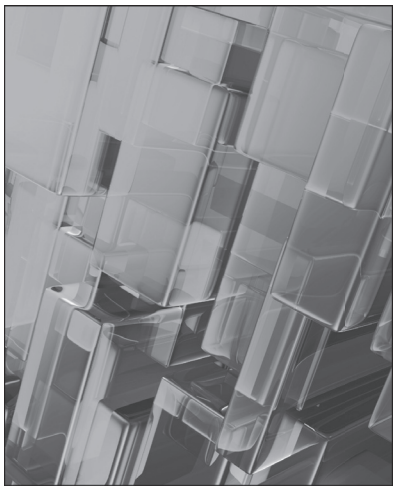
Project Management Case Studies, Fifth Edition
By Harold Kerzner

Part 18

INDUSTRY SPECIFIC: DISNEY THEME PARKS

Every company has some unique characteristics that it wishes its employees to possess to be successful. For Disney theme parks, the skill is in Imagineering project management. But even some of the best-managed companies in the world, such as Disney, still succumb to risks, mainly from enterprise environmental factors that can influence decisions made on projects. Although we all want to believe that we have some understanding of these enterprise environmental factors, the impacts can be severe when a variety of international cultures are involved.



Disney (A): Imagineering Project Management

INTRODUCTION

Not all project managers are happy with their jobs, and they often believe that changing industries might help. Some want to manage "the world's greatest construction projects" while others want to design the next-generation cell phone or mobile device. However, the project managers who probably are the happiest are the Imagineering project managers who work for the Walt Disney Company, even though they probably could earn higher salaries elsewhere on projects that have profit and loss statements. Three Imagineering project managers—John Hench, Claude Coats, and Martin Sklar—retired with a combined 172 years of Imagineering project management work experience with the Walt Disney Company. But how many project managers in other industries truly understand what skills are needed to be successful as an Imagineering project manager? Is it possible that many Imagineering project management skills are applicable to other industries and we do not recognize it?

The *PMBOK® Guide* is, as the name implies, just a guide. Each company may have unique or specialized skills needed for the projects it undertakes above and beyond what is included in the *PMBOK® Guide.* Even though the principles of the *Guide* apply to Disney's theme park projects, other skills are needed that

are significantly different from much of the material taught in traditional project management courses. Perhaps the most common skills among all Imagineering project managers are brainstorming, problem solving, decision making, and thinking in three rather than two dimensions. While many of these skills are not taught in depth in traditional project management programs, they may very well be necessities for *all* project managers. Yet most of us may not recognize this fact.

WALT DISNEY IMAGINEERING

Walt Disney Imagineering (also known as WDI or simply Imagineering) is the design and development arm of the Walt Disney Company, responsible for the creation and construction of Disney theme parks worldwide. Founded by Walt Disney to oversee the production of Disneyland Park, the company was originally known as WED Enterprises, from the initials meaning "Walter Elias Disney," the company founder's full name.[1]

The term "Imagineering" was introduced in the 1940s by Alcoa to describe its blending of imagination and engineering, and used by Union Carbide in an in-house magazine in 1957, with an article by Richard F. Sailer called "BRAINSTORMING IS IMAGINation enginEERING." Disney filed for a copyright for the term in 1967, claiming first use of the term in 1962. Imagineering is responsible for designing and building Disney theme parks, resorts, cruise ships, and other entertainment venues at all levels of project development. Imagineers possess a broad range of skills and talents, and thus over 140 different job titles fall under the banner of Imagineering, including illustrators, architects, engineers, lighting designers, show writers, graphic designers, and many more.[2] It could be argued that all Imagineers are project managers and all project managers at WDI are Imagineers. Most Imagineers work from the company's headquarters in Glendale, California, but are often deployed to satellite branches within the theme parks for long periods of time.

PROJECT DELIVERABLES

> *All I want you to think about is when people walk through or have access to anything you design, I want them, when they leave, to have smiles on their faces. Just remember that. It's all I ask of you as a designer.*
>
> —Walt Disney

Parts of this case study have been adapted from Wikipedia contributors, "Walt Disney Imagineering," *Wikipedia, The Free Encyclopedia,* https://en.wikipedia.org/w/index.php?title=Walt_Disney_Imagineering&oldid=758012775

[1] Alex Wright, *Imagineers: The Imagineering Field Guide to Magic Kingdom at Walt Disney World* (New York: Disney Editions, 2005).

[2] Ibid.

Unlike traditional projects where the outcome of a project is a hardware or software deliverable, Imagineering project outcomes for theme park attractions are visual stories. The entire deliverable is designed to operate in a controlled environment where every component has a specific meaning and contributes to part of telling a story. It is visual storytelling. Unlike traditional movies or books that are two dimensional, theme parks and the accompanying characters come to life in three dimensions. Most project managers do not see themselves as storytellers.

The intent of a theme park attraction is to remove people from reality once they enter the attraction and make them believe that they are living out a story and possibly interacting with their favorite characters. Theme park visitors of all ages are made to feel that they are participants in the story rather than just observers.

Some theme parks are composed of rides that appeal to just one of your senses; Disney's attractions, in contrast, appeal to several senses, thus leaving a greater impact when people exit the attraction. "People must learn how to see, hear, smell, touch and taste in new ways."[3] Everything is designed to give people an experience. In the ideal situation, people are made to believe that they are part of the story. When new attractions are launched, Imagineers pay attention to guests' faces as they come off of a ride. This is important for continuous improvement efforts.

THE IMPORTANCE OF CONSTRAINTS

Most project management courses emphasize that there are three constraints on projects, namely time, cost, and scope. Although these constraints exist for Imagineering projects as well, there are three other theme park constraints that are often considered more important than time, cost, and scope. The additional constraints are safety, quality, and aesthetic value.

Safety, quality, and aesthetic value are all interrelated constraints. Disney will never sacrifice safety. It is first and foremost the primary constraint. All attractions operate every few minutes 365 days each year and must satisfy the strictest of building codes. Some rides require special effects, such as fire, smoke, steam, and water. All of this is accomplished with safety in mind. Special effects include fire that actually does not burn, simulated fog that people can breathe safely, and explosions that do not destroy anything. Another special effect is the appearance of bubbling molten lava that is actually cool to the touch.

Reliability and maintainability are important quality attributes for all project managers but are of critical importance for the Imagineers. In addition to fire, smoke, stream, and water, there are a significant number of moving parts in each

[3] John Hench with Peggy Van Pelt, *Designing Disney: Imagineering and the Art of the Show* (New York: Disney Editions, 2008), p. 2

attraction. Reliability considers how long something will perform without requiring maintenance. Maintainability concerns how quickly repairs can be made. Attractions are designed with consideration given to component malfunctions and ways to minimize the down time. Some people may have planned their entire vacation around the desire to see specific attractions, and if these attractions are down for repairs for a lengthy time, park guests will be unhappy.

BRAINSTORMING

With traditional projects, brainstorming may be measured in hours or days. Members of the brainstorming group are few in number and may include marketing for the purpose of identifying the need for a new product or enhancement to an existing product and technical personnel to state how long it takes and the approximate cost. Quite often, traditional project managers may not be assigned and brought on board until after the project has been approved, added into the queue, and after the statement of work (SOW) is well defined. At Disney's Imagineering organization, brainstorming may be measured in years and a multitude of Imagineering personnel will participate, including the project managers.

Attractions at most traditional amusement parks are designed by engineers and architects. Imagineering brainstorming at Disney is done by storytellers who must visualize their ideas in both two and three dimensions. Brainstorming could very well be the most critical skill for an Imagineer. It requires that Imagineers put themselves in the guests' shoes and think like children and as well as adults in order to see what the visitors will see. Those who design an attraction must know the primary audience.

Brainstorming can be structured or unstructured. Structured brainstorming could entail thinking up an attraction based on a newly released animated or nonanimated Disney movie. Unstructured brainstorming is usually referred to as "blue sky" brainstorming. Several sessions may be required to come up with the best idea because people need time to brainstorm. Effective brainstorming mandates that people be open-minded to all ideas. And even if everyone agrees on the idea, Imagineers always ask, "Can we make it even better?" Unlike traditional brainstorming, it may take years before an idea comes to fruition at the Imagineering Division.

Imagineering brainstorming must focus on a controlled themed environment where every component is part of telling the story. Critical questions must be addressed and answered as part of Imagineering brainstorming:

- How much space will I have for the attraction?
- How much time will the guests need to feel the experience?
- Will the attraction be seen on foot or using people movers?
- What colors should we use?
- What music should we use?

- What special effects and/or illusions must be in place?
- Does technology exist for the attraction, or must new technology be created?
- What landscaping and architecture will be required?
- What other attractions precede this attraction or follow it?

Before brainstorming is completed, the team must consider the cost. Regardless of the technology, can we afford to build it? This question must be addressed during structured and blue-sky brainstorming sessions.

GUIDING PRINCIPLES

> *If I could pick any job here, I'd move my office to the Imagineering building and immerse myself in all that lunacy and free-thinking.*
>
> —Michael D. Eisner, former CEO, Walt Disney

When developing new concepts and improving existing attractions, Imagineers are governed by a few key principles. Often new concepts and improvements are created to fulfill specific needs and to make the impossible appear possible. Many ingenious solutions to problems are Imagineered in this way, such as the ride vehicle of the attraction Soarin' Over California. The Imagineers knew they wanted guests to experience the sensation of flight but weren't sure how to accomplish the task of loading the people onto a ride vehicle in an efficient manner where everyone had an optimal viewing position. One day an Imagineer found an Erector set in his attic and was able to envision and design a ride vehicle that would effectively simulate hang gliding.[4]

Imagineers are also known for returning to ideas for attractions and shows that, for whatever reason, never came to fruition. It could be years later when they revisit the ideas. These ideas are often reworked and appear in a different form—like the Museum of the Weird, a proposed walk-through wax museum that eventually became the Haunted Mansion.[5]

Finally, there is the principle of "blue-sky speculation," a process where Imagineers generate ideas with no limitations. The custom at Imagineering has been to start the creative process with what is referred to as "eyewash"—the boldest, wildest, best idea a person can come up with, presented in absolutely convincing detail. Many Imagineers consider this to be the true beginning of the design process and operate under the notion that if it can be dreamed of, it can be built.[6] Disney believes that everyone can brainstorm and that everyone wants to

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[4] George Scribner and Jerry Rees (directors), *Disneyland: Secrets, Stories, and Magic* (DVD). Walt Disney Video, 2007.

[5] Ibid.

[6] Karal Ann Marling, *Designing Disney's Theme Parks: The Architecture of Reassurance* (New York: Flammarion, 1997).

contribute to the brainstorming process. No ideas are bad ideas. Effective brainstorming sessions neither evaluate nor criticize ideas. They are recorded and may be revisited years later.

Imagineers are always seeking to improve on their work—what Walt Disney called "plussing." He firmly believed that "Disneyland will never be completed as long as there's imagination left in the world," meaning there is always room for innovation and improvement.[7] Ideas and eventually future attractions can also come from the animated films produced by the Walt Disney Company or other film studios.

