CHAPTER 11

The analysis of international hospitality management

Chapter objectives

After working through this chapter, you should be able to:

- Understand the concept of international hospitality management
- Recognize the analytical elements of international management and how they are applied in international hospitality management
- Critically analyse international hospitality organizations and their developments

Introduction

This chapter has been designed to be an integrative and reflective rehearsal of what we said in this book. We want to take one major case and demonstrate how the concepts we have introduced in the previous 10 chapters come together to produce a critical analysis of developments in international hospitality. It has been the most challenging for us as we have had to ensure that we have addressed the key issues we developed in the previous 120,000 words! However, if we return to our model we can see a framework for the analysis in Figure 11.1.

Our analysis will utilize this structure by examining the analytical position and the functional approaches to the core management areas as we outlined them in this book. We have selected the Disney Company as our case for two very good reasons. Firstly there is a great deal of relevant material about the company readily available in published and web-based formats. This means it is possible to read into the official version of the company with the insights gained from our consideration of the theoretical frameworks of international management. Secondly, there could not be a better example for our final analysis. The whole multinational enterprise started with the entrepreneurial flair of one ambitious man and a series of ideas for cartoons. Despite the disappointment of losing the rights to his first major character – Oswald the Lucky rabbit, Disney went on to take over the world with Mickey Mouse and his friends. So great was the success that some of the writings on globalization refer not to McDonald's but to the Disneyfication effect on world culture.

We will present some of the material available to you in this chapter but will refer you to our website and Disney's own if you are seeking further information or more details. You will be led through the areas we have developed in this book, but we are not going to do all of the work for you. As you read through the sections, you can also construct a more complex narrative as you draw out the interconnections between the different facets of management and the operating environment. We have left it to you to make those connections as the argument would become very repetitive if we reiterated the same points over and over again. We are conscious that the idea of reinforcing and resisting forces is implicit in the account we offer but believe that in your reading you can place the factors into the correct

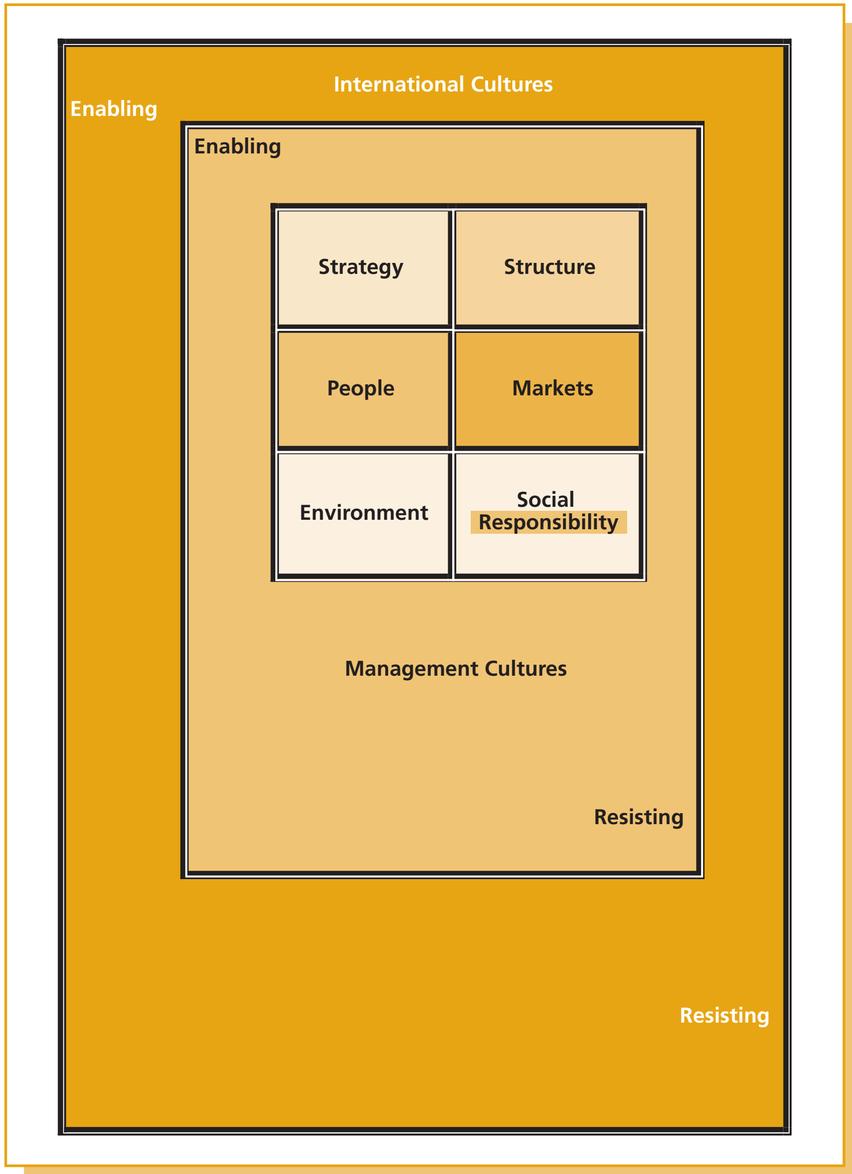

Figure 11.1 The cultural contexts of International Hospitality Management

position analytically, even where we have not presented the full thought through examination in the text.

Throughout this chapter we want to give you an insight into international hospitality management and how companies come to understand their position within the industry. We will consider the reasons for Disney seeking to expand their market, exploring the reasons behind the entrance into the international market. You will recognize that this deals with both internal and external factors. The Walt Disney Company and the various operating companies it trades as, such as Euro Disney S.C.A, are used to demonstrate how a multinational company acts within the international market, as they give a concrete example of an American company entering the European and Asian markets on a large scale but in very different ways.

There were many factors that had to be considered when a company like Walt Disney wanted to enter into the international market and we will focus on Human Resources, showing how Disney uses Human Resource Management to overcome the problems of entering a new cultural environment; Corporate Social Responsibility (CSR) and how Disney managed cultural diversity and overcame what looked like cultural difference. Entering a new cultural environment is something Disney had to look at closely when moving their product into Europe, as it was not the same environment as they had experienced in North America. This report shows how Disney coped with moving their product successfully eventually, using types of diversity management.

Company overview

The Walt Disney Company and Euro Disney S.C.A

The Walt Disney Company was founded in 1923, by Walt Disney himself, and was based on story telling and entertainment experiences.

Company highlights on the theme parks

- The opening and success of the first theme park– *Disneyland*:

  Walt Disney Company had firm footing in movie-making. Trying to branch out, Walt Disney was intrigued by the idea of a new kind of park where parents and children could enjoy amusement together. In 1954 work began on the first Disneyland Theme Park in America, and 1 year later it opened its doors to the public in California on July 17th, 1955. By 1965, 10 years after the park opened 50 million people had visited Disneyland. Audio-Animatronics was introduced at Disneyland in the 1960s. Disneyland has set the standard for every major amusement park built since then (corporate.disney.go.com).
- The second Theme Park in Florida first with Resorts opened in 1971.
- Other Key Theme Parks opened continually after the first two's success, with EPCOT Center, on 1st October 1982, Tokyo Disneyland on 15 April 1983, Disney Paris in 1992 and the largest one – Animal Kingdom in 1998.
- Merchandising was introduced in park attractions in 1987.
- Disney's membership time-share ownerships were offered in park resorts since 1991, named the Vacation Club.

- Walt Disney World broadened its business; first Education in 1996, then Sports Training and Events, and fitness in 1997.
- Today, Walt Disney Parks and Resorts operates or licenses 11 theme parks on three continents (corporate.disney.go.com).

Disney's business has stretched from filming, theme park and resorts to merchandising, recording, network, broadcasting, education, sport and cruising, etc.

Today Disney is divided into four major international business segments: Studio Entertainment, Parks and Resorts, Consumer Products and Media Networks (Disney-online, 2005). Each area of the company works very closely together and they are all involved in the international market to some extent.

For 75 years Disney's goal has been to: "provide quality entertainment and a world of magic for the whole family." (www.godisney.com last accessed 3rd April 2005).

The Studio Entertainment is what Walt Disney created first back in 1923, and is based on animated features and live action motion pictures. Disney is involved with lots of other large international companies at this level:

- Miramax Films
- Touchstone Pictures
- Buena Vista Home Entertainment
- Hollywood Records

Source: Disney-Online (2005).

Disney Parks and Resorts is what the company is all about now, with eleven theme parks on three continents and a twelfth proposed for Shanghai. Disney also has thirty five hotels, mostly located on site at the theme parks around the world, two major large operating cruise ships and a host of other entertainment offerings. According to a poll in 2003, seven of Disney's Parks ranked inside the top ten most visited worldwide. (Disney-online, 2005).

Disney's consumer products began merchandising in 1929; they are now one of the largest licensers in the world (Disney-online, 2005), and Disney's publishing outfit is the world's number one children's publisher.

Disney media networks encompass a vast array of properties on television, cable, radio and the Internet. The American television station ABC is very closely linked to Disney, and of course they have their own selection of channels which can be viewed worldwide by millions of people (Plate 15).

