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Disney's Management Insights from Michael Eisner

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Abstract: Disney has always held a prominent position in the entertainment and movie industry, boasting a rich history of development. The success of this company can be attributed not only to its creative films and cartoons but also to the exceptional management strategies employed by its managers. The strategies and style of management play pivotal roles in Disney's accomplishments. Michael Eisner, as a Disney CEO, has been a subject of controversy among the general public. While some view him as the savior of Disney and its greatest manager, others contend that he tarnished the brand's reputation. This study aims to conduct an analysis of the strengths and weaknesses of the key management strategies employed by Disney's CEOs, with a focus on Michael Eisner. Through the collection, compilation, and qualitative analysis of data and information gathered from various sources on the internet, this paper endeavors to explore both the achievements and failures of Michael Eisner's approach to business management. It becomes evident that Eisner played a role in revitalizing Disney, but his mismanagement also gave rise to several subsequent problems.

Keywords*:* qualitative analysis, Walt Disney, Michael Eisner, management style

1. Introduction

Reflections on both successful and unsuccessful business management examples are indispensable for the study of business and management. In the ever-evolving realm of media and entertainment, Walt Disney emerges as an iconic entity, notably under the leadership of its CEO, Michael Eisner. For decades, Disney has consistently occupied top ranks in the entertainment industry, largely attributable to the invaluable contributions of its seasoned management team. Despite changes in CEOs and leadership, Disney's core management objectives have remained steadfast. The management team has consistently strived to construct and fortify the iconic brand recognition and top-ranking status of Disney. Its beloved characters, unforgettable experiences, and timeless stories have conferred upon Disney a formidable competitive advantage, enabling the establishment of enduring connections with its audiences [1].

Michael Eisner achieved fame for his exceptional leadership and management during the "Disney Renaissance" era that he spearheaded. Eisner assumed the role of CEO at Walt Disney in 1984, a time when the company grappled with profitability challenges [2]. Responding swiftly to the situation, Eisner played a pivotal role in facilitating Disney's most significant financial growth, as its value surged from $1.8 million to an impressive $80 million [3]. Nevertheless, existing research predominantly celebrates Eisner's achievements while neglecting the suboptimal decisions he made during the latter part of his tenure. Substantial management and leadership issues came to light after the initial ten years of his stewardship, resulting in setbacks like the failure of Paris Disneyland and the loss of Frank Wells, among others [4]. This gap in pertinent research leaves prospective learners with an insufficient basis for reflection.

This essay endeavors to delve deeply into Disney's corporate management, the decision-making processes it employed, and the ramifications of leadership transitions within a global corporation. By concentrating on the iconic figure of CEO Michael Eisner, this research aims to distill his notable strengths and management challenges, thus serving as a representative case study of Walt Disney. This research seeks to contribute valuable insights into one of the most successful entertainment companies and explore the intricacies of its management practices. Utilizing online research methods, this investigation comprehensively analyzed a wealth of digital resources, encompassing magazines, articles, academic essays, and other pertinent materials. This repository of research information serves to construct a comprehensive understanding of the strategies employed by Michael Eisner during his tenure as CEO.

2. Michael Eisner's Management Styles

With prior experience in the entertainment industry, Michael Eisner "understood the assignment" when he took over Disney from the former CEO and implemented innovative changes. Comprehending and adhering to Disney's culture, Eisner consistently connected with audiences and attentively considered feedback [5]. However, the long-term adverse consequences of his errors gradually made shareholder lose confidence in him. Ultimately, this led to his "retirement" within a year [4].

The following sections explained the most exemplary management strategies employed by Eisner and the most significant challenges he faced.

2.1. Eisner's Vision on Diversification of Disney

Investment diversification is defined as a strategy that distributes money throughout several asset classes, industries, or geographical areas to reduce risk and create a more well-rounded portfolio. In simple terms, diversification aims for low risks and high returns for companies [6]. Walt Disney's diversification did not start today. On the contrary, Disney kept extending its existing markets by diversifying into new areas since its first cartoon was released. Disney continued focusing on markets of entertainment for families until Michael Eisner took over as CEO [7]. His leadership saved Disney from the great loss of revenues from the former CEO. In the early 1980s, Disney was in dire straits. The company had lost its captain at the helm of a massive ship because, at the time, executives Donn Tatum and Esmond Cardon were afraid to make decisions that the previous CEO, Walt Disney, might not have approved of. Consequently, Disney's live-action movie-making division was a stagnant entity, its theme parks were burdened with substantial debt, and its most renowned animation property had not produced new work for years. Faced with this turmoil, Walt Disney's nephew, Roy Disney, resigned from the board of directors and advocated for the promotion of Michael Eisner to CEO [8].

