

A diagnostic analysis of Disney's corporate entrepreneurial framework

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Abstract: It has been more than 100 years since Walt Disney was founded in 1923. It has branches all over the world with more than 200,000 employees. Disney is the animation, park and other fields of the leader, and has cultivated a number of well-known IP, and acquired such as Marvel IP. This paper will analyze Disney from eight dimensions of entrepreneurial diagnosis, including strategy, culture, challenges, external stakeholders and innovation networks, organizational framework, operational procedures, uncertainty and failure of the company's future development, and the company's learning ability. In this paper, an objective evaluation of the changes Disney has taken in the past year, such as changing the leadership, acquiring other companies, and developing new global businesses, and finally put forward some suggestions for the future development of the company.

Keywords: Disney, Diagnose, strategy, culture, challenges, stakeholders, organizational structure, process, failure, learning

1. Introduction

The Walt Disney Company is 100 years old since it was established by Walt Disney and Lloyd Disney on October 16, 1923 ^[1]. The Walt Disney Company has established subsidiaries around the world and employs over 200,000 people full-time worldwide. The Walt Disney Company's businesses include: the Theme Parks, Experiences and Consumer Products division, the Media and Entertainment Distribution division. It also has three content segments: motion pictures, mass entertainment, and sports, collectively concentrating on developing and producing content for direct service consumer platforms, theatres, and cable platforms ^[2]. Over the last five years, Walt Disney's operating results have been more subdued since 2019 due to the impact of the COVID-19 epidemic. While operating revenues have risen from \$55.1 billion to \$67.4 billion, keep the pace of an average annual growth rate of 4%, Disney's gross and net profits have both decreased markedly ^[3]. In recent years, however, Disney has placed emphasis on the integration of creativity and industry, incorporating technology to create modern theme parks ^[4]. At the same time, Disney has focused on growing in the digital industry and has attracted a large number of users through its Disney+ business (Figure 1). Disney's DTC business has generated a significant amount of revenue for Disney, accounting for an increased proportion of the total business (Figure 2). In addition, Disney has focused on innovation in its products - new IPs.

Disney + Suscribers- Million

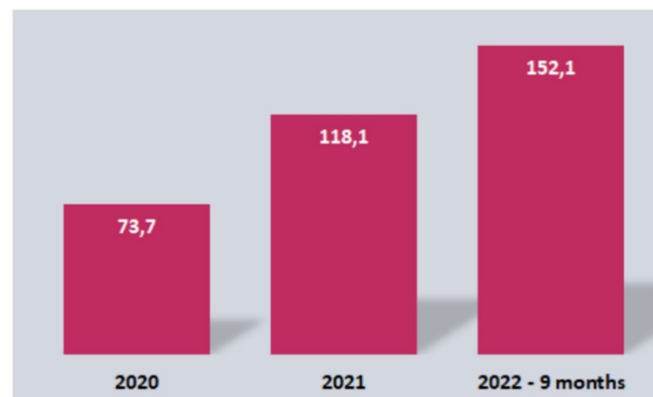
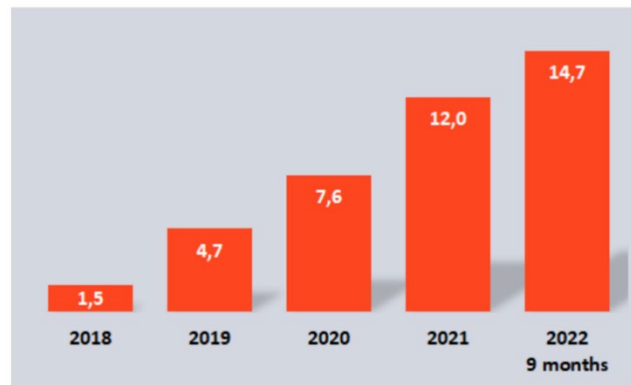


Figure 1 Disney + Suscribers- Million

Disney's DTC Revenues - US\$ billion

*Figure 2 Disney's DTC Revenues - US\$ billion*

2. Diagnose the eight dimensions

2.1 Strategy

Disney's core competency is the creation of a large number of quality IPs. Disney has accumulated a large number of competitive quality IPs through years of cultivation and acquisition. Compared to other companies, Disney not only has a large number of top IP resources, but also has built its business empire around these IPs, forming a closed-loop IP industry chain. This makes it extremely difficult for competitors to imitate. At the same time, most of Disney's own innovative IPs revolve around the theme of love and family, which targets the female and children's markets, but lacks coverage of the male market. Thus Disney has the need to cater to the male market by acquiring Marvel, Lucas and portraying superheroes^[3]. He fulfills the needs of his customers and provides them with the ultimate benefit value.