Euro Disney S.C.A. operates Disneyland Resort Paris, which has become Europe's number one tourist destination. It all started in 1987 when a partnership between the French authorities and Disney was formed to bring a Disney Theme Park and Resort to the heart of Europe for the first time. Paris was chosen not only for its beauty and history, but also for its central location in Europe and ease of access by train, plane and cars. There were also helpful financial incentives available from regional and national governments who were keen to see the project as urban regeneration. Since the Paris Park opened in 1992, the Resort has welcomed

Plate 15
Disneyland Paris
Source: Author's photograph

more than 140 million guests through the gates. (Euro Disney S.C.A online, 2005) The original deal to bring the multinational company Disney to France was drawn up between The French Government, The Walt Disney Company, The Seine et Marne Departmental Council, The Suburban Paris Transportation Authority (RATP) and the Public Planning Board for the new town Marne la Vallée. In April 1992 the new park opened its doors for the first time, and since then has continued under its owning and operating brand Euro Disney S.C.A even though it has changed its public name several times. Euro Disney was replaced on the 1st of October 1994 by Disneyland Paris, which in turn became the Disneyland Resort Paris on the 16th of March 2003. In 2002 the new extension to Disneyland Paris opened and was called the Walt Disney Studios, so with two theme parks, seven themed hotels and a 28-hole golf course, Disneyland Resort Paris officially became Europe's premier resort. To distinguish the developments Disneyland is now officially known as Disneyland Park Paris. The visitor figures go along way to proving that Disney is, in one sense, a true international company with the ability to bring its American product into Europe and succeed.

The international market

"Businesses today are competing in a world economy for survival, growth and profitability." (Jin-Lin Zhao and Katherine M. Merna, 1992) With this statement in mind it would be safe to assume that there is a great risk involved for any company/organization expanding into the international market. There have been many reasons for companies to expand into the international market, which have sprung both from one's that are internal to the company, or from external factors in the business environment. The figure based on Hamill (1997) and Otto (1993) shows internal and external factors that could be considered alongside proactive and reactive factors for the company when expanding into the international market (Figure 11.2).

	Proactive	Reactive
Internal	Managerial urge Growth and profit goals Economies of scale Offer a unique product Extension of service	Risk diversification
External	Foreign market opportunities Encouragement through change agents Shaping the competition	Small or declining home market Following the competition

Figure 11.2 International market expansion matrix

Using this type of analysis you can see why a company would want to enter the international market, even when there are high risks involved for the company.

The operating environment

Internal analysis

A competitive advantage of a company typically refers to their profitability above average. In Chapter 5 we introduced the Four Building Blocks of competitive advantage and here we would like to consider them in the context of Disney (Figure 11.3).

Source: Adapted from Hill and Jones (2004).

Strength

Disney achieved all the requirements outlined. As an established company, it accumulated over 50 years' experience of delivering excellent customer service as well as handling all the sudden changes that come from forces both outside and inside the organization. It also has numerous talented people loyal to it. You can see this from the Disney Legends (A special "Oscar" or "Nobel" Prize in Disney). The Disney organization itself is a tightly structured kingdom. Disney's cartoons exert great influence upon

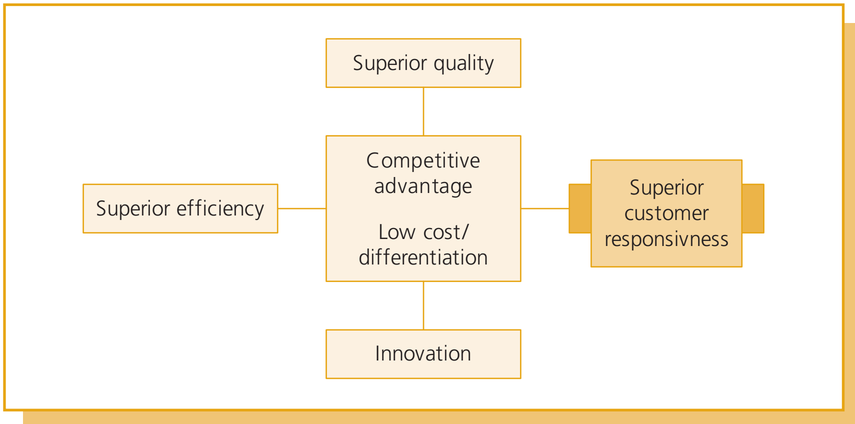

Figure 11.3 The Four Building Blocks of competitive advantage

the older generations, and its movies are well known for today's youngsters. Their TV and films are still acting upon today's children. Disney has become the synonym for magic and dreams which no one can resist. That, according to Disney, is the secret as to how Disney's Theme Parks can cater for both grandparents and grandchildren while hardly anyone else can do it.

Weakness

Disney's huge scale brings it disadvantages as well as benefits. Where the rights are too centralized, conflicts will occur between the board/president and the functional departments. However, if all rights are given to functional departments, there may be conflicts between departments and it is no good for strategic decision-making for the whole company. One part of the Disney empire: the Strategic Planning Department was broken down into the four business segments – Studio Entertainment, Parks and Resorts, Consumer Products and Media Networks in March 2005. The unified department had made many important decisions in the past to help the company conquer difficulties and bring it success. How this separation will affect Disney's future remains to be seen, but it may cause some disputes and communication problems.

25 March 2005 : The Walt Disney Company to reorganize strategic planning division

Burbank, CA, 25 March 2005 – To address today's rapidly evolving global business landscape, Michael D. Eisner, chief executive officer of The Walt Disney Company, and Robert A. Iger, President and Chief Operating Officer and CEO-elect, today announced a restructuring of the company's Corporate Strategic Planning Division. The division will be restructured to more closely align with the company's growth priorities, including creativity and innovation, new technologies and international expansion.

Many of Strategic Planning's activities will be incorporated into the company's four business segments – Studio Entertainment, Parks and Resorts, Consumer Products and Media Networks, as well as Disney's international organization. A smaller corporate group will continue to develop the corporate five-year plan and focus on acquisition opportunities, emerging businesses new to the company's existing portfolio and new technologies.

"Strategic planning will continue to play an important role in identifying the opportunities and challenges presented to our company as we grow our leadership position as the most valuable entertainment brand in the world," said Mr Iger. "This new structure will create efficiency with accountability and empower our business unit leaders in their ongoing efforts to create new, differentiated and compelling entertainment experiences that will ultimately generate long-term shareholder value."

"For more than 15 years, Strategic Planning has been an essential catalyst to Disney's growth by identifying new opportunities and expanding existing businesses. We have been extremely well-served by their efforts and now, the size, scope and dynamic nature of our individual businesses allow for this evolution," said Mr Eisner.

Peter E. Murphy will step down from his current role as senior executive vice president and chief strategic officer and will serve as a senior adviser to Mr Iger. Mr Murphy will advise the company on long-term strategic and technological trends affecting Disney and identify major growth opportunities.

"Peter's vast contributions during his tenure at Disney, particularly his leadership role in the acquisition of Capital Cities/ABC, helped transform Disney into a market-leading global media company," said Mr Iger. "His extensive experience and knowledge of our businesses, technology and strategy will continue to benefit The Walt Disney Company."

"Over the last 17 years, Peter's foresight and talent have played a major role in making Disney what it is today, from his role in transforming strategic acquisitions to the development of new technologies and franchise opportunities, these efforts will continue to benefit Disney shareholders well into the future," said Mr Eisner

Mr Murphy joined Disney's Corporate Strategic Planning Division in 1988, served as the Chief Financial Officer of ABC, Inc. after the Capital Cities acquisition, and was promoted to his current role in 1998. In addition to leading the acquisition of Capital Cities/ABC, Inc., Mr Murphy played an instrumental role in several company acquisitions, including Miramax Film Corporation, Disney's stakes in E! Entertainment Television and US Weekly Magazine, Fox Family Worldwide, Baby Einstein Corporation and the Muppets franchise.

Mr Murphy also aided in the expansion of Disney's cable television presence worldwide, as well as its broadband and wireless services. While in his current position, Mr Murphy also has overseen corporate brand management and new technology development.

Mr Murphy, 42, is a Phi Beta Kappa and honours graduate of Dartmouth College and the Wharton Graduate School of Business.

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www.corporate.disney.go.com/news/corporate/2005/2005_0325_reorg_stratplann.html

External analysis

Sector background

Since Disney opened the world's first theme park in the United States in 1955, its great success has attracted people to invest on theme parks around the world. As statistics showed, there had been 18 theme parks in the United States till 1980 and they had around 60,000,000 visitors annually. In China, over 60 theme park projects were proposed in Shenzhen city in the late 1980s. Although the number of theme parks is growing, Disney's numbers are still growing as seldom can others complete with Disney.

Main competitors

Universal Studios Theme Parks is the biggest competitor with Walt Disney's Theme Parks. The parks and resorts include Universal Studios Hollywood, Universal Orlando,

Universal Studios Florida, Islands of Adventure, the world's most technologically advanced theme park – as well as three luxury Loews Hotels Universal in Orlando. Nearby, Universal acquired Wet 'n Wild, a water park adjacent to the Universal Orlando property. Internationally, Universal Studios Japan in Osaka opened officially on 31 March 2001 and has become the most successful new theme park in history, breaking all-time attendance records by welcoming 11 million visitors in its first year. In December 2002 Universal announced plans to develop Universal Shanghai, a world-class theme park targeted for a 2006 grand opening in mainland China, aiming to compete with Disney's New Theme Park in Hong Kong (corpinfo.universalstudios.com).

