Strategic Plan for Disney

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Introduction

The Walt Disney Company represents a truly immense organization composed of four strategic business units (SBUs) which, with the consideration of the consolidated revenue, represented roughly a whopping 35.5 billion dollars in 2007. The four SBUs are Disney Consumer Products, Studio Entertainment, Parks and Resorts, and Media Networks Broadcasting , and these can be further subdivided into 28 categories and are composed of a plethora of brands. The only two fundamental commonalities that can be deduced upon inspection of the entirety of the Walt Disney Company's holdings are entertainment and information. Every business activity the organization is engaged in is related in some manner to providing its consumer base entertainment and/or information.

Despite the two commonalities of the Walt Disney Company's activities, there exists a tremendous spectrum of variety in its operations. One of the growth strategies that have helped the conglomeration reach its current level of success is the fact that the organization has expanded, both vertically and horizontally, into new markets by targeted segmentation. In most cases, it reaches these market segments with an acquired brand, such as ESPN, ABC, and Miramax Films. Furthermore, it is only through the diversification in branding that Disney has grown simply because the children's brand is comparatively limited in terms of the target demographic. It is also the same diversity that minimizes the systemic risk involved with operating in too narrow of a portfolio.

Disney's Current Published Mission Statement

Walt Disney's does not have a published vision statement. However, their current mission statement can be found on their website (The Walt Disney Company, n.d.). The current mission statement reads as follows:

> The mission of The Walt Disney Company is to be one of the world's leading producers and providers of entertainment and information. Using our portfolio of brands to differentiate our content, services and consumer products, we seek to develop the most creative, innovative and profitable entertainment experiences and related products in the world.

The mission statement is subject to criticism and seems almost as if it is outdated. For example, Walt Disney is already one of the world's leading producers of the goods and services it markets. Therefore, there is no direction or purpose inherent in this statement other than the maintenance of its current position. Furthermore, Disney's Media Networks accounts for the largest revenue generator (43%) among different SBUs. However, it almost seems as if the role of information provider is somewhat downplayed by the restating of their dedication to entertainment in the second part of the mission statement. With these criticisms in mind, an updated version of the mission statement will be proposed.

Proposed Mission and Vision

The proposed mission statement for the company is slightly lengthier but retains the overall composition of the current statement with slight alterations to incorporate the points mentioned. The proposed statement reads as follows:

> The mission of The Walt Disney Company is to be the largest and most trusted producer and provider of entertainment and information. Using our portfolio of brands to differentiate our content, services and consumer products, we will become the most responsive and adaptable to serve the needs of the consumers' in our target markets. We will maintain our integrity and adhere to the core values upon which our company was founded as we create the most innovative and profitable entertainment experiences, most reliable and relevant informational services, and related products in the world.

It is also important to consider the fact that Disney's diversity prohibits the possibility of creating an encompassing mission statement for all of its various activities. This undoubtedly reduces the possibility that a vision statement could successfully align all of the different divisions. Consequently, this may be the primary reason why the company does not have a published vision statement. Disney's main competitor, Time Warner, has an even less substantial published statement. As opposed to a conventional mission statement, Time Warner publishes a list of core values (Time Warner Corporate, n.d.). The diversity of these companies would only make such statements relevant at the divisional level.

Disney's External Threats and Opportunities

The individual external threats to Walt Disney are equally as diversified as the company itself. However, one of the greatest potential risks to the overall aspirations of the company is rooted in the protection of its brand(s) image and credibility. The incredible history of the Walt Disney Company and its positive reputation are deeply engrained within the United States' cultural heritage and as well as around the world. This is also evident in the fact that Walt Disney's balance sheet boasts exorbitant amounts of intangible assets and goodwill. According to the company's balance sheet in 2007, Disney accounted for over 24 billion dollars in intangible assets. Intangible assets are inherently more subject to risks than more traditional assets. Therefore, a balance must be achieved that embraces diversity in branding but also maintains a healthy risk adversity to any potential threats to its brand(s) integrity.