Disney excels at being able to reconfigure the organisation and current opportunities quickly in response to external changes. Throughout its 100 years of existence, Disney has had different strategies to deal with the challenges of the market at each stage. Disney has gone from self-nurturing IPs in the beginning to continuously acquiring other IPs to meet the needs of different markets. Disney has made strong and precise acquisitions based on the general market environment and after the initial build-up of strengths^[5]. Therefore, the existing capabilities can currently provide the innovation that Disney currently needs.

2.2 Culture

Top management is vital to the innovative management of a company. The vision that a company's top executives present to the company will influence the direction of the company, and a leader with vision and strategy will drive the company forward. In early 2022, Disney CEO Bob Chapek revealed his goals for 2022 in an employee memo. In the memo, Chapek set out to "encourage collaboration, share best practices and inspire cross-studio creativity." Chapek will organise monthly creative discussion meetings with the creative department to continue Disney's creativity as a "storytelling company". He has also shown his market acumen by focusing on the latest topic, the "meta-universe"^[6]. This memo is in line with the main characteristics of leadership that influence organizational performance, as he organises meetings, creates a platform for communication between employees and leaders, and improves the quality of communication. At the same time, the employee memo itself is an idealised vision of the future based on the values of the organisation. Presenting the values of the organisation and communicating them in an inspiring way with followers is a form of transformational leadership^[7]. Disney has better utilised leadership to lead the company in continuous innovation.

2.3 Sources and challenges

Innovation can take different forms: innovation in products and services, innovation in production processes, innovation in status and innovation in business models. Disney, as the 'genius of innovation', has a variety of sources of innovation.

Disney has its own 'Using the crowd' which refers to a community that creates and uses innovative solutions on an ongoing basis. In addition to the numerous children who love Disney, many adults are also avid fans of Disney and have derived the term 'Disney adults' and these adult fans have their own communities, such as the Marvel community, Lina Beier fans ^[8]. As fans of the IP, they have a deep understanding of the IP's style, image and have their own opinions on the IP's peripherals. This helps Disney to better understand the needs of its customers and to update its products and merch according to their needs.

At the same time, Disney also applies design-driver innovation to the collection of innovation resources. It refers to the creation of a third space where technology drives and market pulls interact. Disney has used this extremely well to innovate. Disney started out in the film and entertainment business, but Disney created a theme park business that offered offline IP showcases by building Disney Parks in various countries. This provides innovation in the experience for consumers by offering services that are unique to Disney. At the same time, Disney has its own branded hotels and has made a number of huge digital innovations in its hospitality industry as well, such as its introduction of a Magicband that combines room cards, tickets, credit cards and other uses in one and is co-branded with various IPs. He can even echo with fireworks shows. ^[9]. Disney's innovation in the hotel industry is a testament to Disney's technology and market interaction in third space.

2.4 External stakeholders, innovation networks

Disney has a wide range of external stakeholders, thus building a relatively complete network of external stakeholders. Disney's external stakeholders include the company's individual and organizational suppliers who provide materials to Disney ^[10]. Disney's shareholders include individual shareholders as well as numerous institutions. These groups can put pressure on it or change the way it operates through legal means. Disney even established Disney Academy to recruit and train capable employees for Disney Company ^[11]. Different classes of external stakeholders are grouped into five aspects: firms, individuals, universities, private Nonprofits, Government Funded Research, and form a complex network system. External sources for different aspects of innovation.

Disney's entrepreneurship is also reflected in Disney's external cooperation. Disneyland has taken the world by storm, opening in Tokyo, Paris, Hong Kong and Shanghai. Disney has formed two modes of management outside the United States: "license business model" and "joint venture model". A joint venture is a partnership between two or more companies in which one party holds a significant equity stake, usually creating a new commerce entity. Licensing refers to a contractual arrangement in which an organization or individual acquires the right to use the proprietary technology of another organization or individual. Apart from the Tokyo Disney in Japan, which uses a licensing model, all other Disney companies have adopted a joint venture model. This is because Tokyo Disney is the first Disney outside Japan and has adopted a "license business model" with relatively little investment risk out of careful consideration. However, due to the influence of Japanese animation culture, the park is extremely popular, and the United States cannot get the corresponding investment income because it does not participate in the investment, which also reflects the drawbacks of licensing. However, in the subsequent construction of overseas Disneyland, the mode of joint venture was adopted ^[12].

