket after movie ticket to see your favorite animated characters come to life." (Johnson, 2017)

International Nostalgia

In fact, *Beauty and the Beast* did exceptionally well overseas, showing that Disney nostalgia is international. The blockbuster had a \$438.3 million domestic total, and a \$564.1 million overseas total (Mendelson, 2017).

Disney has an international brand awareness and similar international loyalty. Though Disney is not as popular in other countries as it is in the United States, many international customers report the same level of nostalgia as those in the United States. According to a book by Fabienne Darling-Wolf, "cultural texts from the United States have historically been globally influential, [and] their consumption held an element of nostalgia for many viewers, including those growing up outside of the United States" (2015).

Flexibility to Accept Opportunities and Combat Sizeable Challenges

Even for an international company, Disney is a very large organization. Walt Disney's global revenue for 2018 was \$59.43 billion U.S. dollars (Walt Disney, n.d.). This has been steadily increasing every year, as Disney expands and invests in new enterprises (Walt Disney, n.d.). As of September 2018, Disney employed 201,000 employees (The Walt Disney Company, 2018). These are large figures, testifying to Disney's sturdy structure. This serves as a basis for identifying Disney's ability to accept opportunities and combat sizeable challenges.

Accepting Opportunities

As a major American company, increasing their international reach is still seen as a business opportunity for Disney. This opportunity was tested in a creative way through Disney Shanghai. In order to finance the resort, Disney partnered with the state-owned Shanghai Shendi Group, giving them 57% of the shares of Shanghai Disney, with the Walt Disney Company holding the other 43% (Shanghai Disney Resort, 2015). In terms of management, a joint-management company was also created "with Disney having a 70% stake, and Shanghai Shendi Group having a 30% stake" (Shanghai Disney Resort, 2015). This venture has been one of Disney's largest yet, as Disney sees the Chinese market as vital in order to continue global expansion.

To avoid another theme park cultural fiasco, Disney and Shanghai Shendi took calculated measures to make Disney Shanghai unique. According to Tribune News, "the company hired Chinese architects and designers and sent teams around China researching ways to incorporate Chinese cultural elements" (2016). Disney also allowed for nuance, ditching the Main Street USA trope for a more fitting garden aesthetic (Tribune News, 2016).

Facing Challenges

As one of the largest media producers for children, Disney acquires a great responsibility to create and stay ahead of trends in children's entertainment. One of the challenges that Disney could face are the shifting standards in children's entertainment. Before our latest technological advancements, children were placed in front of TVs for entertainment. Now, children are exposed to content on mobile phones, tablets, and through gaming consoles.

With this broad of a focus, it is a challenge to expertly represent Disney in each market. In fact, Disney has recently stated that it will cease to publish video games (Crecente, 2019). Instead, they will rely on Electronic Arts (EA) to license Disney properties in order to stay afloat in the video game market (Crecente, 2019). Even though this may seem unfortunate for Disney, EA is a successful company that will not cease licensing from Disney, growing the brand strength

and leaving better feedback for the Disney name. EA has a strong international presence as well, as half of 59% of their 2018 total net revenue came from international sales (EA, 2018).

Conclusion

The Walt Disney Company spans many different entertainment fields, marketing to children and parents internationally. Through their global expansion, Disney has seen successes along with failures, as they continue to learn more about the cultural factors of international business. However, their experiences within management structure and operational strategies are suitable lessons for future companies to learn from. Understanding Disney's brand strength and global reach can also benefit international businesses. Finally, observing the ways that Disney accepts opportunities and challenges on a global scale can help inform future international business decisions. For these explanations, Disney is especially worth understanding as a successful international business.