PEST analysis

According to the "PEST" theory, the four factors that influence Disney's Theme Parks' external environment are shown in Figure 11.4.

The influences that the four factors may bring to Disney's Theme Parks are:

1. **Political**: 9/11 Issue has influenced the number of tourists coming into the USA. Surely it affected Disney's Theme Parks' business in the USA. After 9/11, the relationship between China and the United States begin to ease, which is a very good opportunity for enter into Chinese market, as it has been a huge interest for the company for long. Disney's decision to build its new theme park in Hong Kong has considered the accessibility and convenience to Hong Kong for Chinese mainland customers after Hong Kong's return to China.
2. **Economic**: Globalization and Merger and Acquisition trends enable Disney's Theme Parks to expand and combine various services together and accumulate all the best things into one theme park. The changes in the service sector and consumer's purchasing ability bring more potential customers to Disney's Theme Parks.

Political factors	Economic factors
9/11 Issue affected tourism. The relationship between the United States and China began to ease after 9/11 issue. Now (2004) it is the best period in the history of the relationship between the two nations. It gives great opportunity for business and for American Company to develop in China. (news.xinhuanet.com). Hong Kong's return to China promotes tourism and business between Hong Kong and mainland China.	Globalization is the most important trend of modern world. It accelerates the opportunities for international business. The percentage that service sectors have in the total economic activities continues to grow. By 2001, it was 52% in developing countries and 72% in developed countries. The competition in service sectors continues to be fierce. However, it reflects a further economic factor that people have more extra money to spend on leisure activities. Merger and Acquisition have become popular means for enterprises, especially international entities.
Social/demographic factors	**Technology factors**
Traditional moral values are awakened and stressed again by people in the United States. In China, people try to balance open culture which has been brought in with traditional worthwhile values. Aging populations with greater disposable income and higher levels of tourist literacy People care more about social responsibility. Green projects are popularized in all developed and many developing countries. Japanese are influenced heavily by American culture. French are sensitive of its own culture protection.	The fast development of Internet technology and telecommunication technology accelerate the growth of every industry, especially within the service sector (gsociology.icaap.org/reports). The innovation and vast use of computer science bring efficiency to every industry; especially give great convenience to customer service. The innovations of media means and multimedia skills contribute to the media industry's development.

Figure 11.4 PEST analysis of Disney Theme Park

3 **Social**: The way that traditional values are being rediscovered fits neatly with Disney's belief and organizational culture. However, given the culturalist perspective taken in this book, we must recognize that Chinese traditional values are still different from American ones and this creates some sense of resistance. If Disney wants to be successful in China, it will be looking for ways to adapt itself to the culture in some degree. There are lessons to be learned from the experience in Paris,

where Disney was initially hindered because of the cultural rejection from many of the French. Unbelievably, Disney's great success in Tokyo Disneyland was also due to culture, but in Japan they were hosted by a form of cultural adoration for all things American and Disney especially.

In response to the requirements for social responsibility, especially environmental protection, Disney has established the environment as one of its key business objectives. The company has adopted proactive leadership in the management of energy and water resources, air quality, waste minimization, the development of educational programmes and has introduced results-oriented actions and strategic plans for the future.

4 **Technology**: The modern multimedia skills and digital technologies are really magic tools for Disney to build its modern magic World. However, these merits and advantages are available to others to copy. Whoever can handle them can benefit from the technology. However Disney argue that their success does not rely simply on the use of the technology alone, but on how the technology can be used to bring their imagination to life.

Global environment impacts

The terrorist attacks of September the 11th had a major impact on the Disney resorts in America. After the attacks the parks suffered a tourism slump, tourists felt uneasy about travelling. Fewer people from America and overseas wanted to travel to an area that was considered to be of high risk from terrorism.

Mintel stated that: *"Global events such as terrorist attacks … have weakened consumer confidence in travelling abroad"* (Mintel, 2003b). This statement is true especially in relation to the Disney parks as crowds suffered for the remainder of 2001 and throughout 2002.

On the day of the attacks both the American resorts reacted positively. They:

- Evacuated all parks.
- Disneyland resort offered a special reduced room rate.
- Visitors were given an extra day on their admission passports.
- Disneyland hotel and AMC theatre set up a free movie screen.
- Resort swimming pools remained open.
- Video games were set to "free play".
- ESPN Zone opened to hotel guests for free game and non-alcoholic drinks.
- Resort hotel restaurants remained open.

Disney chose to reopen its parks the following day but before they did so, heightened security measures were put into place including:

- Bomb squads searched the parks.
- Security guards were placed at every entrance.
- All bags and packages were inspected.

Disney reacted quickly to the threat of terrorism and immediately put into place several measures to ensure the safety and comfort of their guests. These measures were internal but importantly were also visible to the customers.

As a result of the attacks, Disney have changed several aspects of how their American parks are run to ensure continuous safety of staff and guests. These measures include:

- All bags are now checked on entry.
- Backstage areas are more secure with new inspection procedures and improved security forces in place.
- People entering the backstage areas have to have their cars checked and go through additional safety procedures.
- More officials are out monitoring the parks.
- Sleeping Beauty Castle attraction remained closed for longer. It was seen as being a symbolic target for terrorists and at one stage it was unclear if it would reopen.

Visitor levels to the resort in California have returned to the levels that they were at before the attacks. However the Disneyland resort still experienced low visitor rates in subsequent years. Officials have said that this could have been due to the 50th birthday celebrations in 2005, with people deferring their visit until they could participate in the celebrations.

The continuing focus for the parks is to keep them safe from terror and to hope that there will not be a terror incident at any of the Disney resorts worldwide.

Strategy

Five forces analysis

A theme park is based on a particular theme and any park that developed an idea with some culture can be a theme park. They can be adjacent to some natural or historic scenes. This market is not hard to enter, although barriers to entry may be experienced in connection with the scale of investment needed to compete effectively in the market. However, it is quite difficult to become one like Disney's Theme Parks which have worldwide influence, as seldom does some cultural or historical theme have this level of appeal. Disney's Theme Parks are based on the images from its media and film business, which advertise for the parks even when running their own business.

The Supplier power is strong if a company uses only a horizontal growth strategy and seriously depends on outsourcing (Figure 11.5). Disney combined the horizontal growth with vertical growth. It also uses management contracts to appoint designated suppliers, who are allowed to use the Disney brand. These tactics help restrain supplier power.

Buyer power is relatively much stronger now than in the previous decade. However, customers care more about quality rather then price, especially in this industry. Customers who come to the Disney Theme Parks

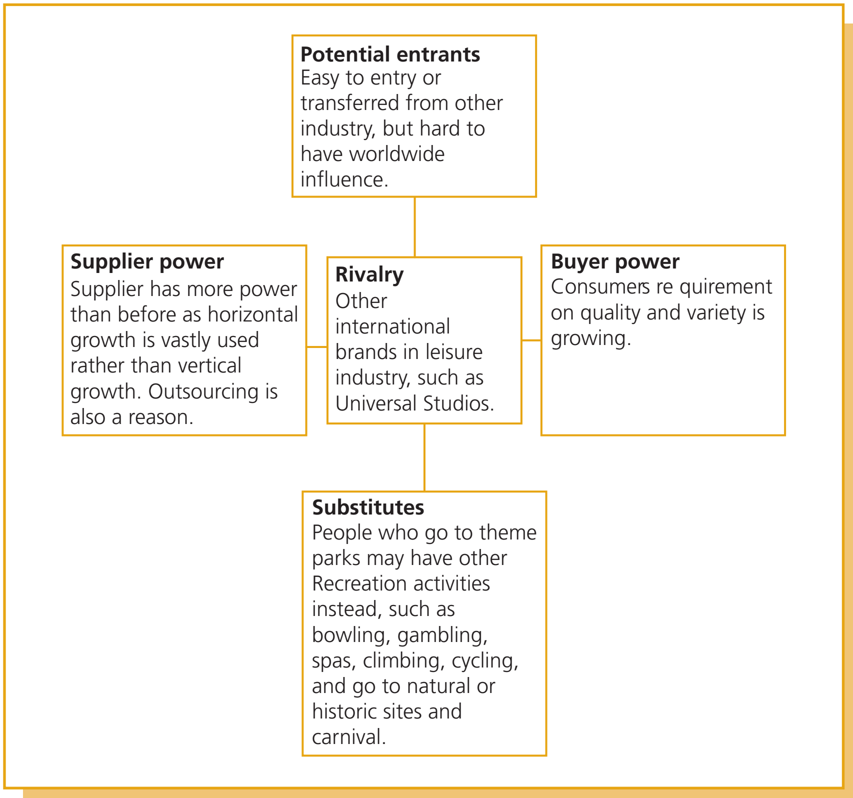

Figure 11.5 The five forces of Disney's Theme Parks

are seldom bargain buyers. Disney's Theme Parks are dedicated to its promise of excellent performance, by setting, training and conforming to the various business conduct standards they have developed. This includes ethical and legal standards that have been extended to all of their theme parks around the world. It also continually adds more services and new activities into its theme parks, involving education, sport and vacation opportunities (Walt Disney 2006 Annual Report).