> The brainstorming subsides when the basic idea is defined, understood, and agreed upon by all group members. It belongs to all of us, keeping strong a rich heritage left to us by Walt Disney. Teamwork is truly the heart of Imagineering . . .
>
> In that spirit, though Imagineering is a diverse collection of architects, engineers, artists, support staff members, writers, researchers, custodians, schedulers, estimators, machinists, financiers, model-makers, landscape designers, special effects and lighting designers, sound technicians, producers, carpenters, accountants, and filmmakers—we all have the honor of sharing the same unique title. Here, you will find only Imagineers.[8]

IMAGINEERING INNOVATIONS

Over the years, WDI has been granted over 115 patents in areas such as ride systems, special effects, interactive technology, live entertainment, fiber optics, and advanced audio systems.[9] WDI is responsible for technological advances such, as the Circle-Vision 360° film technique and the FastPass virtual queuing system.

Imagineering must find a way to blend technology with the story. Imagineering is perhaps best known for its development of Audio-Animatronics, a form of robotics created for use in shows and attractions in the theme parks that allowed Disney to animate things in three dimensions instead of just two dimensions. The idea sprang from Disney's fascination with a mechanical bird he purchased in New Orleans, which eventually led to the development of the attraction the Enchanted Tiki Room. The Tiki Room, which debuted in 1963 and featured singing audio-animatronic birds, was the first to use such technology. The 1964 World's Fair featured an audio-animatronic figure of Abraham Lincoln that actually stood up and delivered part of the Gettysburg Address (which incidentally had just passed its centennial at the time) for the "Great Moments With Mr. Lincoln" figure exhibit, the first human Audio-Animatronic.[10]

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[7] Scribner and Rees, *Disneyland.*

[8] Disney Book Group, *Walt Disney Imagineering* (New York: Disney Editions, 1996), p. 21.

[9] Walt Disney Imagineering website, www.imagineeringdisney.com.

[10] Ibid.

Today, audio-animatronics are featured prominently in many popular Disney attractions, including Pirates of the Caribbean, the Haunted Mansion, the Hall of Presidents, Country Bear Jamboree, Star Tours: The Adventures Continue, and Muppet*Vision 3D. Guests also have the opportunity to interact with some Audio-Animatronic characters, such as Lucky the Dinosaur, WALL-E, and Remy from *Ratatouille.* The next wave of audio-animatronic development focuses on completely independent figures, or "autonomatronics." Otto, the first autonomatronic figure, is capable of seeing, hearing, sensing a person's presence, having a conversation, and even sensing and reacting to guests' emotions.

STORYBOARDING

Most traditional project managers may be unfamiliar with the use of storyboarding as applied to projects. At Disney Imagineering, it is an essential part of the project. Ideas at Imagineering begin as a two-dimensional vision drafted on a piece of white paper. Storyboards, which are graphic organizers in the form of illustrations or images displayed in sequence for the purpose of pre-visualizing the relationship between time and space in the attraction, assist the Imagineers in seeing the entire attraction. Storyboards also are used in motion pictures, animation, motion graphics, and interactive media. They provide a visual layout of events as they are to be seen by the guests. The storyboarding process, in the form it is known today, was developed at Walt Disney Productions during the early 1930s, after several years of similar processes being in use at Walt Disney and other animation studios.

A storyboard is essentially a large comic of the attraction produced beforehand to help the Imagineers visualize the scenes and find potential problems before they occur. Storyboards also help estimate the cost of the overall attraction and save development time. Storyboards can be used to identify where changes to the music are needed to fit the mood of the scene. Often storyboards include arrows or instructions that indicate movement. When animation and special effects are part of the attraction, the storyboarding stage may be followed by simplified mock-ups called "animatics" to give a better idea of how the scene will look and feel with motion and timing. At its simplest, an animatic is a series of still images edited together and displayed in sequence with a rough dialogue and/or rough sound track added to the sequence of still images (usually taken from a storyboard) to test whether the sound and images are working together effectively.

The storyboarding process can be very time-consuming and intricate. Today, storyboarding software is available to speed up the process.

MOCK-UPS

Once brainstorming has been completed, mock-ups of the idea are created. Mock-ups are common to some other industries, such as construction. Simple mock-ups can be made from paper, cardboard, Styrofoam, plywood, or metal.

> The modelmaker is the first Imagineer to make a concept real. The art of bringing a two-dimensional design into three dimensions is one of the most important and valued steps in the Imagineering process. Models enable the Imagineer to visualize, in miniature, the physical layout and dimensions of a concept, and the relationships of show sets or buildings as they will appear.
>
> As the project evolves, so too do the models that represent it. Once the project team is satisfied with the arrangements portrayed on massing models, small-scale detailed-oriented study models are begun. This reflects the architectural styles and colors for the project.
>
> Creating a larger overall model, based upon detailed architectural and engineering drawings, is the last step in the model-building process. This show model is the exact replica of the project as it will be built, featuring the tiniest of details, including building exteriors, landscape, color schemes, the complete ride layout, vehicles, show sets, props, figures and suggested lighting and graphics.[11]

Computer models of the complete attraction, including the actual ride, are next. They are computer generated so that the Imagineers can see what the final product looks like from various positions without actually having to build a full-scale model. Computer models, similar to CAD/CAM modeling, can show in three dimensions the layout of all of the necessary electrical, plumbing, HVAC, special effects, and other equipment.

AESTHETICS

Imagineers view the aesthetic value of an attraction in a controlled theme environment as a constraint. This aesthetic constraint is more of a passion for perfection than the normal constraints that most project managers are familiar with.[12]

Aesthetics are the design elements that identify the character and the overall theme and control the environment and atmosphere of each setting. This includes color, landscaping, trees, colorful flowers, architecture, music, and special effects. Music must support the mood of the ride. The shape of the rocks used in the landscape is also important. Pointed or sharp rocks may indicate danger whereas rounded or smooth rocks may represent safety. Everything in the attraction is there for the purpose of reinforcing a story. Imagineers go to minute levels of detail for everything needed to support the story without overwhelming the viewers with too many details. Details that are contradictory can leave the visitors confused about the meaning of the story.

A major contributor to the aesthetics of the attraction are the special effects. Special effects are created by "Illusioneering," which is a subset of Imagineering.

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[11] Disney Book Group, *Walt Disney Imagineering: A Behind the Scenes Look at Making the Magic Real*, p. 72.

[12] Some people argue that the aesthetics focus more on creating a controlled environment than on reality, thus controlling your imagination.

Special effects can come in many different forms. Typical projected special effects can include:

- Steam, smoke clouds, drifting fog, swirling effects
- Erupting volcano, flowing lava
- Lightning flashes and strikes, sparks
- Water ripple, reflection, waterfall, flows
- Rotating and tumbling images
- Flying, falling, rising, moving images
- Moving images with animated sections
- Kaleidoscopic projections
- Liquid projections, bubbles, waves
- Aurora borealis, lumia, abstract light effects
- Twinkling stars (when fiber optics cannot be used, such as on rear-projection screen)
- Spinning galaxies in perspective, comets, rotating space stations, pulsars, meteor showers, shooting stars, and any astronomical phenomena
- Fire, torches, forest fire
- Expanding rings
- Ghosts, distorted images
- Explosions, flashes[13]

Perhaps the most important contributor to the aesthetic value of an attraction is color. Traditional project managers rely on sales or marketing personnel to select the colors for a deliverable. At Imagineering, it is done by the Imagineers. Color is a form of communication. Even the colors of the flowers and the landscaping are critical. People feel emotions from certain colors, either consciously or subconsciously. Imagineers treat color as a language. Some colors catch the eye quickly, and we focus our attention on it. "We must ask not only how colors work together, but how they make the viewer feel in a given situation. . . . It is the Imagineer's job to understand how colors work together visually and why they can make guests feel better."[14]

"White represents cleanliness and purity, and in many European and North American cultures . . . is the color most associated with weddings, and with religious ceremonies such as christenings. Silver-white suggest joy, pleasure and

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[13] See "Bill Novey and the Business of Theme Park Special Effects," http://blooloop.com/feature/disney-imagineering-bill-novey-and-the-business-of-theme-park-special-effects-2/. The paper provides an excellent summary of various special effects used by Illusioneers. In addition to the projected special effects, the paper also describes laser effects, holographic images, floating images, mirror gags, gas discharge effects, and fiber optics.

[14] Hench with Van Pelt, *Designing Disney*, p. 104.

delight. In architecture and interior design, white can be monotonous if used over large areas."[15] "We have created an entire color vocabulary at Imagineering, which includes colors and patterns we have found that stir basic human instincts – including that of survival."[16]

Aesthetics also impacts the outfits and full-body costumes of the cast members who are part of the attraction. The outfits that the cast members wear must support the attraction. Unlike animation, where there are no physical limitations to a character's identity or mobility, people may have restricted motion once in the costume. Care must be taken that the colors used in the full-body costumes maintain the character's identity without conflicting with the background colors used in the attraction. Even the colors in the rest rooms must fit the themed environment.

Imagineers also try to address queue design by trying to make it a pleasant experience. As people wait in line to see an attraction, aesthetics can introduce them to the theme of the attraction. The aesthetics must also consider the time it takes people to go from attraction to attraction as well as what precedes this attraction and what follows it. "For transition to be smooth, there must be a blending of themed foliage, color, sound, music, and architecture. Even the soles of your feet feel a change in the paving explicitly and tell you something new is on the horizon."[17]

THE ART OF THE SHOW

Over the years, Imagineering has conceived a whole range of retail stores, galleries, and hotels that are designed to be experienced and to create and sustain a very specific mood. For example, the mood of Disney's Contemporary Resort could be called "the hello futuristic optimism," and it is readily apparent, given the resort's A-frame structure, futuristic building techniques, modern décor, and the monorail gliding quietly through the lobby every few minutes. Together, these details combine to tell the story of the hotel.[18]

Imagineering is, first and foremost, a form of storytelling, and visiting a Disney theme park should feel like entering a show. Extensive theming, atmosphere, and attention to detail are the hallmarks of the Disney experience. The mood is distinct and identifiable, the story made clear by details and props. Pirates of the Caribbean evokes a "rollicking buccaneer adventure," according to Imagineering Legend John Hench,[19] whereas the Disney Cruise Line's ships create an elegant seafaring atmosphere. Even the shops and restaurants within the theme parks tell

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[15] Ibid., p.135.

[16] Disney Book Group, *Walt Disney Imagineering*, p. 94.

[17] Ibid., p. 90.

[18] Marling, *Designing Disney's Theme Parks.*

[19] Hench and Van Pelt, *Designing Disney*, p. 56.

stories. Every detail is carefully considered, from the menus to the names of the dishes to the cast members' costumes.[20] Disney parks are meant to be experienced through all senses—for example, as guests walk down Main Street, U.S.A., they are likely to smell freshly baked cookies, a small detail that enhances the story of small town America at the turn of the nineteenth century.