2.1.1. Diversification into New Industries

Michael Eisner had the vision that identified the opportunities beyond the entertainment industry, so he proactively led the management team to diversify Disney beyond theme parks. As a result, under Eisner's leadership, Disney expanded to Disney Cruise Line, NHL teams, and resorts [6]. Such broad and pioneering strategic visions enhanced the dominance in the market by attaining the economy of scope [7]. The diversification into a variety of industries increased the visibility of

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Disney and connected with audience furthermore. People could see Disney's presence across a wider range of platforms and areas, significantly increasing its exposure. Consequently, potential customers who had never been introduced to Disney might be impressed and could potentially become Disney customers. New customers from other areas would be willing to spend their money on Disney's products. Additionally, for people who were already Disney patrons, diversification strengthened their connection with Disney. The recurring presence of a familiar business could enhance their emotional affection and trust in it. Thus, this might make customer purchase to increase, resulting in higher revenues for Disney. Expanding into other areas enriched Disney's revenue streams and greatly reduced its dependence on a single product or service. Disney could be less concerned about demand-side shocks because its other sources of revenue could be used to salvage parts of the industry that were slowing down.

2.1.2. Overseas Expansion

Michael Eisner also explored the overseas markets for the first time in Disney's history with the innovation vision of using new technologies. When the local domestic market is nearly saturated, international expansion is unavoidable. To achieve a 20% of growth rate as Eisner aimed for, expansion to overseas markets was the best option. Realizing the Eisner started Disney's first broadcasting outlet, KHJ-TV, with American Broadcasting Company (ABC Network). He had also used internets sites, TV shows, interactive software, etc. to emerge in the international markets [7]. These new 80's era technological platforms were the most cost-efficient way for Disney to expand overseas. People around the world could be introduced to Disney through radio and television programs. Eisner's forward-thinking strategic approach brought Disney into the age of Internet communication and gave Disney advantages that only the Internet could bring. First of all, the overseas expansion broadened Disney's markets. Disney did not have to be confined to the U.S. market, which was already close to. The increase in the number of new customers favored Disney's ability to increase revenues and build a financial foundation for future development. At the same time, Disney could learn more about the preferences of customers. People from different cultural backgrounds would have different expectations of the entertainment companies. By knowing more about the demands and needs, Disney could provide more diverse services and products to satisfy them.

Eisner's innovative and broad visions eventually doubled Disney's revenue from $1.6 billion to $3.49 billion [6].

2.2. Eisner's Vision on Licensing

Eisner was an outspoken supporter of licensing and merchandising as a means of increasing revenue and expanding the reach of Disney's brands. Under his leadership, Disney Consumer Products was the world's leading licensor in 2021, with $56.2 billion in global retail sales of licensed products [9].

2.2.1. Market Competition Avoidance

Wide licensing supported by Eisner allowed Disney to reach their iconic intellectual properties to diverse markets and demographics. Other companies from different geographical and occupational backgrounds could publicize Disney's characters in terms of cooperation. This would allow more potential customers to be exposed to Walt Disney, leading to a great increase in the number of customers and markets. By use this to expand to foreign markets, Michael Eisner successfully avoided competition with foreign companies. There were many high-demand markets with high competition rate, and the lack of first-hand information and customer base made it difficult for Disney to expand. Thus, Eisner looked for the most competitive and well-known foreign companies

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as licensees [10]. This means that Disney could find easy access to potential customers due to the high dominance of licensees. at the same time, Disney did not have to join any competition. Generally, licensees are highly influential companies in the industry. If Eisner had chosen to directly invade foreign markets instead of using licensing, Disney would have been in a rival relationship with these companies. This would have been very unfavorable to Disney because it had a comparable small customer base and little market influence in foreign markets. Competing with large companies could easily lead to the failure of overseas expansion. It would also increase Disney's costs, such as advertising and market research. Eisner's promotion of licensing turned the original hostile relationship into a cooperative relationship, which is more favorable for Disney to expand into international markets.

2.2.2. Market Accessibility

The large use of licensing also improved the market accessibility of Disney in foreign countries. Before Eisner became CEO, the majority of Disney's business activities and business development took place in the United States. Decades of development allowed Disney to gain ample experience of the US markets, but Disney still lacked knowledge of foreign markets [9].

First of all, Disney had not conducted business overseas, so they did not have first-hand knowledge of the international markets. This limited their knowledge of foreign markets, such as customer preferences, local taxes, etc. It made them unable to make the most effective business strategies.

Also, foreigners also lacked knowledge about Disney because Disney had never been introduced to their local markets. If Eisner had not chosen to license the leading companies in the target countries, people may not have been attracted to Disney. Therefore, Disney would most likely have failed to expand overseas. Licensees had a better understanding of the local market, so they could use the most appropriate strategies to promote Disney to increase their sales. Local customers were also more familiar with local companies. When local customers focused on Disney's foreign licensees, Disney's exposure overseas would increase as well.