Substitutes can be anything that people do for recreation, for people who go to theme parks all have explicit recreation purposes. Though people may have unique needs to enjoy themselves, a theme park mostly includes a variety of activity to fit different demands. However, a branded Theme Park like Disney's costs much more than a single recreation activity. For this reason, middle-income customers may prefer simpler options, specializing in a favourite activity for regular relaxation rather than going to theme parks. This would leave theme parks as an exceptional purchase and arguably makes the customer less price sensitive.

Disney's Theme Parks' biggest competitor is Universal Studios. Though there are other theme parks having similar attendance rates as a single theme park as Disney's, such as Lotte World and Everland in South Korea, they cannot compete with Disney's Theme Park portfolio as a whole. Universal

Studios also has a chain of theme parks and resorts around the world, and it possessed one of the world's most attended theme parks: Universal Studios Japan. They even felt confident enough to plan a new theme park in Shanghai to open in 2006, to directly compete with Hong Kong Disneyland. They are in the same strategic group who both focus on branding and all try to broaden the range of services they include in their Theme Parks, but the niche markets are slightly different. While Disney place more stress on family and warm environment, Universal Studios targets more towards youth and adventure. They use different corporate strategies. Where Disney make everything in the parks and in its stores named "Disney" (acquire or contract with suppliers), Universal Studios shake hands with the other world's top brands, such as Coca-Cola, Kodak and MasterCard (official suppliers to Universal Studios).

These forces can push a company to the top or pull it to the bottom. If not analysed properly and managed effectively, market share will be lost and profit will decrease. They are the basis of decision-making and the interpretation of the evidence must be done in circumstances that promote cultural understandings.

Strategic groups

Most industries are composed of a strategic group. The members of a company's strategic group constitute its immediate competitors. Because different strategic groups are characterized by different opportunities and threats, it may pay a company to switch strategic groups. Universal Studios is obviously playing in Disney's strategic group. The World Carnival, although it does not define itself as a theme park, can be seen as a very strong competitor of Hong Kong Disneyland, because it is already very popular in Asia. However, the only company that has competitive power and scale to match Disney worldwide at the moment is Universal Studios.

Company mission and goals

One of the most famous sayings of Walt Disney came when he observed that Disneyland would never be completed as long as there was imagination left in the world. That statement still holds true. Disney have striven to find ways of stimulating, motivating and fulfilling imagination in all its theme parks. The mission and goals can be described as "commitment to producing unparalleled entertainment experiences based on its rich legacy of quality creative content and exceptional storytelling" (corporate. disney.go.com).

Strategies

Functional strategies

Functional level strategies are those directed at improving the basic operation. For example: operation management, marketing, human resource management and finance, etc. From within these functions operations managers should help the organization to achieve competitive advantages.

Branding strategy is one of the most important marketing strategies used in Disney. Disney gives all of its products and services the name Disney. In this way, normal things become mysterious and are sold out quickly at a much higher price than its costs and more than the goods of similar quality without the brand. However, more risks occur if one of the good's reputation is ruined, the whole brand may be affected.

Another marketing strategy that Disney preferred is relationship marketing. Disney has founded many clubs to build the sense of a special relationship with their customers. Examples include the Mickey Mouse Club and the Angel Kids Club. One of the most promoted clubs is the Disney Vacation Club, giving customers the opportunity to purchase affordable time-share accommodation if they have spent holidays annually in Disney's Theme Parks and resorts. This also combines with Price strategy and Promotion strategy.

- The human resource strategy of Disney is distinct from Recruitment Strategy and Organization Culture. The theme park and resorts recruits college students every year. There are four main programmes for students based on innovation and imagination, ranging from management performance, to design, art and music producing. They are to be found in the extensive internal training network established within the company:
  - Disney College
  - Walt Disney World College Programme
  - Disney Collegiate Entertainment Programme
  - Disney Imagi-Nations.

This allows the organization to be able to claim, with some confidence, that Disney's staff can be youngest and most active, passionate and imaginative in the industry. The bottom line for the company' recruitment is to identify imagination, and although they often require previous work experience, they will also ask about the applicant's childhood dreams. The company addresses its own culture as magic and wonder; and this is a concern everywhere. Staff are taught that the company culture values them as high-quality elements in their products, and stress that they should share the organization's optimism for the future. They emphasize great storytelling, an emphasis on family entertainment and great talent, passion and dedication from all Cast Members (corporate.disney.go.com/careers/culture).

For many years, growth has been a key financial objective at The Walt Disney Company and it remains so today. About 5 years ago, however, a programme was initiated, designed to balance earnings growth goals by increasing focus on two other financial objectives, cash flow and returns on capital. In short, when the company was able to grow operating income, improve returns on capital and deliver strong cash flow at the same time (as in the fiscal year 2004) the financial results reflect fundamentally sound corporate strategies that are driving growth and increasing the value of the Company for the shareholders (Financial review of Annual Report, 2004).

The Research and Development Strategy is crucial for the Disney Company. As a leading company in leisure industry, it chooses and is pushed to be technological leader. Without creation, the recreation will lose fun. If the company acts as a technological follower, it will lose market share and profitability. Since its foundation, new attractions have been added to each of its Theme Park regularly.

Business strategy

Disney pursued a differentiation strategy. The objective of differentiation is to achieve a competitive advantage by creating a product or service that is perceived to be unique in some way. Disney's Theme Parks are perceived to be magic land and dream land. Because its culture has been delivered to the customers, it is hard to copy for other companies. It is an example of live assets which has an overwhelming power and a long-lasting lifespan. Disney's differentiation strategy also showed through its segmented market. All its theme parks stress the commitment to the family. The EPCOT Center and Captain EO, Star Tours and Splash Mountain in Disneyland and Walt Disney World are ideal for children and teenagers. However, the resorts also intend to produce a fantastic romantic atmosphere for young couples having honeymoons.

A differentiator must be cautious in setting price. Disney's Theme Park in Florida once faced serious performance flaws and management obstacles because of the company's cost cutting policy. To ensure the profitability, the price should not be brought down heavily. This was one of the concerns that led to Disney's decision to build their 11th theme park in Hong Kong, rather than Shanghai. It was thought that Hong Kong would offer better profit margins because the people in Hong Kong, and those with easy access to Hong Kong, had stronger purchasing ability and the economy there was seen to be better.

Disney are proud and careful of their position as a leader in the field. Because of this, they feel ever more investment should be put into innovation to maintain the position as a technological leader than a follower. The quality of their performance and the visitor experience are assured through high-cost training, and it is clear that quality is considered more important than price. It has never been a preferred option for Disney to use Cost leadership strategy, although management is constantly aware of cost and maintain strict controls (Plate 16).

Corporate strategy

The principal concern of corporate strategy is identifying the business areas in which a company should participate, the value creation activities it should perform, and the best means for expanding or contracting business, in order to maximize its long-run profitability and brand value. There are key corporate strategies. One is directional strategy by clarifying the

Plate 16 Scene from Disneyland Hongkong
Source: Author Photo

company's status in the market and lifespan and set directions. The other is portfolio strategy by exploring the best combination.

Disney's Theme Park has over 50 years history, but it is still young because it still grows. As early as 1971, 16 years after the first theme park was built, Walt Disney World had added resorts and relevant services to the park to expand the meaning of theme park. It is a new life for theme parks. A few years ago, Disney set new goals to all of its parks and resorts to be tourism destinations. To add attractions to the Parks, Disney undertook a lot of acquisitions, such as ABC broadcasting, Baby Einstein, NBA Games, Avalanche Software, etc. The net figures of cash acquired in acquisition are $2845million in 2002 with $480million in 2001 and $130million in 2003.

In order to consider the best combination of business, Disney defined the core for itself. Those are the four departments as we know:

1. Studio Entertainment
2. Parks and Resorts
3. Consumer Products
4. Media Networks.

To be more focused and have better performance, Disney recently sold its National Hockey League Club based in Orange County – the Mighty Ducks of Anaheim.

Global strategy

International expansion represents a way of earning greater returns by transferring the skills and products derived from their distinctive competencies to international markets. Engaging in international business can expand sales and acquire resources, such as better components, services and products. For example, Tokyo Disneyland is regarded as the world's best Disney Park because the Japanese are very critical of service delivery and they demand the best levels of service. Also, international expansion allows the company to gain foreign capital, technologies and information. It can minimize risk by diversifying the offer throughout the international markets. When Disney's American Theme Parks were suffering from the economic downturn and terrorist attacks in the USA, Disneyland Paris and Disneyland Tokyo were still able to earn profit.

In additional to domestic business management skills, international business management requires cultural understanding. Disney's initial failure in Disneyland Paris is now recognized as being because they were not sufficiently aware of the local cultures (Forman, 1998). Disney's choice to build Disneyland in Hong Kong instead of Shanghai was mainly based on the economic strength of the region, but also because Disney perceived Hong Kong as being regarded as more of a tourism destination in Asia than Shanghai. Shanghai was seen more like a conference and business centre than a recreational or tourist destination. As average purchase ability in mainland China is lower than in Hong Kong, to settle the Theme Park in Hong Kong can avoid the need to consider price reductions. However, Disney has not given up entering into mainland China but they mainly provide media services in Shanghai at the moment.