The story of Disney theme parks is often told visually, and the Imagineers design the guest experience in what they call "The Art of the Show." John Hench was fond of comparing theme park design to moviemaking and often used filmmaking techniques, such as forced perspective, in the Disney parks.[21] Forced perspective is a design technique in which the designer plays with the scale of an object in order to affect the viewer's perception of the object's size. One of the most dramatic examples of forced perspective in the Disney parks is Cinderella's Castle. The scale of architectural elements is much smaller in the upper reaches of the castle compared to the foundation, making it seem significantly taller than its actual height of 189 feet.[22]

THE POWER OF ACKNOWLEDGMENT

Project managers like to be told that they have done a good job. It is a motivational force encouraging them to continue performing well. However, acknowledgment does not have to come with words; it can come from results. At Disney's Imagineering Division, the fact that more than 132,500,000 visitors passed through the gates of the 11 Disney theme parks in 2013 is probably the greatest form of acknowledgment. The Walt Disney Company does acknowledge some Imagineers in other ways. Disney established a society entitled "Imagineering Legends." Three of their most prominent Imagineering Legends are John Hench (65 years with Disney), Claude Coats (54 years with Disney), and Martin Sklar (53 years with Disney). The contributions of these three Imagineers appear throughout the Disney theme park attractions worldwide. The goal of all Imagineers at Disney may very well be the acknowledgment of becoming an Imagineering Legend.

THE NEED FOR ADDITIONAL SKILLS

All projects have special characteristics that may mandate a unique set of project management skills above and beyond what we teach using the *PMBOK® Guide.* Some of the additional skills that Imagineers may need are summarized next.

- The ability to envision a story
- The ability to brainstorm

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[20] Hench and Van Pelt, *Designing Disney.*

[21] Ibid., p. 74.

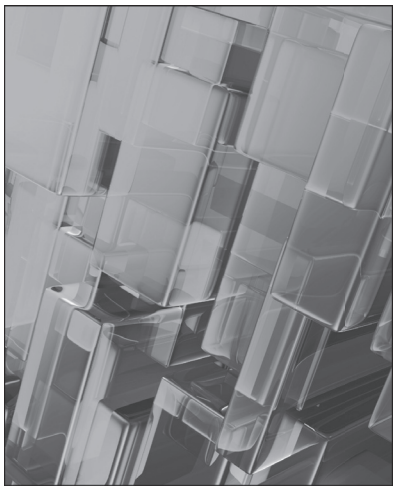
[22] Wright, *Imagineers.*

- The ability to create a storyboard and build mock-ups in various stages of detail
- A willingness to work with a multitude of disciplines in a team environment
- An understanding of theme park design requirements
- Recognizing that the customers and stakeholders range from toddlers to senior citizens
- An ability to envision the attraction through the eyes and shoes of the guests
- An understanding of the importance of safety, quality, and aesthetic value as additional competing constraints
- A passion for aesthetic details
- An understanding of the importance of colors and the relationship between colors and emotions
- An understanding of how music, animatronics, architecture, and landscaping must support the story

Obviously, this list is not all-inclusive, but it does show that not everyone can be an Imagineer for Disney. These skills also apply to many of the projects that most project managers are struggling with. Learning and applying these skills could very well make all of us better project managers.

QUESTIONS

1. Why do most project managers not recognize that they either need or can use the skills required to perform as an Imagineering project manager?
2. What is the fundamental difference between a ride and an attraction?
3. What are some of the differences between traditional brainstorming and Imagineering brainstorming?
4. How many project constraints are there on a traditional theme park attraction?
5. How would you prioritize the constraints?
6. Why is it necessary to consider cost before the Imagineering brainstorming sessions are completed?
7. What is Audio-Animatronics?
8. What is storyboarding, and how is it used on Disney projects?
9. What is meant by “project aesthetics,” and how might it apply to projects other than at Disney?



Disney (B): Imagineering Project Management in Action—The Haunted Mansion

INTRODUCTION

The Haunted Mansion attraction opened to the public August 9, 1969. One week after opening, more than 82,000 guests had seen the attraction. During the first busy season, the time to stand in the queue to see the attraction was three to four hours. Eventually, an army of diehard fans claimed that the Haunted Mansion was their favorite attraction. Today, stores and websites are dedicated to the sale of souvenirs of the Haunted Mansion and its inhabitants.

WHY STUDY THE HAUNTED MANSION?

Some projects have unique characteristics that can make them more difficult to manage than other projects. Projects that involve imagination and creativity fall into this category. Years ago, project managers believed that, if you understood the concepts of project management, you could work in just about any industry. But today, we recognize the importance of these unique characteristics that may make changing industries more complex.

Disney's Haunted Mansion opened to guests in 1969, the same year that the Project Management Institute (PMI) was formed. The Haunted Mansion

attraction was completed without the use of the *PMBOK® Guide* or Project Management Professionals, since these did not appear until the mid-1980s. Many of the individuals assigned to the Haunted Mansion Project were the most creative and inventive people in the world. So, how did project management take place on such an endeavor as the Haunted Mansion? What were some of the unique characteristics needed for the project?

In the Disney (A) Case Study, we identified some of the characteristics that differentiated Imagineering project managers from traditional project managers. We will now look more closely at Imagineering project management in action using Disney's Haunted Mansion Project.

The literature abounds with both authorized and unauthorized stories of Walt Disney's Haunted Mansion. Unfortunately, all of the versions do not directly discuss project management, thus mandating some assumptions and interpretation. The comparison of Imagineering project management with traditional project management and the accompanying conclusions are solely the author's interpretation and may not necessarily represent Disney's conclusions. The material in this case study was extracted from numerous sources that are referenced throughout this case study.

CONSTRAINTS

All project have constraints. For almost 50 years, project managers were taught to focus on the triple constraints of time, cost, and scope. But for the projects at the Disney theme parks, the constraints of safety, quality, and aesthetic value also must be included.

The *PMBOK® Guide* did not begin discussing the importance of competing constraints until the fourth edition was released in 2008. Prior to that time, only the importance of the traditional triple constraints were discussed. Yet even as early as the 1950s with the design of the Disneyland theme park, Disney understood the importance of competing constraints and the fact that they must be prioritized.

The most important constraint at Disney was, and still is, the safety of the guests. This constraint is never sacrificed at Disney. In the author's opinion, quality and aesthetic value were probably tied for second and third behind safety. If trade-offs had to be made on certain attractions, it appears that the trade-offs took place on time, cost, and scope but not on safety, aesthetic value, or quality. Today safety, aesthetic value, and quality are attributes of the Disney image. The importance of these constraints is discussed further in this case study.

LIFE-CYCLE PHASES

When companies strive for some degree of project management maturity, they usually begin with the creation of an enterprise project management methodology

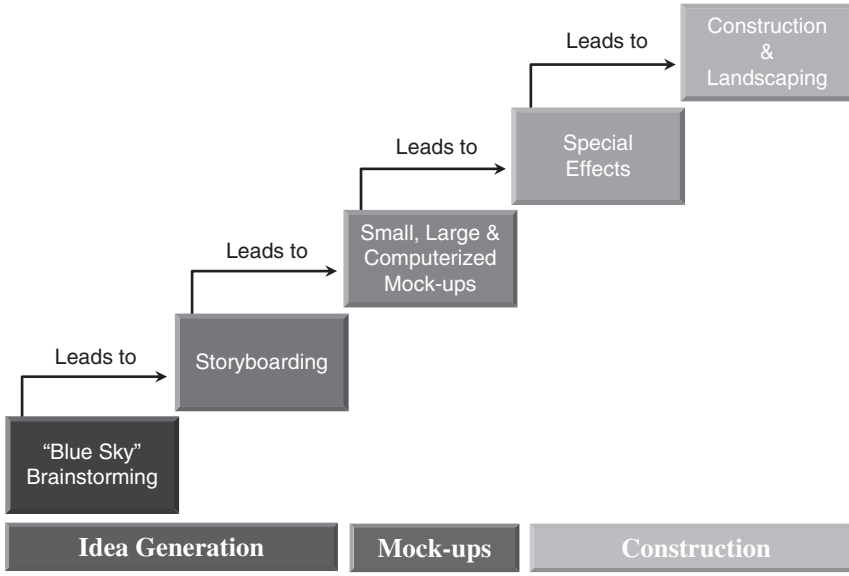


FIGURE I Typical life-cycle phases

developed around required life-cycle phases. The literature does not identify any project management methodology or identify any life-cycle phases for Disney's theme park attractions. However, the literature does identify many of the various steps in creating an attraction. From these steps, we can assume that typical life-cycle phases might appear such as shown in Figure I. Some of the detailed steps that are performed in each life-cycle phase are described in the Disney (A) Case Study.

The life-cycle phases shown in Figure I appear as sequential phases. However, in reality, many of the phases can overlap. As an example, special effects activities can take place in any or all of the life-cycle phases, including construction.

THE SCOPE CONSTRAINT

Most project managers are accustomed to having a well-defined SOW at the onset of a project. The SOW serves as the scope constraint. Even though the SOW may be highly narrative, the accompanying work breakdown structure and specifications can provide significant detail to support the narrative SOW.

Well-defined SOWs are based on a well-defined business case where the concept for the project is understood. If the concept is not well understood, then the

SOW may not appear until the end of the concept development or idea generation life-cycle phase in Figure I.

On a project such as the Haunted Mansion, we must remember that, first of all, it is an Imagineering project, and Imagineering efforts will continue throughout the life of the project and beyond due to continuous improvement efforts. Expecting a well-defined SOW at the beginning of a project like the Haunted Mansion, and having it remain unchanged throughout the project, is highly unlikely. The SOW is most likely a constantly evolving document, possibly finalized as the opening day of the attraction approaches.

To understand the complexity of creating a formal SOW, we must first look at the questions that had to be addressed during the concept development phase of the Haunted Mansion Project. Typical questions include:

- Should the attraction be based on a single ghost story concept or several stories?
- Should it be a scary or humorous attraction?
- What should the Haunted Mansion look like?
- What colors and type of landscaping should be used?
- Should it be a walk-through attraction or a ride using a people-mover?
- If it is a ride, how many people can we have in the people-mover at one time?
- How long should it take to go through the attraction?
- How many ghostly special effects will be needed?
- Will a script be needed to accompany some of the special effects?
- Will we need a host to guide people through the ghostly attraction?
- If a host is needed, will a live person or a ghost do the hosting?
- Will there be eerie music to accompany the special effects?
- Does technology exist for the ghostly images, or must new technology be created?
- How much should be budgeted for the attraction?

These questions were not easy to answer at the onset of the project and were also influenced by who was working on the project at that time. Walt Disney assigned some of his seasoned veterans to the project. Many team members had worked with him for decades and had been highly creative on other projects. They brought with them their own unique ideas that often created ego problems. If people were reassigned during the Haunted Mansion Project, which they were, their replacements came with their own ideas, and then the answers for many of the listed questions could change.

To understand the complexities of creating a SOW for the Haunted Mansion, many of these questions could not be answered until the project was well under

way. The questions were, as expected, interrelated and not always easy to answer even in later life-cycle stages. The answer to one question could cause the answers to several other questions to change. If the answers to some questions could not be made until well into the project, then there could be a significant amount of scope changes.

SCOPE CHANGES

To understand the interrelatedness of the questions and how scope changes can occur even near the completion of the project, consider the Hatbox Ghost special effect. The Hatbox Ghost was a character that was planned for the Haunted Mansion at Disneyland but was removed shortly after the attraction's debut. Located in the ride's attic scene, the figure was described as "an elderly ghost in a cloak and top hat, leaning on a cane with a wavering hand and clutching a hatbox in the other."[1]

The idea behind the Hatbox Ghost was for his head to vanish from atop his shoulders and reappear inside his hatbox,[2] in time with an adjacent bride figure's beating heart. According to Imagineer Chris Merritt in an interview with DoomBuggies.com, the effect was never completely successful due to the illusion's close proximity to the ride vehicles:

> The gag was based purely on lighting. The ghost's head was illuminated by black lighting. A light inside the hatbox he held would rhythmically illuminate and hide the head in the hatbox, while, in tandem, the actual head on the ghost's shoulders would be hidden by extinguishing the black lighting.