Competitive Profile Matrix

The Competitive Profile Matrix has been applied to Walt Disney and how they rate with regards to their closest competitor, Time Warner. Although this method of analysis provides some insights to the competitive landscape, it must be noted that the two competitors do not operate along the same lines. Disney has carved out its own niche position

over the years and it operates through a unique portfolio that only directly competes with Time Warner on one front, the Media Network. Therefore, this analysis should only be considered on a superficial level as it may not accurately represent the state of competition between the said companies.

Critical Success Factors	Weight	Walt Disney	Weighted	Time Warner	Weighted
Advertising	0.2	4	0.8	3	0.6
Product Quality	0.1	2	0.2	3	0.3
Price Competiveness	0.1	2	0.2	2	0.2
Management	0.1	4	0.4	3	0.3
Financial Position	0.15	4	0.6	4	0.6
Customer Loyalty	0.1	4	0.4	3	0.3
Global Expansion	0.2	3	0.6	3	0.6
Market Share	0.05	3	0.15	4	0.2
Total	1		3.35		3.1

Table 1. External Factor Evaluation

Key External Factors			
Opportunities	Weight	Rating	Weighted Score
New Market Segments	0.08	4	0.32
New Global Markets	0.1	2	0.2
New Attractions for Theme Parks	0.05	3	0.15
Movie Opportunities	0.1	3	0.3
New Media Channels	0.1	4	0.4
Web Opportunities	0.04	2	0.08
Inventory Management	0.03	3	0.09
Product/Service Versioning	0.04	3	0.12
			0
Threats			0
Fierce Competition for all SBUs	0.1	3	0.3
Maintaining Product Differentation	0.05	3	0.15
Recession	0.06	2	0.12
Controlling Intellectual Properties	0.08	3	0.24
Maintaining Brand Image	0.1	3	0.3
Embedded within US Culture	0.04	2	0.08
Activists - Religious, Animal, Sexual Content	0.03	1	0.03
	1		2.88

Table 2.

Disney's External Factor Evaluation reveals that the organization operates within an incredibly complex environment, yet, it has a plethora of opportunities. These opportunities can be generally reduced into one of two activities; they vertically expand into new market segments or horizontally expand into new markets all together. The opportunities also generally require an innovative approach to manifest their success, in which Disney has rich supply of historical examples.

The major threats that Disney faces include protecting their intellectual properties, especially in the Studio Entertainment division, as well as threats generated by an economic downturn. Most of Disney's products and services are priced at a premium and therefore subject to risk in a recessionary period. Another major threat is the fierce level of competition that each SBU faces independently. There are several competitors in the Theme Park industry

but when it comes to movies and television, the number of rivals are too numerous to even mention.

Disney's Internal Strengths and Weaknesses

Disney's internal strengths are composed mainly of the company's innovative leveraging of its financial prowess and tremendous brand recognition to move vertically and horizontally into new markets. Innovation has been at the core of Disney's organizational culture virtually from day one. The fact that their portfolio is so diversified also offers the company substantial advantages in terms of risk mitigation. Consequently, this offers a layer of protection against any macroeconomic turbulence.

One major weakness that Disney is currently facing is the return on investments allocated to the Studio Productions. This is undoubtedly a consequence of piracy in the movie industry. The case mentions the loss of income generated in terms of the required investment as a major concern for the company. Disney's diversity offers a competitive advantage in the movie industry when compared to other production firms that only operate in that one particular industry. However, the loss of the profit margins that movies once generated is a troubling predicament for management.

Internal Factor Evaluation

Key Internal Factors	Weight	Rating	Weighted Score
Strengths			
Targeted (SBU) Approach	0.14	4	0.56
Diversified Portfolio	0.1	4	0.4
Inventory Reduction	0.07	3	0.21
Cable/Satillite Growth	0.11	3	0.33
Innovative On-Demand Products	0.09	3	0.27
Successful Version Efforts	0.08	2	0.16
Weaknesses			0
Studio Entertainment ROI	0.1	2	0.2
Control Over SBUs	0.12	3	0.36
Complicated Theme Park Growth Strategy	0.06	2	0.12
Product Differentation	0.13	2	0.26
	1		2.87

Table 3.