Four international strategies are mainly used in running international business: International strategy, Multidomestic strategy, Global strategy and Transnational strategy. Disney adopted an International Strategy. They transfer the skills and products derived from distinctive competencies to the foreign markets, while undertaking some limited local customization. Apart from the changes that Lenox China and Mister Donut made to adapt to Japanese sizes and tastes, Disneyland Tokyo is nearly a replica of Magic Kingdom in the United States, including the written signs in English! Disneyland Paris changed eventually to accommodate French as the first language. The future Disneyland Hong Kong will keep the taste the same as in the United States, except that Chinese cuisine will be introduced into the park and Chinese style will be added to the resorts design.

International marketing

It would appear that Disney follows its own clearly defined marketing strategy. It markets its products and services in a variety of ways to ensure that it is attracting the right clientele. This section reviews the different ways.

Video

Disney offer prospective visitors a free video. People see the Disney resorts advertised on TV and they are invited to call and request a free video which shows more of what Disney has to offer. Disney ensures that the video they send out is tailor made for the individual that has requested it. For example, when calling to order, a few questions are asked so that Disney can establish the kind of person it is that is requesting the video, for example, whether the request comes from a family or a young couple.

By taking the time to ensure that the videos fit the profile of each person, Disney is increasing the chance that they will book their Disney holiday. By showing a family what Disney offers them specifically they are selling this aspect of Disney to them and increasing the likelihood that they will visit the resorts at some point.

Haunted mansion ride

This ride is used frequently in marketing. The ride has been the focus of a TV special and a recent film and it has its own merchandise including games, toys, albums and books.

Cross-promotion marketing

Disney regularly promotes several aspects of their businesses together. This can be referred to as a "cross-promotion" marketing technique and is frequently used to promote a successful aspect of the business alongside a not so successful one. In 2003, Disney used its park in California to hold auditions for the struggling ABC network's reality TV shows – "The Bachelor and Bachelorette". This increased publicity and business for the resort and for the ABC network.

Guestology

A popular method of marketing that Disney uses is guestology (internal market research), which allows them to research their clients directly by looking at their needs and wants. Guestology is used at Disney resorts worldwide with one on one interviews with park guests, comment cards issued at restaurants, usage and visitation studies (monitoring movement patterns), mystery shopping and phone surveys. This allows Disney to learn who their guests are, their basic demographics, the number of people in a party, what their expectations are and what their opinions are of the Disney experience.

This is extremely useful for Disney. Disney believe that if they understand their guests and their patterns, they can find ways to please them. For example, knowing that guests may be older and that there may be fewer children around Thanksgiving may be the best time for Disney to hold a food and wine festival for adults.

Guestology can also be developed by listening directly to guests. For example, cast members may overhear guests commenting on issues like the temperature at a ride queue. If a cast member hears several guests comment on the same fact they can act by adjusting the temperature. This is a good example of "cast members" listening to guests and acting on what they hear.

Film promotion

To promote the sequel to the Pirates of the Caribbean, Disney is taking a different approach and sponsored a sleek, 70-foot yacht in an around the world regatta. Disney feels that this will be a different way to catch people's eyes.

Marketing conclusion

Disney is always looking for new and interesting ways to advertise its products and services. Disney believe that it is important to aim their products and services to the correct consumers and this is where the choice of marketing technique comes in. Disney is a global company as it "*integrates operations located in different countries*" (Daniels *et al*., 2004: 671). Disney have adopted a global marketing technique where they ensure that all their products and services can be marketed similarly across the world. Although there is a recognition that some things need to be changed, for example, with the use of the local language, Disney want to get the same message across. An example of Disney's global marketing technique is the way it celebrated its 50th birthday, consisting of an 18-month campaign dubbed: "*The Happiest Celebration on Earth*" (Maddaus, 2005). The aim of the promotion was to let people know worldwide that the company was approaching this landmark. The campaign was global, featuring all the Disney parks including the new park in Hong Kong. Disney hope to ensure that the marketing is similar worldwide; it wants everybody to recognize the same Disney message.

■ Market entry

The optimal choice among entry modes depends on the company's strategy and practice situation in the foreign country. Disneyland Tokyo uses Licensing. The Oriental Land Company owns the park. Disney provided the master planning, design, manufacturing and training services during construction as well as consulting services after the completion of the facility. Disney received fees for its efforts during the construction phase, and it now receives royalties from the admissions and from merchandise and food sale (Daniels, 2004: 25). For Disneyland Paris, Disney invested only $140 million to take 49% ownership. In addition, it contracted to receive a management fee and a royalty payment on admissions and food sales. However, the Disneyland Hong Kong was not that easy. Disney and Hong Kong government negotiated for nearly a year. The final agreement resulted in a joint venture: Hong Kong International Theme Parks, owned 57% by the government of Hong Kong and 43% by Disney. Disney had to invest $300 million in addition to contributing expertise and the aura of its attractions and cartoon characters.

International human resource management

As we saw within international human resource management there are four different processes that a company could choose to adopt. These were outlined as: **ethnocentric, polycentric, geocentric and regiocentric approaches**. It would seem that Disney uses a polycentric approach. It is important that Disney fits in with the local country and culture that it is operating in. In order to do this managers need to learn about the local culture and how best to interact this with the Disney culture. Disney incorporates two different types of managers – managers from America who can implement and teach the Disney way of doing things and managers from the country where the park will be operating, who can teach the country's culture and how best to implement this culture into the Disney environment. By working together the two types of managers can find a sensible mix between both cultures.

For example, when Disneyland opened in Paris the park took on the American no-alcohol policy to maintain its family image. In France wine is regarded as being an important part of the culture and of everyday life, so the French managers opted for the no-alcohol policy to be abolished. Alcohol is now sold at the park.

Disney's international human resource approach

Human resource management is vitally important to Disney. As well as employing the right managers, it is important that Disney hires the right "cast members."

Disney uses the same hiring procedures throughout the company. This is to ensure the regularity and standards of staff and that all "cast members" can provide each guest with the same quality of service. Disney do make certain adjustments to their hiring and training procedures dependent on the country that they are operating in but the basic policies remain the same.

For "cast members" Disney ensure that they:

- Recognize cast member excellence.
- Provide consistent feedback.
- Hold daily staff meetings.
- Reward cast members for guest service, performance, behaviour and longevity.
- Believe that all cast members have valuable information to share.
- Make all employees feel welcome, valued and important.

In 1995 the Orlando resort celebrated its 25th anniversary. Even though the resort experienced a 15% increase in guest attendance human resources decided not to hire any additional staff. The year's guest satisfaction surveys remained high even though there were fewer staff to cope with the increased demand.

Human resources taught "cast members" how to recognize each other, a half-day training course was introduced to implement this scheme. This method proved extremely successful and has been used in many other areas since.

Diversity management and Disney

- Diversity focuses on differences between individuals.
- Diversity management looks at how best to manage a workforce, managers need to understand the term diversity and adapt their management skills/styles in order to successfully manage a diverse workforce.
- Diversity management reduces resistance to working with members of another ethnic, racial or cultural group.
- Decreases risk of miscommunication and discourages ethnic/racial slurs or jokes.

With the Walt Disney Company having theme parks and resorts on three continents it is very important that they understand the process of diversity management, and how it can affect them as an international business. There are many variables of diversity management including:

- Age
- Gender
- Ethnicity/race
- Physical ability/characteristics
- Sexual orientation
- Income
- Education
- Marital status
- Religious beliefs
- Geographical location
- Parental status
- Personality type.

Not all these variables will affect Disney in the way they would affect other international organizations. For example Disney has resorts in three continents across the world including: Europe, North America and Asia, this means they have to be internationally aware of how different cultures behave, and their cultural beliefs and habits. Culture can often be perceived as differences in human behaviour which are related to; communication, beliefs, religion, social grouping, customs, actions, language, values and ethnic backgrounds. Cultural diversity can result in conflict when there are differences between a person's individual beliefs, values or customs and those of other people or even the organization. These issues arise frequently within working environments. Additionally, managers must ensure that they themselves are aware of and educated about different religions, and that they conduct themselves accordingly to ensure that all members of the work-team are made to feel accepted.

When you start to work for an international company such as Disney, becoming accustomed to the culture of the environment is important, and every new member of staff is required to participate in a 3-day course at the Disney University. This is based on site and offers additional courses such as languages and communication, so every member of staff can become more aware of the culture around them. So when you look back at the definition given at the start of this section you can see how Disney use the University to offer the chance for people to break down the cultural barriers of language and beliefs, and therefore be able to work as a more productive team where all members of staff are able to communicate, and create a better working environment.

There is also an explicit attempt to introduce the values of the organization to all its new employees, as you can see in the "welcome letter" we reprint below. The tone is both morally uplifting but also prescriptive in establishing the expectations that the company have. As a new employee, you are being asked to take on the burden of protecting and enhancing the reputation of an institution, not just a company but Disney!