The Hatbox Ghost illusion was installed inside the Haunted Mansion and in place for cast member (park employee) previews on the nights of August 7 and 8, 1969.[3] Almost immediately, it became apparent that the effect had failed, as ambient light in the attraction's attic scene prevented the specter's face from disappearing fully, even when its designated spotlight was turned off. Attempts were made to remedy technical problems, but the effect was not convincing enough, and the ghost was decommissioned after a few months. This was just one example of how things can change well into the project.

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[1] DoomBuggies.com, "Hats Off: The Secret of the Attic." www.doombuggies.com/myths2.php 1.

[27] Davelandweb.com, "Daveland Hatbox Ghost Movie."

[3] Jason Surrell, *The Haunted Mansion: From the Magic Kingdom to the Movies* (2nd edition; New York: Disney Editions, 2009), p. 86; Doombuggies.com, "History of the Haunted Mansion." www.doombuggies.com/history6.php.

THE TIME CONSTRAINT

Walt Disney thought up the idea for the Haunted Mansion in the early 1950s. It took almost 18 years for the idea to become reality. To understand the time constraints and complexity of the project, including the interrelatedness of the questions asked previously, we should look at a brief history of the attraction.

The Haunted Mansion is a haunted house dark ride located at Disneyland, Magic Kingdom (Walt Disney World), and Tokyo Disneyland. Phantom Manor, a significantly reimagined version of the Haunted Mansion, is located exclusively in Disneyland Paris. Another Disney attraction involving the supernatural and set in a mansion, Mystic Manor, has opened at Hong Kong Disneyland. The Haunted Mansion features a ride-through tour in Omnimover (or people-mover) vehicles called "Doom Buggies," preceded by a walk-through show in the queue. The attraction utilizes a range of technology, from centuries-old theatrical effects to modern special effects and spectral Audio-Animatronics.

The attraction predates Disneyland, to when Walt Disney hired the first of his Imagineers. The first known illustration of the park showed a Main Street setting, green fields, a western village, and a carnival. Disney Imagineering Legend Harper Goff developed a black-and-white sketch of a crooked street leading away from Main Street by a peaceful church and graveyard, with a run-down manor perched high on a hill that towered over Main Street.

Walt Disney assigned Imagineer Ken Anderson to create a story around Goff's idea. Plans were made to build a New Orleans–themed land in the small transition area between Frontierland and Adventureland. Weeks later, New Orleans Square appeared on the souvenir map and promised a thieves' market, a pirate wax museum, and a haunted house walk-through. Anderson studied New Orleans and old plantations and came up with a drawing of an antebellum manor overgrown with weeds, dead trees, swarms of bats, and boarded doors and windows topped by a screeching cat as a weather vane.

Walt Disney, however, did not like the idea of a run-down building in his pristine park. He visited the Winchester Mystery House in San Jose, California, and was captivated by the massive mansion with its stairs to nowhere, doors that opened to walls and holes, and elevators. When the decision was made to begin full-scale development of the Haunted Mansion, Imagineer Marc Davis asked Disney if he wanted the house to look scary. Disney replied:

> No, I want the lawn beautifully manicured. I want beautiful flowers. I want the house well-painted and well cared for so that people would know that we took care of thing in the park, and it's a clean, good park for families to come and have a good time. You can put all the spider webs inside that you want, I don't care about that . . . but the outside has to be pristine and clean at all times.[4]

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[4] Alice Davis, panel presentation, "Spirited Seance and Haunting Seminar panel" at "The Haunted Mansion 40th Anniversary Merchandise Event." August 9, 2009, Disneyland.

Anderson came up with several possible stories for the mansion. Some of the stories included:

- A wedding gone awry when a ghost suddenly appears and kills the groom. The man that eventually appears hanging from the ceiling in the attic could be the bride's husband.
- Similar to the above story, a ghost appears and kills the groom. The bride then commits suicide and appears hanging in the attic.
- A newly married bride discovers that her husband is really a blood-thirsty pirate. The pirate kills his bride in a jealous rage, but her ghost returns to haunt him. He could not live with himself for what he did to his true love, so he hangs himself in the attic rafters.
- Another story focused on calling the Haunted Mansion "Bloodmere Manor," which may have involved more bloody scenes and body parts. People would look as if they had been violently murdered. The story would end with the Headless Horseman in the graveyard.

The number one rule in Imagineering is that the attraction must tell a story. Unfortunately, no one could agree on what the story should be or whether the attraction could be described by just one story. In the meantime, other Imagineers were developing illusions for the Haunted House without having any story to go by. It appeared that no firm SOW existed other than the fact that the Haunted House attraction would eventually be built. There were still too many questions that were unanswered.

In 1961, handbills announcing a 1963 opening of the Haunted Mansion were given out at Disneyland's main entrance. Construction began a year later, and the exterior was completed in 1963. The Haunted Mansion was actually a replica of a preexisting building. Even though the façade of the Haunted Mansion was completed, the project was put on hold because of Disney's involvement in the 1964–1965 New York World's Fair. Similar to what happens in most companies when priorities change, all of the resources that were assigned to the Haunted Mansion project were reassigned to efforts to support the World's Fair. Changes in priorities caused efforts on the Haunted Mansion to wax and wane over the years.

In 1963, inspired by Disney, Marty Sklar, former vice chairman and principal creative executive at Walt Disney Imagineering, created a sign inviting ghosts to continue practicing their trade in active retirement in the Haunted Mansion. The sign is shown in Figure II.[5] The intent of the sign was to keep people focused on the fact that the Haunted Mansion would eventually be built even though the sign hung for many years in front of an empty building. The public's perception of the

[5] The actual sign was not on a tombstone as depicted here. For a picture of the actual sign, see Jeff Baham, *Walt Disney's Haunted Mansion* (n.p.: Theme Park Press, 2014), p.44.

FIGURE II The Invitation

abandoned construction project took on a life of its own even though there was still no story line to accompany the abandoned building.

The sign became quite popular. Some Disney literature stated:

> The world's greatest collection of "actively retired" ghosts will soon call this Haunted Mansion "home." Walt Disney and his "Imagineers" are now creating 1001 eerie illusions. Marble busts will talk. Portraits that appear "normal" one minute will change before your eyes. And, of course, ordinary ghost tricks (walking through solid walls, disappearing at the drop of a sheet) will also be seen . . . and felt. Here will live famous and infamous ghosts, ghosts trying to make a name for themselves . . . and ghosts afraid to live by themselves![6]

When the project started up again in 1966, a new team of Imagineers was assigned—the fourth Imagineering team to work on the Haunted Mansion project. Marc Davis and Claude Coats were responsible for the continuity of the ride and the backgrounds. The responsibility for the special effects was placed

[6] 1966 Guide to Disneyland souvenir book.

in the hands of two Imagineers who were also referred to as Illusioneers, Rolly Crump and Yale Gracey. Crump was an artist who loved stage magic and illusions, and Gracey was an animator, mechanical genius, and considered the father of Illusioneering. Disney could select from an army of talented people in various organizations. He had a knack of putting people "in conflict" together and telling them to work as a team, knowing full well that the results would be exceptional, despite the ego problems that typically exist with highly talented teams.

Following Walt Disney's death in 1966, many of the Imagineers clashed over the direction of the project. Imagineer Xavier Atencio was brought on board to put together a coherent story. Without such a story for direction, there was a fear that the Haunted Mansion would simply be a multitude of special effects and illusions. Even with Atencio's focus, there was still the question of whether the Haunted Mansion should be a scary attraction or not.

Disney's original dream was to scare people, but in a pleasant sort of way. That meant that there would be no oozing of blood, missing eye sockets, gory body parts, or horrifying decaying bodies that some guests might see as offensive. The decision was made that the animation should focus on the lighter or cartoonlike tone of a Haunted Mansion rather than the scarier tone. The Imagineers also decided that, instead of looking like an "old spook house" that may have been Ken Anderson's original thoughts, the Haunted Mansion would be full of illusions.

The Haunted Mansion's long development was rife with discarded story concepts, disagreement on the type of scenes and effects to be used, conflicts over how many viewers should be carted through the attraction per hour—even as basic an idea as whether the attraction should be scary or not. Egos were bruised, tempers flared, and at the end of the day, it just seemed that there were "too many cooks in the kitchen," as Imagineer Marc Davis often recalled. [7]

Making the attraction cartoonlike rather than scary and having the outside of the Haunted Mansion pristine was certainly in line with Disney's original idea for the attraction. But how do you then make the Haunted Mansion structure look somewhat scary? John Hench was regarded as the color expert at Disney's Imagineering Division. According to Hench:

> We wanted to create an imposing southern-style house that would look old, but not in ruins. So we painted it a cool off-white with dark, cold blue-grey accents in shadowed areas such as the porch ceilings and wrought iron details. To accentuate the eerie, deserted feelings, I had the underside of exterior details painted the same dark color, creating exaggerated, unnaturally deep cast shadows, since we associate dark shadows with things hidden, or half-hidden. The shadow treatment enhanced the structure's other worldliness.[8]

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[7] Baham, *Walt Disney's Haunted Mansion*, p. xiv.

[8] Hench, *Designing Disney*, p. 116.

There was still another critical decision that had to be made. Should the attraction be a walk-through or a ride? There were pros and cons to each approach. With a walk-through, it would be easier to create a single story line for the entire attraction. Believing that Ken Anderson's approach in the 1950s of a single story and a walk-through attraction would be selected, the Imagineers created some illusions where the guests could be more actively involved with the ghosts. However, walk-throughs required a live host as a tour guide, the speed of the tour might be difficult to control, and there would always be the risk of vandalism or damage to props and equipment in the attraction.

The decision was made to go with a ride. This meant that, instead of a single story line that would work with a walk-through, the ride would have several stories. Story lines would be needed for each of the ghosts. The tour guide could now be one of the dastardly ghosts. The total attraction, and each individual story, had to be unique and with some degree of weirdness.

ADDITIONAL TIME CONSTRAINTS

For most project managers, "time management" refers to the duration of the project, which for the Haunted Mansion would be 18 years from Disney's original concept to the date when the attraction was opened to the public. But for the Imagineers, there were two other time management issues once the decision was made that this would be a ride rather than a walk-through:

1. How much time will people need to view each of the scenes?
2. How many people can we service each hour?

Writer Bob Thomas interviewed Carl Walker from Disneyland and Dick Irvine, representing WED, the early name of the Imagineering Division:

> "Then there was the matter of how to conduct people through the ride," said Walker. "At first, it might be a walk-through, with 30 on a conducted tour. But that was difficult to manage, and besides, people don't scare as easily in crowds. So we made it a ride-through, with three people in a car—their crypt so to speak," said Irvine. "The cars could be programmed to face the right direction, tilt back and keep moving. They provided the capacity we need for rides at Disneyland—2,300 per hour." [9]

The people-mover system was called the "Doom Buggies." It was a modification of the Omnimover system that Disney used in the 1964 New York World's

[9] Quoted in Bob Thomas, "Dave McIntyre's Front Row," *San Diego Evening Tribune*, August 19, 1969.