2.2.3. New Revenue Stream

Additionally, Disney also received additional profits from licensing, using it as a new revenue stream. Licensees working with Disney had to pay licensing fees and a portion of their sales revenues, while Disney provided intangible rights such as trademarks, copyrights, and expertise [9]. Disney already possessed a large number of IPs and copyrights from which it could generate significant revenues through the numerous licenses issued by Eisner. This reduced Disney's dependence on the local market, as it did not solely rely on local markets. In case of unpredictable shocks on both the supply or demand sides, it still had licensing revenue to sustain the company.

2.3. Eisner's Issues with Cooperation

Recognizing strengths and weaknesses of co-workers is a significant skill for business owners because an experienced management team could bring success to the business by shaping its strategic directions [1]. As a CEO, choosing the right people for suitable job places is important for minimizing potential costs caused by workers' mistakes and maximizing the productive potential of a business. Michael Eisner recognized potential skills of workers and built a professional team for Disney. However, many criticize his unpleasant relationships with co-workers due to the large costs to Disney.

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2.3.1. Unpleasant Partnership

Michael Eisner's handling of his relationship with Michael Ovitz, who was hired as Disney's president after the sudden death of Frank Wells, was marked by significant issues. Eisner and Ovitz entered into a tumultuous 14-month partnership [10]. Eisner publicly acknowledged the challenges of their relationship, stating…". It was a partnership that was born in hell. Whether it was his fault or my fault is irrelevant. Very quickly, I realized it was a mistake" [11]. Eisner's decision to bring Ovitz on board without prior interaction or understanding of his personality and working style was a significant misstep. Eisner's knowledge of Ovitz was limited to the positive public opinion about him. As a CEO, it is inappropriate to hire a person for a crucial role in the company solely based on reputation. It is essential to assess their potential to contribute to the company's growth through collaboration, communication, and interpersonal skills.

During their partnership, Eisner and Ovitz frequently clashed, leading to strained team relationships and inefficiencies. A team member, Gold, described it as "two big volatile egos banging against each other," indicating their inability to work together effectively [12]. Ultimately, Eisner's poor choice in personnel and the inability to maintain a harmonious management team resulted in significant financial costs for Disney, with Ovitz's employment costing the company $140 million [11].

2.3.2. Loss of High-Skill Staff

Jeffrey Katzenberg, a Disney employee who had a significant impact on Michael Eisner, cost him a substantial amount of capital and had far-reaching consequences. Katzenberg, known as "Eisner's Golden Retriever" for his loyalty, followed Eisner from Paramount to Walt Disney [11]. However, when Eisner chose to hire Michael Ovitz as Disney's new president instead of promoting Katzenberg, Katzenberg resigned in anger and attempted to sue Disney for $250 million [11]. Eisner explained that he couldn't promote Katzenberg because Disney's nephew, Roy Disney, did not like him. This decision had direct consequences, leading Katzenberg to establish DreamWorks Animation, which has since become Disney's biggest competitor. In this scenario, Eisner prioritized maintaining pleasant relationships within the management team over long-term interests. While he received short-term benefits in the form of a "pleasant internal partnership," these benefits were shattered by conflicts with Ovitz. Katzenberg had out-standing film production skills and tacit with Eisner. he had created the most successful movies of Disney, such as The Little Mermaid, Beaty and Beast, Lion King, etc. Katzenberg would have been a perfect president who could assist Eisner to produce more movies loved by audiences.

Katzenberg’s departure had significant negative impacts on Eisner, including losing a loyal and capable deputy, eroding shareholder trust, and ultimately resigning. Furthermore, Disney's future revenues were negatively affected, and external threats increased. The establishment of DreamWorks caused many potential Disney customers to shift their attention away from Disney's products and services in favor of DreamWorks, leading to a decline in Disney's market share and profitability.

2.4. Eisner’s Issues with Long-term Benefits

According to Peter Drucker's book "The Practice of Management," effective management involves considering both the present and the future. A management problem remains unresolved if short-term gains are achieved at the cost of the company's long-term profitability, or even its continued existence [13]. Michael Eisner, however, faced criticism for prioritizing short-term benefits. He lowered Disney's standards for movies and cartoons, a decision that was seen as detrimental to the company's long-term profitability and success.