Example: Dear fellow Disney team member

Throughout the years, our guests, audiences, consumers and shareholders have come to depend on us for quality, creativity, innovation and integrity.

People trust us because of our commitment to them and to the standards to which we hold ourselves. We alone are responsible for upholding our excellence and our integrity. This means acting responsibly in all our professional relationships, in a manner consistent with the high standards we set for our business conduct.

Upholding legal standards of conduct, while mandatory for every Cast Member and employee, is not enough. We are also responsible for maintaining ethical standards. These standards govern how we treat everyone with whom we have contact. These are standards of integrity … honesty … trust … respect … fair play … and teamwork. In short, these are the standards we want Disney to continue to uphold in the years to come. Your company believes that its behaviour as a business should reflect the commitment to the values set forth in these "Standards of Business Conduct."

The Standards in this booklet explain both our legal and ethical standards. Please read them. Be familiar with them. Act on them. And don't be afraid to speak up when you have a concern or a question. Talk to your supervisor, your respective Human Resources representative, or the Corporate Legal Department.

Our Standards of Business Conduct are here to guide our behaviour and to help us live up to the highest expectations of excellence that are "Disney." As we continue to create Disney magic, I hope your actions show your pride in yourself, those you work with, and the Company.

Source: Michael Eisner Bob Iger
Chief Executive Officer President and Chief Operating Officer
www.corporate.disney.go.com/corporate/conduct_standards.html

International human resources and Disney

Disney describes itself as a multicultural company, with employees from all over the world working together for one international company. Disney employees are referred to as "Cast Members" and are given the chance to partake in a wide range of jobs: performer, marketing manager, hotel receptionist and fire-fighter are just a small selection of the jobs available at the Paris resort. The Paris resort currently employs the following:

- 12,200 employees (annual average)
- 500 different professions
- 100 different nationalities
- 19 different languages

Source: Euro Disney S.C.A. (2005).

The Disney University that was mentioned in the previous section is where the employees are trained, and are given the opportunity to acquire new skills and develop skills they already posses. According to the Euro Disney S.C.A. website an average of 50,000 training days are undertaken by employees each year. Disneyland Paris also offers a unique training programme, Hote d'Accueil Touristique, which gives the staff that complete the course a diploma that is recognized by the French Ministry of Employment. The course itself lasts for 15–18 months depending on the area of specialization, and prepares the participant to work in a variety of fields related to the tourism industry, moving between the hotels and the park.

CSR and Disney

The hospitality industry has not enjoyed the best reputation as a great industry to work in over recent years, but now things are set to change with the increased publicity over CSR (Merrett and Hill, 2005). The base level of responsible behaviour for any organization is good legal compliance to standards in such areas as environmental policies, health and safety and employee rights. For hospitality companies pursuing CSR there are ways in which they can demonstrate this including:

- Supporting local communities
- Environment
- Safety and security
- Media relations

Source: Based on Disney Online (2005).

The Disney's company's board, management and employees all over the world are committed to high levels of CSR; they use the following six components, to achieve high levels of CSR throughout their company:

1. Business Standards and Ethics
2. Corporate Governance
3. Community

4 "Environmentality"
5 International Labour Standards
6 Safety and Security.

One of Disney's main concerns is with the environment, and they design their help within the environment to blend the company's needs with the conservation of natural resources. One of the innovations Disney has used worldwide is a water design called "closed-loop waterways", which provide a means of saving natural resources. It traps rainwater and recycles storm and waste water, then after treatment in a small on site wet land and sand filter, this is then used for day-to-day water requirements (Australian Government, 2005).

Disney have practiced waste minimization in all their theme parks since 1991, and has helped recycle more than 650,000 tons of materials. The Disney waste minimization scheme has led to many other things, such as:

- In 2002 alone, Disney donated materials such as electronics, furniture and office equipment to 50 non-profit organizations around the world.
- Disney believes recycling relies on supply and demand, so they buy in bulk and purchase recycled products. For example the deck of a bridge at the Magic Kingdom in Orlando is made from a recycled material composed of wood and plastic.
- There are more than 1,400 products made from that same material at Disney Resorts around the world.

Source: Disney Online (2005).

Both these ideas are important components of resource conservation, but can also lead to significant financial savings for the Walt Disney Company, which in turn can help to maximize profits.

Disney's future

Disney's main focus had been on the opening of Hong Kong Disneyland on 12th September 2005. With a successful venture, both Disney and Hong Kong will benefit. Disney hopes to increase Hong Kong's tourism industry, which at present is fairly modest. It hopes to attract 1.4 million outside visitors in its first year of operation and 2.9 million visitors within 15 years. Disney also hope to attract more families to Hong Kong and for the company to improve its relationship and business opportunities with China.

In the first year 18,400 direct and indirect jobs will be created and increasing to 35,800 in later years.

There are some problems associated with the opening of the park. The cost of air transport to the city and the cost of hotel rooms may deter visitors. Disney is counting on Chinese visitors; however mainland Chinese must get exit visas from China and entry visas from Hong Kong before they can travel. The Chinese government gives these out sparingly and the process can take some time.

Disney also needs to take into consideration the popularity of amusement parks in the area. Between 1994 and 1999 more then 2,000 amusement parks were built in China, most of which performed badly. It could be that the area does not have a market that is interested in theme parks or that the market is saturated – as Disney clearly believe it could be that those theme parks were not Disney. In keeping with culture and country traditions Disney have stated that although the park will keep much of the American feel the hotels and restaurants will get a strong Chinese flavour.

This report echoes many of the themes we raised in the discussion of entrepreneurship, but remember the setting is a large company.

Example: Disney's Theme Park try to penetrate Chinese market

Title: *MICKEY MAO*, By: Chandler, Clay, Levinstein, Joan, Ting, Wang, Fortune (Europe), 07385587, 4/18/2005, Vol. 151, Issue 7 **Database:** *Business Source Premier*

The Magic Kingdom meets the Middle Kingdom, as Disney sets its sights on China. But for new chief Robert Iger, who has been leading the charge, wishing on a red star could be a risky strategy.

Last October, on the eve of the National Basketball Association's first exhibition game in China, Walt Disney president Robert Iger stepped before a battery of television cameras flanked by NBA commissioner David Stern, Houston Rockets centre Yao Ming and a cadre of other NBA stars. A press conference to announce some blockbuster marketing deals between the NBA and China? Not quite. The venue for the high-profile gathering was a cramped classroom at Yao's alma mater, Gaoan Road Primary School in Shanghai. As cameras whirred and flashbulbs popped, Iger, Yao and the other NBA luminaries joined a chorus of Chinese children in red neckerchiefs reciting from the pages of a Yao-sized book at the front of the room: "It's a grey, grey rainy day, but Piglet and Roo are ready to play."

Piglet and Roo are characters from A.A. Milne's popular children's stories about a stuffed bear named Winnie-the-Pooh, and Disney billed the storytelling session as part of a worldwide public-service initiative to encourage kids to read. But to properly connect the dots between the beloved bear, the world's second-largest media and entertainment conglomerate, the NBA's tallest player, and the world's fastest-growing economy, it helps to know that Disney owns the rights to Milne's characters; that Disney is the parent company of ESPN sports network; that ESPN secured rights to broadcast the Shanghai exhibition game; and that Iger wants a piece of the China market as badly as Pooh craves honey.

That last also explains why Iger, just anointed successor to CEO Michael Eisner, visited China four times last year. In October, while Eisner was slugging it out with former president Michael Ovitz in a Delaware courtroom, Iger was in Hong Kong inspecting progress on the theme park Disney is building there, in Shanghai catching the NBA game, and in Beijing chatting with China's vice president. Get Disney's new chief talking about China's potential, and he'll rattle off a list of statistics: income levels, Internet penetration figures, mobile-phone and cable-television subscription rates. The way Iger sees it, China, with 290 million people under the age of 14 – more potential Mouseketeers than the entire US population – isn't just a growth opportunity, "it's a needle mover."

Iger has taken to goading executives at Disney's Burbank, CA, headquarters to prove their China savvy: "If I come back from a China trip and I know more than the guy running the business back in Burbank, he's got a problem." Indeed, so keen is Disney's new chief to bring the Magic Kingdom to the Middle Kingdom that he describes himself as the company's China country manager. "On any given day, I may talk to the person who's running Baby Einstein to see what he's up to [in China] or call the head of television there. It's constant, constant attention."

That's the sort of relentless focus championed by management experts as the secret to cracking the Chinese market. But with apologies to the Disney song, when you wish upon a red star, it makes a big difference who you are. If you're a large foreign multinational selling autos, mobile phones or fried chicken, have at it: China waits with open arms to take in every dollar you care to invest. But if you happen to be a giant media and entertainment conglomerate – a Disney, say – be prepared for China's mandarins to wrap you in red tape.