Fair. Since the guests were seated, the Imagineers could force them to watch precisely what was intended. The Doom Buggies were programmed to control the angle (i.e., line of sight) at which the guests would see the set without being able to see the supporting animatronics. It also kept the guests at a distance where they could not touch any of the props used in the scenes. Like other attractions at Disney's theme parks, the Haunted Mansion had now become a controlled environment for the guests.

This concept also allowed the designers to place infrastructure elements of the attraction, such as lighting and projectors, behind, above, or below the vehicles without concern for having the attraction's illusions revealed to the guests. The system consists of a chain of vehicles operating on a track, usually hidden beneath the floor. The chain of vehicles maintains constant motion at a specific speed, thus controlling the viewing time. The duration of the rides varies from 5:50–8:20 minutes, at a maximum speed of 3 miles per hour.[10]

One of the features that differentiates this system from other people-mover systems is the ability of the vehicle to be rotated to a predetermined orientation. In addition to the main ride rails, each vehicle also has two control rails attached to a wheel. One controls swiveling, allowing the vehicle to face in any direction at any point on the track. The other allows the vehicle to tilt in relation to the inclining and declining portions of the track.

Because the entire attraction is in a controlled environment, the Imagineers can control what the guests see. The Imagineers can make it appear that a ghost is in the Doom Buggy with guests.

THE COST CONSTRAINT

The Haunted Mansion was completed at a cost of $7 million. In today's dollars, that would be equivalent to approximately $50 million. When the Haunted Mansion was built, mainframe computers were just entering the marketplace. Cost control software did not exist, and all cost control was done manually.

There is a misconception that, when imagination and creativity are allowed to run wild on projects, budgets must be unlimited. That certainly is not the case. The Walt Disney Company monitors all costs. Budgets for each attraction are established during the idea/conceptual phase.

The larger the project, the greater the chance for scope changes and increases in the budget. Unfortunately, the literature does not provide any information related to the original budget or the number of scope changes. The cost of each attraction at Disney theme parks is generally regarded as proprietary knowledge.

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[10] The Doom Buggies at Walt Disney World can handle 3,200 guests per hour traveling at about 1.4 miles per hour. At Disneyland, because of the shorter track, only 2,618 guests can be handled.

THE SAFETY CONSTRAINT

Safety is the main concern at Disney parks. As mentioned, Disney himself wanted the Haunted Mansion to be scary but in a pleasant sort of way. The term "scared to death" could lead to wrongful-death lawsuits.

Since the Haunted Mansion is a controlled environment, repeat visitors recognized the predictability of the attraction. An attempt was made to have some cast members dress up in a knight's armor suit and wield an axe (actually made of rubber). Some people were very frightened, and there were complaints. Disney parks discontinued this practice.

THE AESTHETICS CONSTRAINT

Aesthetics and quality go hand in hand. All Disney theme park attractions must be aesthetically appealing to the guests. The Haunted Mansion was no exception. The Imagineers were be able to convert ideas into reality. Imagineers, and especially Illusioneers, are often considered dreamers, inventors, and even mad scientists. They must have an obsessive commitment to detail and quality.

Nightly maintenance takes place in the Haunted Mansion to make sure that every prop is in place. All of the props are real. Some of the props were used elsewhere; for example, the pipe organ was used in the film *20,000 Leagues under the Sea*.

Even the cobwebs and dust must be in place. A liquid cobweb spinner makes the cobwebs. There must also be a proper amount of dust (which is actually a rubber cement that cannot induce allergies in guests).

A tour of the Haunted Mansion includes:

- The Grounds
- The Foyer
- The Stretching Room
- The Portrait Corridor
- The Library and Music Room
- The Endless Staircase
- The Endless Hallway
- The Conservatory
- The Corridor of Doors
- The Séance Circle
- The Grand Hall
- The Attic
- The Graveyard
- The Crypt

When the decision was made to have a not-so-scary Haunted Mansion, Imagineers/Illusioneers Gracey and Crump read ghost stories and watched ghost

movies to decide what type of ghosts they could create. The men created numerous effects and often left the special effects running all night long. The night cleaning crew were often spooked and complained to management, which asked the Imagineers not to scare off the cleaning crew.

But instead of leaving the lights on and the special effects off, the two Imagineers decided to connect their special effects to a motion-detector switch. When the duo came to work in the morning, they found a broom left in the middle of their studios. The Imagineers had to clean their studios by themselves from that point on, as management told them that the night cleaning crew were never coming back.

Special effects in each location support the aesthetic constraints. Some of the special effects include:

- Digital projections
- Computer-controlled effects
- Audio-Animatronics
- Holograms (although they were not used)
- Special lighting
- Real props

Many of the special effects and illusions are based on Pepper's Ghost, an illusion that dates back to the 1800s. Pepper's Ghost is an illusion technique that has been used in theatres, haunted houses, dark rides, and magic tricks. It uses plate glass, Plexiglas, or plastic film and special lighting techniques to make objects seem to appear or disappear, become transparent, or morph into something else. It is named after John Henry Pepper, who popularized the effect.

For the illusion to work, two rooms are required. The viewer must be able to see into the main room but not into the hidden room. The edge of the glass separating the rooms is sometimes hidden by a cleverly designed pattern in the floor.

The hidden room must be an identical mirror image of the main room, so that its reflected image matches the main rooms; this approach is useful in making objects seem to appear or disappear. This illusion can also be used to make one object or person reflected in the mirror seem to morph into another behind the glass (or vice versa). The hidden room may instead be painted black, with only light-colored objects in it. In this case, when light is cast on the room, only the light objects reflect the light and look like ghostly translucent images superimposed in the visible room.

In the Haunted Mansion at Disneyland, Walt Disney World, and Tokyo Disneyland, the glass is vertical to guests rather than in the normal angled position, to reflect animated props below and above guests that create the appearance of three-dimensional, translucent "ghosts" that appear to dance through the ballroom and interact with props in the physical ballroom. The apparitions appear and disappear when the lights on the animations turn on and off.

Some of the special effects created for the Haunted Mansion include:

- A ghost host
- Exploding ghosts
- Talking and singing statues
- Furniture that comes to life
- A man made of dripping wax
- A grandfather clock that looks like a coffin
- A graveyard band of ghosts playing music
- A pet cemetery
- An invisible ghost horse with only a saddle and reins
- A ghost poetess creating a poem
- Dancing ghosts
- Ghosts that fade in and out
- Ghosts that suddenly become headless
- A ghost playing a piano
- Portraits that change from reality to the supernatural
- Wallpaper patterned with monster faces
- Hanging ghosts
- A crypt that plays music if you touch the instruments

Some of these special effects are discussed below in more detail.[11]

GHOST HOST

The Ghost Host is one of the first characters guests meet at the Haunted Mansion, so to speak. He remains invisible throughout the tour, guiding "foolish mortals" with an ominous voice. The voice is that of Paul Frees, a popular Disneyland announcer and vocal talent (well-known as the voice of the Pillsbury Doughboy, Ludwig von Drake, and Boris Badenov in the popular cartoon series *The Adventures of Rocky and Bullwinkle*). Frees's gleefully sardonic narration often features death-related puns and maniacal laughter. In the Stretching Room scene near the beginning of the tour, it is revealed that he committed suicide by hanging himself from the rafters in the cupola.

AGING MAN

Above the fireplace in the foyer of the Walt Disney World and Tokyo Haunted Mansions is a portrait of a former owner of the house. The painting gradually changes from a handsome blue-eyed, black-haired young man to a withered, balding old man and finally, to a decaying skeleton. This portrait can also be found in

[11] For more information on the special effects, see Wikipedia contributors, "Haunted Mansion," Wikipedia, The Free Encyclopedia, https://en.wikipedia.org/w/index.php?title=Haunted_Mansion&oldid=756609637.

the changing portrait hallway of the Disneyland Haunted Mansion, but it morphs from the young man to the skeleton with flashes of lightning.

CHANGING PORTRAIT CHARACTERS

Lightning flashes transform the paintings at the Disneyland and Walt Disney World Haunted Mansions from benign to frightening. The portraits consist of:

- A beautiful young princess reclining on a couch who changes into a werecat.
- A gallant knight (identified as "The Black Prince" in concept art) atop a rearing horse, who both become skeletal.
- A handsome young man who decays into a ghastly corpse.
- The beautiful, red-haired Medusa, who becomes a hideous Gorgon.

STRETCHING PORTRAIT CHARACTERS

These characters are depicted in the portraits of the Stretching Room:

- A balding man with a brown mustache and beard, dressed in a black tailcoat, a white shirt, a red sash, and a black bowtie. When the portrait stretches, it is revealed that he is not wearing pants (only red and white–striped boxer shorts), and he is standing atop a lit keg of dynamite. In an early attraction script, which named the characters in the stretching portraits, he was an ambassador named Alexander Nitrokoff, who came to the Mansion one night "with a bang."
- Constance Hatchaway, an old woman holding a rose and smiling. When the portrait stretches, it is revealed that she is seated on top of the tombstone of her late husband, George Hightower, who is depicted as a marble bust with his head split by an ax. The ghost of Constance as a young woman is later seen in the attic.
- A brown-haired man with his arms crossed, dressed in a brown suit and wearing a brown derby hat. When the portrait stretches, it is revealed that he is sitting on the shoulders of another man, who is sitting on the shoulders of another man who is waist deep in quicksand.
- A pretty young brunette woman holding a pink parasol. When the portrait stretches, it is revealed that she is balancing on a fraying tightrope above the gaping jaws of an alligator.

COFFIN OCCUPANT

In the center of the Conservatory is a large coffin occupied by a possessed corpse attempting to break out. He calls for help in the voice of a feeble old man, and his skeletal hands can be seen attempting to pry open the nailed-down coffin lid. He is voiced by Xavier Atencio, who wrote the attraction's script.

MADAME LEOTA

Madame Leota is one of the iconic characters of the ride. She is the spirit of a psychic medium, conducting an otherworldly séance in an attempt to summon spirits and assist them in materializing. Her ghostly head appears within a crystal ball on a table in the middle of her dark chamber, from which she speaks her incantations. Musical instruments and furniture levitate and make noises in response. Imagineer Leota Toombs was chosen for the face of the medium in the crystal ball. Toombs also plays the Ghost Hostess who appears at the end of the attraction, though it is unknown whether she and Madame Leota are meant to be the same character.

In 2002, a tombstone for Madame Leota debuted at Walt Disney World's Mansion. The epitaph reads: "Dear sweet Leota, beloved by all. In regions beyond now, but having a ball."

Madame Leota summons the Mansion's restless spirits and encourages them to appear by reciting suitable surreal incantations.

DUELISTS

The ghosts of two top hat—wearing gentlemen emerge from paintings of themselves and shoot each other.

HITCHHIKING GHOSTS

The Hitchhiking Ghosts—"The Prisoner," "The Skeleton," and "The Traveler"—are often considered to be the mascots of The Haunted Mansion. They alone have the most merchandise, including pins, stuffed toys, action figures, and bobble heads. The Hitchhiking Ghosts are a tongue-in-cheek send-up of urban legends involving phantom hitchhikers. They are seen standing together inside a crypt, thumbs extended. They hitch a ride with guests traveling in Doom Buggies and appear alongside them in mirrors. "They have selected you to fill our quota, and they'll haunt you until you return," says the Ghost Host. In 2011 at Walt Disney World's Haunted Mansion, the mirror scene was updated with digital effects that enable the ghosts to interact with the guests.