SWOT Analysis

As previously mentioned, the diversity of the Walt Disney Company holdings makes many traditional forms of analyses irrelevant at the corporate level. One of the primary advantages of the SBU structure is that it allows the individual divisions to tailor their strategies to fit the needs of their specific market. For example, a Porter's Five Forces analysis would include a barrier to entry force which could only be accurately constructed for each individual market where the corporation operates in. Trying to encompass the vastness of operations into a single organizational strategy requires a very broad and generalized vantage point. To achieve this, a simple SWOT analysis is conducted to maintain the perspective required in compiling the effects of diversity into a single analysis.

Strengths

- Stable Revenue and Profit Growth
- Diversified Portfolio
- Tremendous Brand Recognition

- Responsiveness to Markets
- Substantial Asset Holdings

Weaknesses

- Top Tier Management Turnover
- Redundancy in Business Functions Due to SBU Structure
- Inclusion of High-Risk Investments in Holdings
- Lack of Corporate Control over Divisions
- Growth Barriers in Theme Parks

Opportunities

- Continued Growth through Further Diversification
- New Markets Available for Expansion (Foreign Opportunities)
- Potential for Enhanced Web Presence
- Further Penetration of Target Markets through Versioning
- Knowledge Management-Information Transfer

Threats

- Loss of Control over SBUs
- Recession
- Negative Publicity
- Fierce Competition
- Poorly Integrated Acquisitions

Recommended Strategies and Objectives

The recommended strategies for the Walt Disney Company are composed of initiatives on two separate fronts. First SBUs must continue to strengthen operations by identifying new opportunities in the current target markets. This recommendation lies squarely in the skill set of management and there are several examples of innovation that have already been implemented. Such examples include the investment in video on demand technology with Cox Communications and the new attractions that are being planned for the theme parks.

However, the most striking example of innovative ideas is Disney's real estate venture that takes their "magic" to a whole new level. In this case, Disney successfully

leveraged its incredible brand recognition in the real estate market by creating communities with their image marketing theme coupled with their branding, and consequentially adding value to the consumer. The initial phase of this project was a success, selling over 6,000 homes at a premium, and further communities are now in the works (Reso, 2010).

This type of innovative leveraging of the Disney brand represents the second strategy recommendation. Their endeavors into new markets, both in and out of the SBU structure, must maintain Disney's values and be fully compatible with either their entertainment niche or also possibly along the informational divisions. Another example that falls within the traditional SBU structure with regards to growth through acquisition that has proven successful is Disney's acquisition of Pixar Entertainment (La Monica, 2006). This move was completely in line with Disney's strong roots in animation and not only acted to benefit that individual SBU, but also strengthened the brand as a whole. Also, they now have veteran innovator in the form of Steve Jobs on the board since Jobs was the CEO of Pixar.

Strategy Implementation

For 2008, to continue its growth ambitions, Disney must continue its innovative developments from within the traditional SBU structure. Moreover, it must scan for opportunities, such as the real estate venture, which lie outside the traditional hierarchy. To achieve this growth, Disney Corporate must not only foster the culture of innovation that builds from a bottom up approach through the SBU hierarchy. In fact, it must also be innovative itself in identifying new opportunities. This requires a corporate project coordination team that will engage in projects management until the point when the project has been integrated into the SBUs or when it becomes a standalone SBU in the future.

To maintain the level of innovation already exhibited in the SBUs, Disney must constantly revitalize the organization so that the culture does not become stagnant at any point. This will translate into giving them the room needed for creativity, and also providing

incentives and rewarding the most successful cases. Walt Disney himself had a pretty unique system to generate creativity (Mycoted, n.d.). It is important that the acquired conglomeration of separate activities not lose sight of such a foundation in the face of the pressures produced from the modern business environment.

With the goal of innovation implemented through acquisitions and new projects and a new division to house a project management team and acquisition team, acquisitions generally lie within the realm of specialized project management so the group can simply be referred to as the project management coordination office. The project management team will work to inject the field's best practices into both the SBUs' projects as well as into the corporate projects. The role of the team is to coordinate and monitor projects without stifling any creativity from the project team. Research shows that projects, when utilizing project management best practices, are vastly more successful. It is difficult to forecast how much revenue this will generate but it can be compared to the current growth in net profits.

Net Income in Millions		
2004	2345	% Growth
2005	2533	8.02%
2006	3374	33.20%
2007	4687	38.92%
		Target
2008	6561.8	40%
2009	9186.52	40%
2010	12861.13	40%

Table 4.