Governments the world over restrict foreign media ownership, but China has raised regulation of the industry to a fine and excruciating art. In the developed world and in many other fast-growing economies in Asia, foreign content providers are at least allowed to purchase airtime for their programming over domestically owned networks. Not in China, where regulators limit the ability of non-Chinese companies to sell, distribute, market and identify the programmes they produce. Even cartoons are tightly controlled. Disney's most significant encroachment into China's airwaves is a half-hour kids' show that mixes Disney programming with short segments produced in China. Yet Disney can't call it Mickey Mouse Club lest its signature rodent get too well known, so the programme airs as Dragon Club. The myriad prohibitions are meant to prevent criticism of China's communist rulers and to shield the Chinese from the evils of Western cultural imperialism. They're also driven, says Lehman Brothers Asia media analyst Stephen McKeever, by "good old-fashioned mercantilism" to make sure Chinese players get their share of a burgeoning market.

That's bad news for Iger, who has identified international expansion as a cornerstone of Disney strategy. Though Disney's animated menagerie includes some of the most widely recognized characters on the planet, the financial statements of the company that spawned them remain surprisingly provincial. Last year overseas revenue accounted for $6.7 billion, or 22%, of Disney's $30.7 billion in sales, and generated $1.5 billion, or 35%, of operating profit. Sure, that's enough to keep Dumbo in peanuts. But Iger has long argued that given the brand's global reach, the composition of Disney's revenue should look more like that of Coca-Cola or McDonald's, truly multinational giants that count on non-US markets for more than 65% of sales. Iger is pushing for double-digit growth in foreign sales and a more diversified revenue stream. Foreign markets, he vows, must generate at least half of Disney's profits "within the next 5 years."

Iger's goal implies a radical redeployment of Disney's resources. Last year 70% of the company's overseas sales came from markets in slow-growing Europe; Asia contributed only $566 million, much of that from Japan, where Disney made more than $160 million in royalties from the consortium that runs Tokyo Disneyland. Iger stands little chance of hitting his foreign-profit mark without substantial gains in Asia's emerging dynamos, China and India. Disney won't say how much it earns in either market – like many multinationals, it doesn't disclose financial results by country. But the consensus among analysts and competitors is that Disney earns considerably less in the two countries combined than the $140 million that Ovitz's severance package was worth. That could change quickly as components of Iger's battle plan fall into place. In India, where broadcast regulations allow more leeway, Disney has made inroads with a sports television joint venture and the launch last year of two animation channels. But the big bet is China, where the company has identified theme parks and consumer products as its dominant profit engines.

On its face, counting on those businesses seems … well, goofy. Movies and media networks, not parks and plush toys, are Disney's mainstay, accounting for more than two-thirds of worldwide revenues last year. In the United States, Disney has sold off its stores, unable to make a go of hawking mouse ears and Piglet pencil boxes on its own. Why should it fare any better in a country famed for plunging prices, razor-thin margins and rampant piracy? And while Disney's flagship US parks are reliable cash cows, the company's record in operating theme parks overseas is spottier than 101 Dalmatians. Burbank balked in the 1980s when Japanese developers pitched the idea of bringing Disneyland to Tokyo, judging the Disneyland experience too American to export. Instead of investing, Disney opted to license rights in Japan in exchange for 10% of ticket sales and 5% of receipts on food and concessions. Big mistake: Japanese families can't get enough of Tokyo Disneyland. "The failure to take an ownership position in Tokyo Disneyland was exceptionally costly," Eisner wrote in his 1998 autobiography, Work in Progress. But his decision to retain a stake in Euro Disney, a theme park outside Paris, proved an even bigger error. The French venture, of which Disney now owns 40%, has been a financial sinkhole. In 12 years of operation, it has never come close to meeting its original target of 17 million visitors a year, despite generous capital infusions from Disney and Saudi Arabia's Prince al-Waleed.

Determined to finally get it right, Disney drove a hard bargain in Hong Kong, demanding a fat stake for a next-to-nothing investment. Desperate to bring jobs and tourists to their then-beleaguered economy, Hong Kong officials capitulated, agreeing to put up $2.9 billion in taxpayer money, donate land and build a network of access roads and railways in exchange for a 57% share. Disney got its 43% for just $314 million, a sum it will recoup almost immediately because it also insisted on a 5% royalty fee for management and operation.

Nestled in a cove on Lantau Island, with views of the downtown skyline six miles away, Hong Kong Disneyland, which is scheduled to open 12th September, will look and feel like the original Disneyland, complete with Main Street, Sleeping Beauty's Castle and Tomorrowland. But there are some modifications. Architects went to great lengths to heed instructions of a feng shui master who, among other things, ordered the entire layout rotated several degrees to foster harmony with the elements. Staff will accommodate guests in English, Mandarin and Cantonese, and food will cater to Chinese palates. Disney projects that the park will receive about six million visitors the first year, about 40% of them from China's mainland.

Hong Kong Disneyland is mostly a dress rehearsal for the main event – a theme park in Shanghai. Iger says Disney has been engaged for some time in "a cordial discussion, if not actual negotiations," with Shanghai officials about opening a park within the next 6 years. There, too, he is playing hardball, rebuffing demands to move faster. But the long-term success of Disney's Chinese parks will require more than good feng shui and hard bargaining. In other markets, Disney's film, TV and publishing operations smoothed the way for new parks, ensuring that from the moment they set foot on Main Street, visitors felt at home. In China, says Jay Rasulo, President of Walt Disney Parks and Resorts, "for the first time, we'll be opening in a market where not all of our guests will know us well. The brand recognition is high, but the depth of the storytelling isn't there." That matters, executives say, because guests stay longer, spend more and return more often when they invest emotionally in the characters.

To fill the void, Disney is mounting a grass-roots brand-building campaign – and experimenting with novel marketing techniques. In perhaps the most unlikely union of Mickey and Mao, Disney last year teamed up with the 70 million – member Communist Youth League to host a series of sessions billed as aiding reading skills and creativity. Disney performers toured half a dozen "children's palaces" in Guangdong province, telling stories using the Disney characters and encouraging children to draw pictures of Mickey Mouse. More sessions are planned this spring. Disney's alliance with the youth league doesn't raise eyebrows in a nation where few distinguish between advertising and propaganda. Sometimes it's unclear who's propagandizing whom. At Yao Ming's elementary school, a zealous 12-year-old scolded NBA veteran Bob Lanier for mispronouncing the word "ooze" while reading a Winnie-the-Pooh story. Afterward the boy explained that he knew the proper English pronunciation because his class had spent weeks practising for the event.

Disney's bid for China's hearts and minds reaches back to the 1930s, when its first animated features played at cinemas in Beijing and Shanghai. Disney films, along with most other forms of foreign entertainment, were banned after Mao swept to power in 1949. During the Cultural Revolution, the mere possession of a Mickey Mouse watch would have constituted a serious cultural crime. Mickey had to wait until 1986, a decade after Mao's death, for rehabilitation. In that year Disney signed a licensing agreement with China's national network to supply cartoons for broadcast on Sunday evenings. That remained the extent of Disney's presence in China until well into the 1990s, when ESPN struck a deal to syndicate international sports programming and Disney won permission to publish a weekly comics magazine for children. In 1994, Disney forged the partnership with Beijing TV that created Dragon Club. Now in its 10th year, Dragon Club airs on more than 40 stations across China, reaching an estimated 60 million households. Winnie-the-Pooh figures prominently in CCTV's flagship kids' show, The Big Windmill, and on CCTV's new children's channel. All told, Disney-branded segments reach more than 380 million households, making the company "the No. 1 provider of Western programming to China," according to Andy Bird, President of Disney International.

Iger's own interest in China goes back to his first Beijing visit in 1979, when he was with ABC Sports. "I stayed in a hotel – I swear, this is the complete truth – my mattress was filled with straw," he recalls. "No one spoke English. I spoke no Chinese. It was almost a joke, but a great adventure." He returned in 1994, as the president of ABC-TV, to inaugurate Dragon Club.

But Disney is hardly the only belle at the ball. In programming of all forms, Disney lags behind News Corp., whose China ambitions are no less grand. The centrepiece of News Corp.'s China strategy is its 38% stake in Phoenix Satellite, a Chinese-language network based in Hong Kong. Operated in partnership with a former People's Liberation Army officer, Phoenix owns five channels and boasts that its shows reach 200 million mainland viewers. The company's biggest success is news and current-affairs programming, which offers a livelier alternative to the official fare on state-run channels. Last year Phoenix, listed in Hong Kong, reported a profit of $21 million on ad sales of $100 million. Beijing has also allowed News Corp.'s Star TV to broadcast Chinese-language entertainment programmes via cable networks in Guangdong province.

Viacom, which owns Nickelodeon, announced an agreement with Shanghai Media Group in November to produce children's TV programming. The deal was the first to follow a declaration by China's State Administration of Radio, Film and Television that foreigners are permitted to own up to 49% of Chinese television production companies. Time Warner, the largest of the global media giants (and parent of FORTUNE's publisher), has been least active in pressing for entry into the China market. Its affiliate, Chinese Entertainment Television, has also been granted permission to broadcast in Guangdong, but Time Warner ceded majority interest in 2003 to Tom Group, a media company controlled by Hong Kong billionaire Li Ka-shing.