Fans often refer to the Hitchhiking Ghosts as "Gus" (Prisoner), "Ezra" (Skeleton), and "Phineas" (Traveler). These names first appeared in fan fiction created by cast members who worked at the Walt Disney World Haunted Mansion. Since then, the names have appeared on merchandise for the characters and in various media licensed by Disney.

REFERENCED CHARACTERS

On numerous tombstones and crypts at the Disneyland, Walt Disney World, and Tokyo Haunted Mansions (and in the Servants Quarters of Walt Disney World's

Haunted Mansion) are the names of characters who may or may not appear in the attraction. Most of the names are actually tributes to Imagineers who were involved in the creation of the attraction.

Outside each Mansion are crypts labeled with pun-based names. At Tokyo, they are identified as "Restless Spirits."

- Asher T. Ashes (Ashes to ashes)
- Bea Witch (Bewitch)
- Clare Voince (Clairvoyance)
- C. U. Later (See you later)
- Dustin T. Dust (Dust to dust)
- G. I. Missyou (Gee, I miss you)
- Hail N. Hardy (Hale and hearty)
- Hal Lusinashun (Hallucination)
- Hap A. Rition (Apparition)
- Harry After (Hereafter)
- Hobb Gobblin (Hobgoblin)
- L. Beback (I'll be back)
- Emma Spook (I am a spook)
- M. Mortal (I am mortal) or (immortal)
- M. Ready (I am ready)
- Trudy Departed (I truly departed)
- Trudy Dew (I truly do)
- Levi Tation/Lev Itation (Levitation)
- Love U. Trudy (Love you truly)
- Manny Festation (Manifestation)
- Metta Fisiks (Metaphysics)
- M. T. Tomb (Empty tomb)
- Paul Tergyst (Poltergeist)
- Pearl E. Gates (Pearly gates)
- Ray. N. Carnation (Reincarnation)
- Rustin Peece (Rest in peace)
- Rusty Gates (Rusty gates)
- Theo Later (See you later)
- U. R. Gone (You are gone)
- Wee G. Bord (Ouija board)

SPECIAL EFFECTS AND MUSIC

The special effects were groundbreaking for the time. They included an attic with the ghost of a spurned bride, a crypt and a cemetery, halls that appear endless, and the mystical fortune teller Madame Leota, who appears as a disembodied

head inside a crystal ball with musical instruments floating in the air around her. Finally, the guests are shown that a "hitchhiking ghost" has hopped into the Doom Buggy with them.

Although the setting is spooky, the mood is kept light by the upbeat "Grim Grinning Ghosts" music that plays throughout the ride. The music was composed by Buddy Baker and the lyrics were written by Xavier Atencio. The deep voice of Thurl Ravenscroft sings as part of a quartet of singing busts in the graveyard scene. Ravenscroft's face is used as well as it is projected onto the bust with a detached head.

CONTINUOUS IMPROVEMENTS

All theme park attractions undergo continuous improvement efforts. According to Bob Zalk, Walt Disney Imagineer and show producer:

> The idea of going back into an iconic attraction and adding, changing, adjusting, removing elements—the standards are extremely high when you reach the finish line. We have to deliver. Unlike new attractions, re-imagining an established attraction carries with it its own sense of history and tradition that the entire team has to take into account. It's a big challenge, but an exciting one.[12]

QUESTIONS

1. What are the primary differences between traditional projects and the Haunted Mansion Project?
2. Why aren't all of the project's constraints of equal importance?
3. Why was it impossible to prepare a clearly defined statement of work at the beginning of the Haunted Mansion Project?
4. In the list of questions that had to be addressed at project initiation, which three questions were probably most critical for SOW preparation? (Note: There can be several answers to this question. What is important is the justification behind the three answers selected.)
5. Why did the Haunted Mansion Project take 18 years from concept to completion?
6. Why did Walt Disney not want the exterior of the Haunted Mansion to look like a traditional haunted house?
7. Most Disney attractions tell a story. Why was it so difficult to create a single story for the Haunted Mansion?
8. Why do some people, such as Imagineers, often have ego issues?
9. Why was the Haunted Mansion attraction created as a "controlled" ride?

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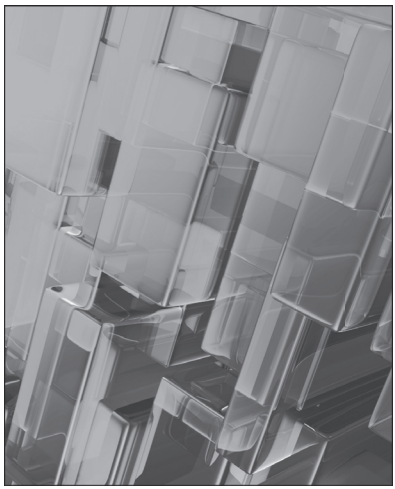
[12] Quoted in Susan Veness, *The Hidden Magic of Walt Disney World* (Avon, Mass.: Adams Media, 2009), p. 24.



Disney (C): Disney Theme Parks and Enterprise Environmental Factors

PMI first began promoting the term "enterprise environmental factors" (EEF) in 2004 with the third edition of the *PMBOK® Guide*. This was 12 years after Euro Disney had opened. It is interesting to look at the launch of Euro Disney, now called Disneyland Paris, by analyzing the EEFs that existed at that time, even though they were not referred to by that phrase.

UNDERSTANDING ENTERPRISE ENVIRONMENTAL FACTORS

EEFs are conditions that exist now or in the future and may or may not have an impact on the project. If there is an impact, it can occur at any time over the life of the project. EEFs can influence how the project will be managed, whether changes in scope or quality are required, and whether the project is viewed as a success. These factors can include the state of the economy, current and future legislation, politics, influence of labor unions, competitive forces in play, and cultural issues. The factors can also change after the project is completed and turn an initially successful project into a failure.

Project planning is generally based on history, especially past successes. EEFs are assumptions and predictions about both the present and the future and therefore are directly related to risk management activities.

It is generally the responsibility of senior management, the project sponsor, or the governance committee to identify the EEFs. The factors may be listed as EEFs in the project's business case, or they may appear as assumptions concerning the business environment. EEFs are generally interpretations by one person or a consensus of several people including experts. One person may see a factor as having a favorable impact on the project whereas another person may see it as an unfavorable condition. Simply stated, EEFs are subject to interpretation as well as misinterpretation by the people requesting and funding the project. The impact can be devastating unless corrections and changes can be made quickly. Even some of the best-managed companies, such as the Walt Disney Company, can be impacted by unanticipated changes in EEFs.

ENTERPRISE ENVIRONMENTAL FACTORS AND CULTURE

Perhaps the most important EEF to be considered in the Walt Disney Company's decision to expand globally was the impact of multinational cultures. Expanding onto foreign soil (i.e., outside of the United States) would be a challenge. Disney theme parks would have to be integrated culturally and socially with host countries and their neighbors.

The company understood the American culture, and foreign visitors who came to Disneyland and Walt Disney World understood that they were visiting an American theme park. But how would people react to an American theme park on foreign soil? What might happen if the park did not adhere to the cultural and social norms of the host country? How much of a change would be necessary from the way that theme parks are managed in the United States?

ENTERPRISE ENVIRONMENTAL FACTORS AND COMPETING CONSTRAINTS

Before discussing Euro Disney, it is important to understand competing constraints. Project managers and executives can take some actions to alleviate the impact of unfavorable EEFs. Although project managers and sponsors cannot eliminate all EEFs, options may be available to lessen the impact. The actions we take almost always mandate trade-offs on competing constraints, thus perhaps making it impossible to meet all of the constraints. In such cases, the constraints may have to be prioritized to guide in the order of the trade-offs. A trade-off may result in a schedule elongation or significant cost overrun.

Although most companies focus on the triple constraints of time, cost, and scope, Disney's theme parks in the United States have six constraints; time, cost, scope, safety, aesthetic value, and quality. Although not discussed in the literature,

it appears that safety is, understandably, the most important constraint at Disney parks, followed by aesthetic value and quality. These three important constraints very rarely undergo trade-offs because they have a direct bearing on Disney's image and reputation. All trade-offs appear to be on time, cost, and scope.

When expanding onto foreign soil, EEFs may also impose constraints on culture and even social behavior. Cultural and social constraints can involve designing the settings to be more aligned to local architecture, serving foods preferred by the population of the host country, and specifying dress codes that are acceptable to the general population. Host countries may not want on their soil a theme park that tries to "Americanize" the guests.

All of the constraints may be interrelated when trade-offs are necessary. For example, the Walt Disney Company maintains blueprints for attractions erected at Walt Disney World and Disneyland. Having to modify the attraction to be more aligned with the local architecture of the host country can require the creation of new blueprints, thus possibly increasing the project's cost and lengthening the schedule.

THE DECISION TO BUILD EURO DISNEY

In 1984, the Walt Disney Company made the decision to build a theme park in Europe by 1992. It wanted to build a large, state-of-the-art theme park, a decision that eventually led to "budget breaker" scope changes. Many of the changes were last-minute changes made by Michael D. Eisner, Disney's chief executive officer (CEO).

History has shown that large projects, especially those designed around state-of-the-art technology, are prone to large cost overruns. The baggage handling system at Denver International Airport (Chapter 14) and the Iridium Project (Chapter 9), which was designed to create a worldwide wireless handheld mobile phone system with the ability to communicate anywhere in the world at any time, are two examples where the cost overruns were in the billions of dollars.

Highly optimistic financial projections were established for Euro Disney based on the expectation of 11 million visitors the first year and 16 million visitors yearly after the turn of the twenty-first century. Nine years earlier, when Tokyo Disneyland opened on April 15, 1983, more than 13,000 visitors entered the park. Within the same year, Tokyo Disneyland broke the attendance record for theme parks with a one-day attendance of 93,000 visitors. Within four years, they again broke the one-day record with 111,500 visitors.

The Walt Disney Company viewed the Euro Disney theme park as a potentially profitable revenue generator for decades since the company would have a leisure and entertainment monopoly in Europe. The definition of a monopoly is when there are no rivals and high barriers, especially financial, to prevent others from entering the same market.

SITE SELECTION

The Walt Disney Company considered approximately 1,200 locations in Europe, and everyone wanted to host Euro Disney. The locations included Portugal, Spain, France, Italy, and Greece. Part of Disney's selection criteria included a warm climate, good weather, a centralized location, and available land for further growth. The list was narrowed down to four locations: two in Spain and two in France. Spain had better weather, but France had a denser population. The final decision was to build Euro Disney east of Paris in a newly built suburb, Marne-la-Vallée. 20 miles from the heart of Paris. This meant that 17 million people were less than a two-hour drive from Euro Disney, 68 million people within a four-hour drive, 110 million people within a six-hour drive, and another 310 million people less than two hours by air. In addition, tourists from around the world frequently visited Paris.

Because it would have a monopoly on theme parks and its success of its smaller $1.4 billion Tokyo Disneyland, the Walt Disney Company decided to build a much larger state-of-the-art theme park in Paris. It needed approximately $5 billion to build Euro Disney. More than $1 billion was provided by the French government in the belief that Euro Disney would create 30,000 jobs. At the time (1992), Europe was in a recession. France had an unemployment rate near 14 percent. Also, France expected a large percentage of the projected 11 million visitors to the theme park each year to be foreign, thus bringing revenue into the country.