Between 2004 and 2007, Disney has experienced a tremendous growth in net income. To maintain such exponential growth rate is unconceivable so the target growth rate is set slightly higher than the increase since the rate of increased profitability is already almost unfathomable.

The project coordination team should budget no less than 20 million in 2008 and allow a 10 percent growth in salaries per year. Since the target rate of return is now set at 40 percent, the net present value of this expenditure can now be calculated.

Project Coordination Division Costs			
Cost in Millions			
2008	20	NPV Cost	$34.33
2009	22		
2010	24.2		

Table 5.

Therefore, the expenditure would be justified if the project coordination team succeeds in maintaining the current growth. Another advantage to centralizing the project process would be that the net present values could compare among all the divisions. For example, the project return threshold point should obviously be 40 percent. However, if a certain project in a SBU is 80 percent while another is 50 percent, then both would be worthwhile, but a centralized team could prioritize the funding based on the projected returns.

Simplified Consolated Income Statement w/ Centralized Project Coordination (In Milions)							
	2004	2005	2006	2007	2008	2009	2010
Revenues	30752	31944	34285	35510	37681.8	40908.52	45135.33
Costs & Expenses	26704	27837	28807	28729	29000	29500	30000
Other Expenses & Taxes	1703	1574	2104	2094	2100	2200	2250
Project Coordination	0	0	0	0	20	22	24.2
Net Income	2345	2533	3374	4687	6561.8	9186.52	12861.13

Table 6.

Annual Objectives and Policies

The annual objectives and policies proposed consist of identifying opportunities for acquisition or entering into a new market, creating a project team to capture the opportunity, and moving into operations management among various time intervals. This proposal recommends that the project portfolio be evaluated quarterly. Each separate SBU should, for the most part, have freedom to decipher the projects scope, schedule and budget while a corporate team also leads initiatives that fall outside of the realm of the traditional SBU structure. The centralized project coordination office will then have the ability to compare the proposed net present value (or other chosen metrics) among all projects across the traditional divisional lines to make sure that the projects with the greatest benefits secure funding and all projects follow a set of best practices. Centralization of this unit also opens the doors to creating a knowledge management base that can also be shared across divisional lines. The key advantages of this method are:

- Retain corporate control over acquisitions and projects
- Allow the SBUs freedom for creativity while maintaining functional efficiencies
- Maintain aggressive profit growth by funding projects with the greatest NPV

It is recommended that the project coordination team be developed to maintain project management best practices without being overly intrusive to the project's objectives. Also, acquisitions must be monitored as well since these will represent a bulk of the company's growth strategy. Subsequently, change management practices must be adhered to during such integrations. Disney must also be cognizant of the corporate culture that is subject to any acquisition to ensure that integration does not come with insurmountable resistance.

Timeline for Integration of Project Coordination Office

- Year One
  - Q1
    - Acquire Top Talent in Project Management and Acquisitions

        - Acquire Office Space
        - Begin Teambuilding
    - Q2
        - Allow Team to Assimilate into Disney's Culture
        - Compile Portfolio of Current Projects
        - Announce Organizational Change
        - Provide Workshops to SBUs about Process Changes
    - Q3
        - Pull the Trigger on New Project System
    - Q4
        - Conduct First Annual Evaluation
        - Reengineer Process (If Necessary)
- Year Two
    - Q1-Q3
        - Build Knowledge Base
        - Diversify Project Portfolio
        - Spread Project Management Education of Best Practices
    - Q4
        - Conduct Annual Evaluation
        - Reengineer Process (If Necessary)
- Year Three
    - Q1-Q3
        - Maintain Project Portfolio
    - Q4
        - Conduct Annual Evaluation
        - Reengineer Process (If Necessary)

Strategy Review and Evaluation

Ultimately, the proposed focus on innovation and acquisition must be subject to evaluation, and the scorecard for all businesses is written in economic terms. Within the four primary SBUs, such evaluations are comparatively simple to conduct due to the large amount of historical performance data available. New projects and acquisitions require more craft in terms of evaluations but these can be compared with the net benefit analysis produced before the project's inception to provide a measure of success.

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