Each year titles from Disney and Warner dominate the list of films cleared for distribution in Chinese cinemas. Disney's The Lion King was the first foreign film released in China, and the company has distributed more than a dozen others, including Toy Story, Tarzan, Finding Nemo and Pirates of the Caribbean. The terms of China's 2001 admission to the World Trade Organization require Beijing to allow the release of 50 foreign films this year, up from 10 before accession. But those films do limited box office despite China's vast population and the popularity of Hollywood fare. Consumers would just as soon pay $1 for a counterfeit DVD than two or three times that to see a movie on a large screen in a dilapidated theatre.

The breadth of Disney's offerings gives it a distinct advantage in China. Disney on Ice gave 30 performances in three Chinese cities last year and is preparing to expand the tour to 40 cities. Disney is also pushing content over the web in a partnership with Sohu.com, a Chinese Internet portal. Rasulo says, "No company in the world is better than Disney at marshalling all its business lines for brand building."

But how to make that brand building pay? Piracy has crippled Disney's efforts to profit from DVD sales in China. Since entering the market in 1997, Disney has released nearly 500 VCR and DVD titles, more than any other foreign studio. Still, in 2003 it sold just 3.4 million disks. Finding Nemo, which Disney touts as the bestselling animated feature in China, had legal sales of only 284,000 copies. Legitimate discs sell for as much as ten times the price of a knockoff, and most Chinese consumers wouldn't know where to buy them even if they were willing to pay the difference. At the Xiangyang market in Shanghai, vendors tout pirated Disney titles alongside phony handbags. At one table a woman shows shoppers a trash bag stuffed with Disney knockoffs, including: The Incredibles, Aladdin and The Little Mermaid. Nine dollars buys an eight-disc set of Mickey Mouse in Living Colour, with the forged signature of Roy E. Disney on the box. "This Disney stuff sells like crazy, 'she says.' I usually have 100 titles, but I can't keep them in stock."

It says a lot about Iger's battle plan that in December, when he finally hired a full-time China country manager, he picked Stanley Cheung, former head of Johnson & Johnson's consumer products business in China. Cheung's first task will be to expand Disney's retail and distribution network. Disney reported that China consumer products sales topped $128 million in 2003 and that the segment's contribution to overall sales in China is double Disney's global average of 8%. Cheung wants to double the number of Disney Corners, upscale retail outlets selling toys and branded kids' wear, to 2,200 shops by the end of the year. He also sees improved opportunities for Disney products as foreign retailers such as Wal-Mart and Carrefour expand in China. "Regulations are loosening," says Cheung. "We have the right legal structure. Suddenly everything's coming together."

That would no doubt gratify Iger, who joked before getting the nod to succeed Eisner that he could be the subject of his own reality TV show. His suggested title: The Apprentice Survivor Millionaire. Just don't look for it to be broadcast on Chinese airwaves anytime soon?

By Clay Chandler; Joan Levinstein, Reporter Associate and Wang Ting, Reporter Associate

Disney is relying heavily on the success of the new park especially after the criticisms and problems associated with Disneyland Paris. However many of the problems were related to the French culture and the fact that the majority of the French people seemed to be against the idea of the park. Hong Kong is different, the government wants Disney and wants it to be successful. Also Disney have learnt from the Paris opening, they now understand the importance of implementing certain aspects of the host country's culture into the Disney experience.

Disney's main competitor Universal Studios has taken every step to fight for market share with Disney. Disney's new theme park in Hong Kong has cost Disney a lot but there are still hidden obstacles that may affect its profitability. Disney's ambition in China may face several problems, such as low purchase ability; Chinese people's realism in spending money; government restriction and the coordination with Disneyland Hong Kong. That the Strategic Planning Department was taken away may not benefit the company. Challenges may exist in making corporate level strategy decisions, also in coordination with other departments and settling down the staff and managers in the Strategic Planning Department. The change of Disney's president and CEO also brings in a challenge of internal coordination.

However, Disney's rich enterprise culture background and abundant experience in customer service as well as strong power in innovating and investing should be able to sustain itself in the leading place for a relative long time. Most importantly, going to Disney's Theme Parks has become a dream for many people in the younger generations. Its strong customer loyalty base will support it at least for another 30 years.

Summary

Disney is a very strong and influential company throughout the world. We have highlighted several areas of importance to the company:

- International Human Resource Management: a polycentric approach is used and the company understands the importance of all its employees.
- Global Environment Impacts: since 9/11 Disney has heightened its security measures which have helped visitor levels return to normal as visitors feel more at ease.
- International Marketing: a variety of methods are used to market Disney's products and services.
- International market entry: the lessons of Paris and the opportunities of Hong Kong.
- Strategic choice.
- CSR.

To ensure Disney is successful throughout its business operations, with regular and consistent results Disney should ensure that it is constantly listening to their consumers and working to meet and exceed their needs, wants and expectations.

There are still problems that can arise in the international management of the company:

- The challenge of entering a new market, and the different cultures that will be viewed in this new market.
- The everlasting problem of staffing, with the expansion of the park in Paris already complete and now incorporating a second park which is

also growing, will Disney be able to keep staffing at the level needed to be at to deliver the high standard the guests expect.

- With the ever increasing threat of terrorism high across the world, how will Disney meet the challenge of security to maintain the safety of their guests in all their resorts?

It is clear that a lot of planning and research needs to be done to make sure the future endeavours of the company match the high standards of their customers. When looking at the future problems, a number of solutions could arise, and in the case of security have already been put into the scenarios. To maintain the trust of the customer, it was felt necessary to provide an extra security presence, because if the guests can see the security then it puts them more at ease in relation to the threat of terrorism.

Staffing will always be a problem for any company involved in the hospitality industry, the ever increasing use of the Internet will be a major factor when they are advertising for positions in the parks. Offering the chance for current employees to transfer over to Hong Kong to be involved with the new operation was a good way of catering for the staffing of the new park in the initial opening period.

Overall Disney is in a good position internationally and makes good use of planning and international operations when looking at all the problems that are faced by an international company both in its home and host country.

We began this book by using Disney as a symbol of cultural change within the concerns about the globalization process and although we have enquired into the operations of the organization, we now want to return to the symbolic. What actually happens at Disney and the operational details are very important as we have outlined in the preceding discussions but they do not tell the whole story or explain Disney's significance for international hospitality management. That impact lies in what Disney is seen to do and the way people see them as doing it. Some of these reactions are based on little or no knowledge of what Disney is really doing or thinking but the perceptions are still very powerful.

We have written a book which we believe stresses the need for managers in international hospitality to be aware of and appreciate the implications of the cultures of their organizations, their managers, their workforce, their customers and the contexts in which they are working. This culturalist perspective poses a challenge to all companies, large or small, that want to work internationally. We are placing a cultural appreciation as high on the management agenda as the financial appraisals that are undertaken before investments are finalized have always been. Disney have come to stand for the worst elements of globalization as critics have seen their expansion as nothing more than American cultural imperialism. We have gone to some lengths to demonstrate that Disney are working in more complex ways than this would suggest but nevertheless the arguments still dog the company. The problems in Paris were not just about the way Disney worked, but about how what they planned and performed was not a comfortable fit with the French and European ways of doing things. The attacks on the theme park were partly motivated by a desire to protect the history and culture of a centre of civilization. One French critic argued that the demands Disney were making on the imaginations of French children would not leave space for the traditional stories of their own childhoods. This would lead to the demise of French culture, arts and music and even philosophy – the nation of famous philosophers was seen to be replacing these rich traditions with the thinking of Mickey Mouse. This is an extreme example but it reinforces our plea that culture has to be taken seriously and sets the context in which all decisions are made.

We also looked at the nature of hospitality in the first chapter and we hope that our focus on the industrial structures and functional aspects of management have not blinded you to that part of our culture. What we see as the heart of management in international hospitality is the sharing of opportunities and the creation of meaningful experiences. The context of the host–guest relationship may have become commoditized and institutionalized but the spirit of the visit remains central to the exchanges that we are concerned with managing.

This is why we would close this book with an argument for our title. We have styled the book *International Hospitality Management*, not managing hospitality in a globalized context. We believe that the cultural perspective entails a commitment to appreciating, valuing and promoting local distinctiveness. Globalization may introduce international standards and opportunities that may benefit all of us in some ways, but it is also in danger of denying the differences that underpin the value of host–guest relationships. If we do all become the same in a standardized, commoditized and homogeneous future, we may as well all stay at home. Only by emphasizing our differences and ensuring that we present them in ways that communicates that difference as a positive to our guests can we encourage the development of a truly international but not globalized hospitality industry. We can work with standards as long as they allow us to implement them within a respectful awareness of our local conditions. As a consequence, we could be seen as advocates of glocalization, taking the best from both the global initiatives and celebrating the contribution of the local. We should search for excellence in our work, whatever we do and whereever we do it, and we should definitely address the questions of quality but we do not all need to produce the same answer.

We believe that the combination of theory and practical case studies demonstrates that diversity is a positive feature of our lives and our work. We hope we have avoided simple solutions in favour of creating a deeper understanding of the processes that underpin the development of international hospitality. Our concern has been to focus on clarifying the ways in which we see the issues that will help and hinder those developments. If we have raised the awareness of the cultural understanding of those processes, we will have at least given you better questions to ask even if we have given you no generalizable answers. We would strongly advocate that the richness that exists in international hospitality must be championed and taken forward with a sense of joy in that diversity.