2.5 Organizational structure

The structure of a company can have a significant impact on a company's ability to innovate. In a large, global company like Disney, the number of employees and the size of the company is extremely large. The mechanistic structure and large size usually takes away from the company's ability to innovate. It is necessary to achieve a balance between managing a large number of employees and keeping the company dynamic and innovative. Disney's organisational structure places emphasis on synergies, allowing all the company's divisions to link up with each other. Even two separate divisions that are not related to each other will cooperate under certain conditions. Disney uses a decentralised, collaborative, multi-divisional (M-type) organisational structure. Unlike the traditional mechanistic structure, this M-type structure is basically in line with the Organic Organisational Structure. Although there is a CEO at the top of the structure, there are a very large number of senior managers with different functions below him (figure 3). The business departments under this structure are fixed into four. In the overall diversified environment of the company, all departments and regions have close ties and cooperation. This structure is in line with the free flow of information and wide spans of control of the Organic Organisational Structure. Disney has adopted a structure that fits the needs of the company and allows it to manage such a large and even geographically diverse workforce while still inspiring innovation and

collaboration across all departments ^[13].

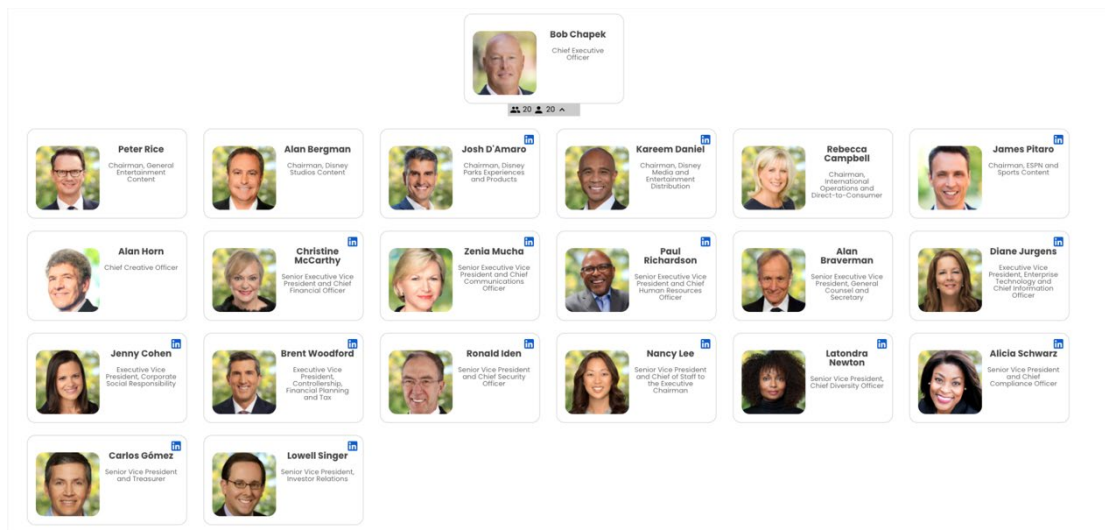


Figure 3 Oranimi ^[13]

2.6 Process

On the basis of M-shaped organizational structure, Disney's organizational process also supports entrepreneurship. As a company with diversified products, Disney's process of developing new projects basically follows the stage-gate model. This model is a value creating business process and risk model, which is designed to rapidly and profitably translate an organization's best fresh ideas into successful new products ^[14]. After the birth of an idea from the design team, through the gate1 idea screen, they will undergo stage1 scoping, where the Marketing Department will conduct an Early market and financial assessment of the project. If the evaluation is completed, it will enter the second stage, Build Business Case. Disney's Marketing Department will survey customers and groups according to the corresponding business and get the corresponding feedback. If it passes the second phase, the project will enter the development phase. At this stage, the product and research and development departments will carry out technology development, etc. Walt Disney Imagineering's professional team pushes into high-level creative development, collecting expert advice and ideas on a discipline-by-discipline basis. And began to understand the details of how the experience would look and do internal product testing ^[15]. After this phase is passed, it goes to the Testing & Validation phase, where the team will iterate to determine how to support and reliably deliver all parts of the project, such as the roller coaster, etc. ^[15]. There will be Customer trials, some private tests. After this phase is completed, the project will enter the final launch phase, which will be released and monitored. In the entire model, Disney will evaluate whether the project can proceed to the next stage based on risk, commercial, financial, etc., which can greatly reduce the risk and cost, but the development cycle of the project is also relatively long. Disney has always adhered to the slogan of "quality over quantity" ^[16] and provided boutique services. According to this process, the innovation of Disney's design team can be guaranteed and better products can be created.