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2.4.1. Changes in the Film Campus

In Eisner's later decades as Disney's CEO, he departed from Disney's traditional approach to film production, which emphasized creative innovation and high production quality. He started reducing spending at Paramount to cut costs, believing that Paramount was wasting resources. Eisner promoted the production of movies with simplistic plots and exaggerated storylines. Under Eisner's leadership, most of Paramount's films during the 1970s required only basic logic and designs, including Grease, Flashdance, Saturday Night Fever, and Terms of Endearment [14]. This shift went against the prevailing trend in the movie industry. Instead of creating high-quality films that resonated with audiences, Eisner prioritized short-term profits. While these dramatic movies may have provided Disney with a temporary boost in revenue, they eroded the company's longstanding culture and standards. Many saw Eisner's failure to focus on Disney's long-term future as damaging to the brand. If Disney had continued with this strategy over the long term, it likely would have failed due to low quality, a lack of innovation, and audience boredom in the future.

Employees reacted negatively to this push for exaggeratedly dramatized films. Since the requested movies required minimal content redesign and plot modification compared to previous films, the productivity of the staff and workers declined. The staff leaned back, had coffee breaks, and took extended breaks instead of working [14]. Thus, the production of the movies progressed at a slow pace. When Tom Hanks visited the film department, he described it as a "Greyhound bus station from the 1950s" to his friend [14]. It can be concluded that Eisner's low demand for product quality as the leader of the company indirectly affected the motivation and productivity of employees. Employees were not concerned about their inactivity due to the lack of punishments and incentives since Disney had not fired a single person for years. Eisner's leadership led to a brief period of inspirational exhaustion, inefficient production, and low-quality outputs in Disney's film history. All of these factors could result in a negative perception, a loss of trust in the brand, and reduced audience consumption.

2.4.2. Conflicts with Partner Companies

Michael Eisner's tendency to prioritize his personal opinions over the long-term development of Disney was seen as an irresponsible action for a CEO, as the CEO represents the entire company rather than just themselves. One notable instance of this was his strained relationship with Steve Jobs, the chairman and major shareholder of Pixar.

During a pre-screening, Eisner expressed his disdain and disapproval of the new movie "Finding Nemo" by injecting his personal ideas into the discussion. Pixar chose not to follow his advice and, as a result, "Finding Nemo" went on to achieve tremendous success, earning $868 million. Despite the cooperative relationship between Disney and Pixar, Eisner publicly boasted about the contractual leverage he held over Pixar, creating conflict with Steve Jobs [14]. This public announcement ultimately led to the dissolution of their partnership, with Jobs attributing the decision solely to Michael Eisner.

As a result, Disney suffered significant losses in potential opportunities and revenues due to the substantial market power of Pixar. Eisner's mismanagement and irresponsible behavior not only harmed Disney's long-term profits but also damaged its reputation in the entertainment and film industries.

2.5. Suggestion

Diversification can be a viable strategy for medium-sized businesses seeking further expansion. The Disney case illustrates that entering various industries enables businesses to reach potential

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customers in different markets, diversify revenue streams, and reduce dependence on specific products. Consequently, this approach can foster steady growth in both scale and financial stability.

Businesses with distinctive figures and icons can effectively utilize licensing as a marketing method. This cost-efficient strategy provides firms with an easy path to promote their brand by partnering with dominant companies. Licensing also generates revenues and profits that can be reinvested in other areas of the business.

Business owners should reflect on the detrimental impact of conflicting partnerships, such as the one experienced by Michael Eisner and his co-workers. The selection of co-workers, especially leaders and directors, plays a crucial role in a company's development. Maintaining open communication and fostering a collaborative atmosphere can enhance productivity and steer the company in the right direction.

When addressing issues within the company, it is essential to prioritize long-term development and gains over short-term benefits, even if it may impact current revenues negatively. Business owners should always consider the future implications of their decisions. Focusing solely on short-term gains while disregarding potential long-term drawbacks can lead to the need for future compensation for past choices.

3. Conclusion

Based on research, this investigation has uncovered that Michael Eisner made significant contributions to Disney's growth, but there were also negative impacts resulting from his management style. Contrary to popular opinion, this research reveals that Eisner's influence on Disney was mixed, and there were undeniable management failures during his tenure. While some of his most successful strategies included large diversification ventures and licensing for promotional purposes. His authoritative and decisive approach also had detrimental effects on Disney. Certainly, it would be unfair to definitively conclude that Eisner employed outdated and unfavorable tactics in his later management without a comprehensive understanding of the reasons behind his decisions and the external circumstances at the time. It is possible that the choices Eisner made were deemed necessary for Disney's growth during that period. Indeed, Disney did experience boosts in profits as a result of some of the changes he implemented. However, it is also evident that certain decisions he made had negative consequences, leading to missed business opportunities and decreased profitability for Disney. Future corporate managers can draw valuable lessons from Eisner's management style by adopting the best practices while avoiding the pitfalls. This approach allows them to identify the most suitable strategies for themselves and their companies, ultimately leading to more effective leadership and decision-making.

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