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Case Four: Disney

Introduction

Disney needs to re-establish its creativity if it wants to continue its growth. From 1984 to 2000, CEO Michael Eisner grew Disney from 28,000 employees to 110,000 employees, largely due to expansions into numerous entertainment industry segments. This growth, coupled with an increasingly competitive culture, led to management and creativity losses, resulting in financial problems and a drop in growth during the late 1990s. This paper will discuss the course of action Disney should take by looking at the benefits and problems from Eisner's expansions.

Benefits from expansion

- Innovation: Disney initiated new business strategies such as using retail to promote films.
- Synergy: Disney successfully cross-promoted brands across its divisions. For example, Disney stores sold Disney merchandise based on Disney films.
- Large market: International expansion and steady acquisition of new divisions gave Disney access to multiple segments of the entertainment industry.

Problems from expansion

- Aggressive Culture: Disney's culture became increasingly combative during Eisner's years, harming morale. Eisner encouraged conflict through such measures as requiring managers to argue with each other to promote ideas or to get funding.
- Culture clashes: Acquisitions and expansions led to cultural problems between some divisions. One example is ABC executives not adapting to Disney's competitive culture.
- Loss of creativity: As Disney's culture became more and more competitive, many creative executives left the company.
- Lack of leadership: Deaths and departures left Disney without a president for years at a time, leaving Eisner to run the company largely by himself.
- Image damage: Disney's expansions, especially in movies and television, led it to make choices that harm its family-friendly image.
- Financial slumps: Towards the end of the 1990s, growth slowed and revenues declined.

Outside Problems

- Changing markets: Some Disney practices such as licensing movie-based merchandise have begun to lose their novelty, leading to declining sales.
- Increased competition: Many market segments are seeing the rise of successful competitors. One example is Nickelodeon's success in children's television.

Conclusion

Disney needs to foster a more supportive environment for creativity if it wants to grow more. Many of Disney's business practices have begun to lose their novelty and are facing increased competition, making new practices necessary for growth. Disney's competitive culture, however, is pushing away many of the creative executives that it relied on to achieve its initial growth.