2.7 Uncertainty and failure

The development of Disney Company also faced numerous uncertainties and made choices. The biggest challenge and uncertainty facing Disney is the competition with other streaming media ^[17]. In response to the threat of competition from streaming media, Disney cut membership prices to create a price advantage. Meanwhile, Disney Music or Disney TV were established to attract users ^[18]. In terms of theme park business, due to the attraction of Disney brand around the world, it is relatively low risk for Disney to build more parks in some areas, so Disney chooses incremental innovation to continue to build theme parks in different places with local characteristics or new IP on the basis of the original Disney parks ^[19]. In terms of IP business, Disney has many original characters such as Mickey Mouse, and has been using the IP of these stars to launch current movie and television peripheral products and develop the core resources of Disneyland amusement projects. Disney's decades of "IP thinking" has also been an important business strategy. However, inability to consistently portray classic cartoon characters, Disney faced great difficulties in new IP innovation. Aware of the seriousness of this problem, Disney CEO Robert A. Iger carried out a series of foreign acquisitions. Disney acquired Pixar, which produced

Toy Story, and Star Wars Lucas ^[20]. Disney is facing a great danger in creating new IP, thus using discontinuous conditions. Under discontinuous conditions, Disney 'reframe' the decision-making process and adopted the strategy of acquiring current IP.

2.8 Learning

Disney values the ability to learn within the company. To train its employees, Disney has established Disney University. Disney University develops training programmes to introduce newcomers to the company's history, philosophy and service standards. Employees are also taught how to act as Disney characters to greet customers. Disney University has four accredited courses and only new people who have passed the courses can start their jobs ^[21]. This is a learning mechanism within Disney, an Exploitative learning, which is the use and development of learning using existing skills. Also, Disney is excellent at gaining explorative knowledge from customers. Disney aims to create great service by collecting customer satisfaction and feedback. Through consumer comments and reviews, Disney is constantly updating its service approach or creating different products to meet the needs of its customers.

3. Corporate entrepreneurship change programme

Although the century-old Disney is not on the decline in general, it keeps up with the trend of the times and continues to innovate. However, due to former Disney CEO Bob Chapek's personal leadership style issues with external stakeholders, his tough style has led to the deterioration of Disney's relationship with numerous external parties in the last two years. He changed the friendly relationship Disney used to have with Hollywood and rebuked it. Within the company, he puts pressure on the management layer by layer, changing the previous diversified management ^[22]. Such an approach by Bob Chapek would lead to a huge challenge to organic structure within the company, as increased formal management would inevitably lead to a decrease in innovation, upsetting the balance between the two. And his poor external attitude would undermine the company's external stakeholder network and reduce the resources it receives from outside for innovation. To address this situation, Disney should first change the company's culture by adjusting the overall leadership style and changing the rigid management culture of the company through a change in CEO personnel. A relaxed leadership style can increase employee motivation and innovation at work. At the same time, Disney should continue to adopt an organic organisational structure, which is creating Cross-functional teams and Cross hierarchical teams that

To increase flexibility and interactivity in the organisation. Wide spans of control should be used to de-stress the management of the organisation and promote overall innovation. One of the key elements of Disney's organisational structure is geographical. Because of the worldwide reach of the Disney brand, Disney can be found in basically every geographical area. Disney can use this aspect to its advantage and enhance inter-regional connectivity. Similarly, Disney must focus on relationships with external stakeholders and work with additional giants of the same industry, such as Hollywood, from which it can obtain more sources of innovation to solidify its network of external sources of innovation.

4. Conclusion

As a company that has been on the list of the world's most innovative companies for many years, Disney has its own unique entrepreneurial spirit and innovative strategies. However, to continue its innovative capabilities, it must keep up with the times in the context of the company itself.

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