References

- Bohas, A. (2015). Transnational firms and the knowledge structure: the case of the Walt Disney Company. *Global Society: Journal of Interdisciplinary International Relations*, 29(1), 23–41.
<https://doi.org/10.1080/13600826.2014.961126>
- Burns, J. (2018). Disney announces plan to drop plastic straws and stirrers by 2019. Retrieved from <https://www.forbes.com/sites/janetwburns/2018/07/27/disney-announces-plan-to-drop-plastic-straws-and-stirrers-by-2019/#448d29c11581>
- Cockerell, L. (2016). Managing change in an organization. Retrieved from <https://www.leecockerell.com/managing-change/>
- Crecente, B. (2019). Disney says it's never been good at video games. Retrieved from <https://variety.com/2019/gaming/news/disney-video-game-star-wars-ea-1203129606/>
- Darling-Wolf, F. (2015). Imagining the global: transnational media and global audiences. In *Imagining the Global: Transnational Media and Popular Culture Beyond East and West* (pp. 124-141). ANN ARBOR: University of Michigan Press. Retrieved from <http://www.jstor.org/stable/j.ctv65sw7r.10>
- Electronic Arts. (2018). Fiscal year 2018. Retrieved from https://s22.q4cdn.com/894350492/files/doc_financials/annual/2018/2018_Proxy_Statement_-_Annual_Report_Book_-_FINAL.pdf
- Francesco, M. and Gold, A. (2005) International organizational behaviour 2nd Ed. Prentice Hall, New Jersey.
- Hobbs, T. (2016). Star Wars success helps Disney overtake Lego as the world's most powerful brand. *Marketing Week*, 1-2.
- Ingelsson, P., Eriksson, M., & Lilja, J. (2012). Can selecting the right values help TQM implementation? A case study about organisational homogeneity at the Walt Disney Company. *Total Quality Management & Business Excellence*, 23(1), 1–11. Retrieved from <https://doi.org/10.1080/14783363.2011.637801>
- Johnson, M. (2017). With live-action remakes, Disney is banking on nostalgia. *NASDAQ*. Retrieved from <https://www.nasdaq.com/article/with-live-action-remakes-disney-is-banking-on-nostalgia-cm763129>
- Jones, B. (2015). Why courtesy is not always our first priority. Retrieved from <https://www.disneyinstitute.com/blog/disney-customer-service-101-why-courtesy-is-not-always-our-first-priority/>
- Juan, Z. (2007). Disneyland -- Hong Kong's newest cash cow. *China Today*, 56(7), 28–30. Retrieved from <http://search.ebscohost.com/login.aspx?direct=true&db=a9h&AN=25830455&site=ehost-live>

-
- Langer, M. (2019, April 23). Personal interview.
- Matusitz, J. (2010). Disneyland Paris: a case analysis demonstrating how glocalization works. *Journal of Strategic Marketing*, 18(3), 223. <https://doi.org/10.1080/09652540903537014>
- Mendelson, S. (2017). 'Beauty and the Beast' passes \$1 billion as Disney and Universal rule the box office. Retrieved from <https://www.forbes.com/sites/scottmendelson/2017/04/13/beauty-and-the-beast-passes-1-billion-as-disney-and-universal-dominate-top-tier-box-office/#6d47292322f4>
- NASDAQ. (2018). Annual income statement, Disney. Retrieved from <https://www.nasdaq.com/symbol/dis/financials?query=balance-sheet>
- Polycentric staffing. BusinessDictionary.com. Retrieved May 04, 2019, from BusinessDictionary.com website: <http://www.businessdictionary.com/definition/polycentric-staffing.html>
- Ruffalo, R. (2014). Emotional Branding -- Can You Feel It? *Global Cosmetic Industry*, 182(5), 18–21. Retrieved from <http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=96265103&site=eds-live&scope=site>
- Schuman, M., & Ressner, J. (2005). Disney's Great Leap into China. *TIME Magazine*, 166(3), 52. Retrieved from <http://search.ebscohost.com/login.aspx?direct=true&db=mih&AN=17575001&site=eds-live&scope=site>
- Shanghai Disney Resort. (2015). Company fact sheet. Retrieved from <https://web.archive.org/web/20140728231805/http://en.shanghaidisneyresort.com.cn/en/press/company-information/fact-sheet/>
- Tribune News. (2016). How Disney made sure Shanghai Disneyland doesn't put off Chinese visitors. Retrieved from <https://www.scmp.com/lifestyle/travel-leisure/article/1988450/how-disney-made-sure-shanghai-disneyland-doesnt-put-chinese>
- Tsang, D. (2019). Struggling Hong Kong Disneyland to raise ticket prices by 3 percent. Retrieved from <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3007339/struggling-hong-kong-disneyland-raises-one-day>
- Walt Disney. (n.d.). Global revenue of the Walt Disney Company in the fiscal years 2006 to 2018 (in billion U.S. dollars). In *Statista - The Statistics Portal*. Retrieved May 4, 2019, from <https://www.statista.com/statistics/273555/global-revenue-of-the-walt-disney-company/>
- The Walt Disney Company. (2018). Fiscal year 2018 annual financial report. Retrieved from <https://www.thewaltdisneycompany.com/wp-content/uploads/2019/01/2018-Annual-Report.pdf>