The French were willing to make concessions to acquire the theme park. The land was provided at a low price of $7,500 per acre. Euro Disney would be built in a plot of 1,945 acres in the center of a 4,400-acre site. The French would pay for new road construction and provide water, sewage, gas, electricity, and other necessary services, such as a subway and train system.

PROJECT FINANCING

To satisfy the French government's legal requirements and to limit the financial exposure to the Walt Disney Company, a new company was formed: Euro Disney S.C.A. Unlike Tokyo Disneyland, where Japan's Oriental Land Company owned and operated the park and paid Disney royalties, Euro Disney S.C.A. would be a publicly held company. Disney would own a maximum of 49 percent of the new company, and Europeans would own at least 51 percent.

Euro Disney S.C.A. was set up using a project financing model. Project financing involves the establishment of a legally independent project company, Euro Disney S.C.A., where the providers of funds are repaid out of cash flow and earnings and where the assets of the new company, and only the new company, are used as collateral for the loans. Debt repayment would come from Euro Disney S.C.A. rather than from any other entity. In case of a default on the bank loans,

lenders could take legal action against Euro Disney S.C.A. but not the Walt Disney Company.

A risk with project financing is that the capital assets may have a limited life. This constraint often makes it difficult to get lenders to agree to long-term financial arrangements. With Euro Disney, the attractions in the park would have to undergo continuous improvement and new attractions added. If there is insufficient cash flow to fund growth, the company would have to incur additional debt.

Another critical issue with project financing, especially for high-technology projects, is that the projects are generally long term. It may be several years before service will begin, and in terms of technology, this can be an eternity. Project financing is often considered a bet on the future. And if the project were to fail, the company may be worth nothing after liquidation.

European banks, looking at the financial success of Disneyland, Walt Disney World, and Tokyo Disneyland, rushed in to provide the Walt Disney Company with whatever funding was necessary in the way of construction loans. More than 60 banks entered into loan agreements. The company negotiated a deal whereby it paid only $160 million to help fund a $5 billion theme park. The Walt Disney Company would collect hundreds of millions of dollars each year in royalty payments, even if the theme park lost money. Following a royalty agreement similar to Tokyo Disneyland, the Walt Disney Company would receive 10 percent royalties on admissions; 5 percent royalties on food, beverage, and merchandise sales; a management fee equivalent to 3 percent of revenue; a licensing fee for using the Disney name and characters; 5 percent of gross revenues of themed hotels; and 49 percent of the profits.[1] The company also received royalties from companies that sponsored specific rides. For its $160 million investment, the Walt Disney Company estimated that its profits would be $230 to $600 million the first year and $300 million to $1 billion in the second year. In exchange for royalty payments, Disney provided expertise in theme park management and allowed Euro Disney to use the trademarked Disney characters and Disney Imagineering's intellectual property.

The total price of $5 billion for a theme park would certainly serve as an impediment to prevent rivals from entering the market. The quality and aesthetic value of the Walt Disney Company's products and services, its reputation as one of the world's leaders in leisure and entertainment, and its uniqueness characterized by its brand name made it appear on the surface to be a monopoly. The Walt Disney Company believed that the attendance projections were correct: 11 million people would visit the first year, with 16 million per year by the turn of the twenty-first century.

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[1] Tokyo Disneyland was a licensing agreement between the Walt Disney Company and the Oriental Land Company. Disney received royalty payments but did not share in the profits. Euro Disney was more of a joint venture where Disney would receive royalty payments and a percentage of the profits. These agreements are discussed in the Disney (D) Case Study.

Much of the Walt Disney Company's thinking was predicated on its phenomenal past success with Disneyland (1955), Walt Disney World (1970), and Tokyo Disneyland (1983). With all three theme parks, the company adapted correctly to most of the EEFs it considered and the impact the EEFs might have on project success. Construction cost of Tokyo Disneyland was $1.4 billion and the debt, which was 80 percent of the construction cost, was paid off in three years. The question, of course, was whether these same EEFs and assumptions considered in Tokyo Disneyland were transferable to and appropriate for the European marketplace.

Unlike Disneyland and Walt Disney World locations, weather in Tokyo was an issue for Disney. When people in Japan showed that they were willing to brave the cold and snow to enjoy the theme park, Disney was convinced that the Europeans would follow suit.

Disneyland and Walt Disney World were based on an American Disney philosophy. The Japanese wanted an American-style theme park, not one customized to the Japanese culture. The younger Japanese wanted American-style food. However, some Japanese-style restaurants were built for patrons who preferred traditional Japanese meals.

Blinded by the success of Tokyo Disneyland, the Walt Disney Company believed that it could introduce the same American Disney philosophy into Europe without significant changes. However, would the EEFs related to culture be the same for the European marketplace? Once inside the park, would Europeans accept being Americanized?

UNDERSTANDING CULTURAL DIFFERENCES

Perhaps the Walt Disney Company's greatest mistake was not fully understanding the cultural differences between the Japanese and the Europeans, primarily the French. This mistake would have a significant impact on Euro Disney's revenue stream when the park opened. Some of the critical differences are shown in Table I. These are the differences based on the year when the parks were opened.

In defense of Disney's actions, which some argue was not enough to manage the cultural differences effectively, it is important to recognize that Euro Disney is an American theme park and Disney's actions were to protect its image, brand names, and reputation. Expecting Disney to make major cultural changes and alter the image of the park would be a mistake.

LAND DEVELOPMENT

Euro Disney eventually opened in April of 1992. The CEO of Walt Disney Company Michael Eisner commented:

> To all who come to this happy place, welcome. Once upon a time. . . . A master storyteller, Walt Disney, inspired by Europe's best loved tales, used his own

TABLE I CULTURAL DIFFERENCES BETWEEN JAPAN AND FRANCE

Factor	Japan	France
Economy	Booming	In a recession
Per-capita income	Increasing	Decreasing
Time spent on leisure activities	Increasing	Decreasing
Frequency of vacations	Several short weeklong vacations	One 4–5-week vacation in August
Spending	Cannot leave the park empty-handed; gift giving is important	Gift giving is unnecessary
Acceptance of U.S. products	High	Low
Size of the park	Unimportant	Important
Attachment to Disney characters	Very high	Scorn American fairy-tale characters
Appeal of Disney entertainment	High	Low
Disneyland theme park	Symbol of new lifestyle	Seen as an American lifestyle
Tolerance for long queues	Very tolerant; used to crowds and lines	Intolerant
Acceptance of dress codes for workers	Very high, part of the culture is wearing uniforms	Very low; seen as an attack on individualism
Clean-cut grooming	Part of the culture	Attack on individualism
Politeness to strangers	Part of the culture	Not always
Enjoy being part of a team	Part of the culture	Not always
Follow instructions of one's superiors	Always	Sometimes question authority

> special gifts to share them with the world. He envisioned a Magic Kingdom where these stories would come to life, and called it Disneyland. Now his dream returns to the lands that inspired it. Euro Disneyland is dedicated to the young, and the young at heart. . . with a hope that it will be a source of joy and inspiration for all the world.

The Walt Disney Company wanted to develop the commercial and residential property it had purchased surrounding the theme park and then sell off the properties while maintaining ownership and control over their commercial use. Real estate sales were expected to supply 22 percent of Euro Disney's revenue beginning in 1992 and climbing to 45 percent by 1995.

The revenue from land development was expected to help pay down Euro Disney's massive $3.5 billion debt. But when the park opened, Europe was in a recession, and it became obvious that Euro Disney had severely miscalculated

the French real estate market, which was quite depressed. When Tokyo Disneyland opened in 1983, the Japanese economy was booming and the Japanese were spending a large portion of their discretionary income on leisure and entertainment. Tokyo Disneyland reaped the benefits. But in Europe, the recession caused people to cut back on leisure and entertainment. Euro Disney suffered. Disney miscalculated the impact of the recession in Europe.

Euro Disney also miscalculated how Europeans take vacations. Disney hoped that people would take one-week excursions to Euro Disney throughout the school the year. Instead, Europeans prefer to save up their vacation until August and take a 4–5-week vacation then. The cost of spending one week at Euro Disney was almost the same cost as renting a vacation home in Europe for a month. Once again, Euro Disney suffered from a loss of revenue. Disney expected labor costs to be about 13 percent of total revenue. Instead, it was 24 percent of total revenue in 1992 and climbed to 40 percent in 1993.

DISNEY'S INTEGRATED SERVICES

The Walt Disney Company's integrated services generate revenue from four sources: (1) admission to the theme parks and other attractions, (2) food, (3) shopping, and (4) accommodations. The company recognized the potential for increased profits through accommodations. In Disneyland and Walt Disney World, it allowed others to build moneymaking hotels around the theme parks. This was seen as a mistake that the company regretted. At Disneyland, the Walt Disney Company owned only 1,000 hotel rooms out of 20,000. At Walt Disney World, it owned only 5,700 hotel rooms out of a possible 70,000. The Walt Disney Company also generates revenue from the sale of cruise vacation packages and the rental of vacation club properties.

In Tokyo, the company believed that it again made a mistake by not investing heavily in accommodations. When the decision to build Tokyo Disneyland was made, the Walt Disney Company was worried about making a heavy investment in a new cultural environment. The decision was made to limit their financial risk with a small investment in accommodations surrounding the park. This put limitations on profit generation in exchange for a perceived reduction in risk and uncertainty. The risks were further reduced because the theme park was not owned or operated by the Walt Disney Company. It received a predefined royalty.

It is important to understand that an increase in daily park attendance does not necessarily translate into a significant increase in profits unless the average stay in a hotel is lengthened, which, in turn, would generate revenue from the high-profit-margin businesses, such as hotels, restaurants, and shops. Admission to the theme parks is not a high-margin business.

The Walt Disney Company took an overly optimistic position with Euro Disney, believing that what worked in Japan could be transplanted into Europe. The

company did not want Euro Disney or any of its other theme parks to be seen as just theme parks. It wanted Euro Disney to be viewed as a vacation resort or a destination vacation where visitors would stay for four to five days or longer. The company wanted people to see Disney theme parks as a source of family- and adult-oriented high-quality entertainment. Therefore, included in the Euro Disney plans were a 27-hole golf course, 5,800 hotel rooms (more hotel rooms than in the city of Cannes), shopping malls, apartments, and vacation homes. The Walt Disney Company also planned on building a second theme park next to Euro Disney to house an MGM Film Tour site at a construction cost of $2.3 billion. There was even talk of building a third theme park by 2017. This would help fill the large number of hotel rooms. By the year 2017, Euro Disney, under the terms specified in its contract with the French government, was required to complete construction of a total of 18,200 hotel rooms at varying distances from the resort. All of this assumed that Euro Disney would be as popular as Disneyland, Walt Disney World, and Tokyo Disneyland. The Walt Disney Company believed that it had a firm grasp on the EEFs and set higher standards for Euro Disney than even the theme parks in the United States.

DISNEY UNIVERSITY

Just as in the United States, Euro Disney set up a Disney University to train approximately 20,000 employees and cast members who applied for jobs at Euro Disney. Training was designed to enforce the Disney culture as well as policies and procedures that had worked well for decades. The training had to be completed well before the park opened. Employees were expected to be bilingual or trilingual and were required to attend training sessions conducted by Disney University on behavior codes and how to talk to park guests. The company stressed that all visitors should be treated as guests rather than customers.

The Walt Disney Company also established rules related to facial hair (none was allowed), dress codes, covering of tattoos, limited jewelry and makeup, no highlighting or streaking of the hair, limitations on the size of fingernails, and the wearing of appropriate undergarments. The French saw this as an attack on their individual liberties.

Euro Disney and all other Disney theme parks had very strict rules sharing behind-the-scenes Disney information. Photography and filming were strictly forbidden in backstage areas. The edges of the parks were lined with ride buildings and foliage to hide areas that were not for the public to see. Numerous gates, separate from those for the public, allowed entrance into the park for cast members and parade cars. When gates around the park are opened, anything that could be seen through them is considered part of the Disney magic. Therefore, from the second the gates are opened, all of the crew must be in character and in place to "perform." Since the Euro Disney complex is so big, shuttle buses are needed to take cast members to different parts of the park via roads behind the parks.

ANTI-AMERICAN SENTIMENT GROWS

According to the literature, it appears that the Walt Disney Company understood the sociocultural and economic issues but perhaps did not pay them enough attention. The company did launch an aggressive public relations program targeting young children and government officials. Even with the community relations program, the company was still viewed as being insensitive to the French culture, the people's need for privacy, and individualism. French labor unions were opposed to the dress code. This created an anti-American climate that eventually led to deviations from the original plan for Euro Disney.

The Walt Disney Company addressed some EEFs concerning culture through behavior modification. Others required changes in the design of the attractions. The company wanted the park to show that many of the Disney characters had a European heritage. This was necessary because Euro Disney was competing against the historical architecture and sights of Paris. Simply changing the restaurant menus to serve more European food was not enough. When possible, attractions had to have a European flavor. For example, Snow White and the Seven Dwarfs were located in a Bavarian village. Cinderella was located in a French inn. Discoveryland featured story lines from the French author Jules Verne. Castles in the attractions closely resembled the architecture of castles in Europe.

Although the Walt Disney Company did the best it could to address the EEFs related to culture without altering its image and reputation, it could not adequately address the factors related to politics. For example, since many visitors were staying at Euro Disney just for one day, traffic through the town was heavy and the accompanying noise irritated many local residents. The communities surrounding Euro Disney were mainly farming communities that opposed the construction of the park. The French government had to step in to ease tension. Shortly after Euro Disney opened, French farmers used the park as a site for a protest and drove their tractors to the entrance and blocked it. This globally televised act of protest was aimed not at the Walt Disney Company but at the U.S. government, which had been demanding that French agricultural subsidies be cut. Also, Euro Disney faced several disputes with French labor unions that believed that the park was attacking the civil liberties of their union members.

Anti-American sentiment increased even more when tensions grew surrounding America's war in Iraq and France's refusal to back it. The number of American tourists visiting France dropped drastically, hurting the tourism industry, especially in Paris. One worker at the restaurant atop the Eiffel Tower noted that Spanish and Italian tourists had replaced American tourists. Other factors that affected tourism were the harsh weather in Europe, a series of transportation strikes, and the outbreak of severe acute respiratory syndrome (SARS) in Asia.

UNDERESTIMATING THE IMPACT OF CULTURE

It appeared that, even though the Walt Disney Company took steps to address almost all of the cultural differences, it had underestimated the magnitude of the differences in culture between the United States and Europe. The impact could be clearly seen through the EEFs, as shown in Table II.

TABLE II IMPACT OF CULTURE ON THE EURO DISNEY ENTERPRISE ENVIRONMENTAL FACTORS

Enterprise Environmental Factor	Projected Impact	Actual Impact
Monopoly	Euro Disney would be a monopoly. Europeans would be willing to pay the above-market admission fees. Prices for Euro Disney were higher than at all other European theme parks and at the Disney theme parks in the United States.	It is difficult to define leisure and entertainment as a monopoly. Unlike necessities, such as water or electricity, which are often monopolies, most people can find other, less expensive forms of entertainment and leisure activities. Euro Disney functioned more as an oligopoly that has few suppliers with either similar or dissimilar products or substitute products.
Vacation resort	Europeans would see Euro Disney as a vacation resort and stay for four or five days or longer.	Europeans saw Euro Disney as a one-day short excursion. This meant that accommodations were not necessary, and Euro Disney was not seen as a resort.
Alcoholic beverages	The Walt Disney Company believed that the Europeans would accept the fact that no alcoholic beverages would be allowed in the theme park.	Europeans wanted wine and alcoholic beverages with their meals. The ban on alcohol demonstrated insensitivity toward the French culture. The French are the biggest consumers of wine worldwide. People therefore refused to eat in the theme parks. Some brought wine coolers in their cars and had tailgating parties. Also, cigarettes were not sold in the theme parks.
Integrated services	Europeans would stay four or five days at the theme park.	Europeans would stay just one day, spend the entire time on the rides, and spend very little time shopping. High admission fees also led to them spending less shopping. The actual revenues from shopping, food, accommodations, and admission fees was significantly below target levels.
Cost for a family of four	Based on data from Disney Tokyo, the cost for a family of four at Disney Tokyo was approximately $600 per day excluding accommodations. The Walt Disney Company assumed Europeans would pay the same costs.	Europeans believed that $280 per person per day was too much.

(*continued*)

TABLE II (*Continued*)

Enterprise Environmental Factor	Projected Impact	Actual Impact
Per-capita spending	Euro Disney assumed that per-capita spending in the park would be $33 per person.	Actual spending was revised down to $29 per person, significantly less than Disneyland and Walt Disney World in the U.S. and almost 50 percent less than Tokyo Disneyland.
Mealtime seating capacity	Based on Disneyland and Walt Disney World data, Americans would "graze" all day on snacks and fast foods. Europeans would do the same, thus implying that restaurant seating capacity at Euro Disney could duplicate other theme park seating.	Expecting 60,000 visitors a day, Disney built 29 restaurants capable of feeding 14,000 visitors each hour. However, Europeans appear to eat healthier than Americans. Most Europeans prefer to eat a healthy lunch at exactly 12:30 p.m. Most restaurants could not handle the number of customers arriving at the same time. Europeans are intolerant of long queues.
Park staffing	Euro Disney employees would accept the standards and codes that were set at other Disney theme parks.	Park employees and guests felt that they were being "Americanized." In the first nine months, 1,000 of the 10,000 workers quit.

Other mistakes were made:

- At various locations in the park, there were an insufficient number of rest rooms.
- Park staffing assumed that Friday would be a busy day and Monday a light day when, in fact, the reverse was true.
- Park management underestimated the success of the convention business and had to increase convention facilities.

MISSING THE TARGETS

On opening day, Euro Disney had expected that as many as 500,000 visitors and 90,000 cars might try to enter the park, even though the capacity of the park was estimated at slightly above 50,000 visitors. Approximately 50,000 visitors showed up, and only three out of every 10 visitors were native French. Attendance figures were disappointing. Some people argued that the low attendance was due to the Walt Disney Company's insensitivity to the French culture. Others believed it was due in part to economic conditions in Europe at that time. As the year progressed, Euro Disney lowered its daily projection from 60,000 to 25,000 visitors. Walt Disney stock plunged, eventually losing one-third of its value.

In the first two years of operations, Euro Disney's losses were estimated at $2 billion. Euro Disney also had a debt load of $3.5 billion with some interest

payments as high as 11 percent. The 22 percent operating profit from land development, which was planned to pay down the debt, never materialized. Hotel occupancy was 55 percent rather than the expected 68 percent. Some hotels were shutting down for the winter season. Operating expenses had risen from an expected 60 percent of revenue to 69 percent of revenue. The MGM Film Studio theme park project was put on hold.

Although project management seemed to be successful with regard to construction of the park, the miscalculation of the impact of the EEFs was quite apparent. Euro Disney was seen as a project management success, Imagineering at its best, but possibly a business failure. The possible causes of failure were because the Walt Disney Company:

- Failed to recognize competitive leisure and entertainment offerings.
- Failed to recognize the sociocultural and economic issues.
- Had a wrong assessment of market conditions, which led to strategic and financial miscalculations.
- Took on an overly ambitious $3.5 billion debt load that was hard to pay off.
- Overdeveloped the property and land.
- Failed to recognize guest awareness of pricing.

There were also communication issues. Park executives were not returning phone calls to the media, resulting in a reputation for failed communication with the media.

Three interesting comments about the Walt Disney Company appeared in articles and newspapers. In one article, Euro Disney was viewed as "a cultural Chernobyl." In another article, a European banker stated that "Euro Disney is a good theme park married to a bankrupt real estate company and the two can't be divorced." A former Disney executive stated that during Euro Disney financing negotiations, "We were arrogant. It was like we're building the Taj Mahal and people will come—on our terms."

People were even attacking the name of the park. People outside of Europe often viewed "Euro" as being synonymous with fashion, glamour, and even high society. As Michael Eisner, Disney's CEO at the time, stated:

> As Americans, the word "Euro" is believed to mean glamorous or exciting. For Europeans it turned out to be a term they associated with business, currency, and commerce. Renaming the park "Disneyland Paris" was a way of identifying it with one of the most romantic and exciting cities in the world.

Changing the name was the Walt Disney Company's attempt to decommercialize the theme park. In addition to changing the name of the theme park in October 1994, the company took additional steps to overcome the impact of

the EEFs. Previously, energetic visitors could cover all of the rides in about five hours. There were not enough attractions to convince people to stay overnight. Euro Disney eventually:

- Enhanced theme park areas, such as Frontierland, Space Mountain, and Animal Kingdom.
- Added new attractions, bringing the total number of attractions to 29. Some new additions were Zorro, Mary Poppins, Aladdin, Cinderella's Castle, Temple of Peril, and Nautilus.
- Stressed the European heritage of many of the Disney characters.
- Cut park admission prices by 33 percent.
- Cut hotel room costs by 33 percent.
- Offered discount prices for winter months.
- Offered cheaper meals in the hotels
- Allowed restaurants to serve wine and beer; however, the French never forgot that originally wine and beer were prohibited.
- Offered more foods from around the world.
- Changed its marketing and advertising strategy to include "California is only 20 miles from Paris" and "Fairy tales can come true."
- Lowered projected daily attendance from 60,000 to 25,000 people per day.
- Offered package deals that were affordable to everyone. However, this did not include the entrance fees to the park, which were still higher than in the United States.

The Walt Disney Company wanted to make people believe that, once they entered Disneyland Paris, they had escaped the real world. They would be in "a kingdom where dreams come true." To do this, the company had to recognize that the European culture was not the same as U.S. or Japanese culture. The company would not be able to "Americanize" some cultures.

DEBT RESTRUCTURING

In the fall of 1993, optimism and euphoria over the park came to an end and Euro Disney was in financial distress with a $3.5 billion debt load. If the Walt Disney Company pulled the plug on Euro Disney, there would have been a bankrupt theme park and a massive expanse of virtually worthless real estate. This would certainly blemish the company's image globally and could significantly hamper its plans for construction of other theme parks outside of the United States.

The Walt Disney Company developed a rescue plan for Euro Disney that initially was rejected by the French banks. The company fought back by imposing a deadline for agreement by March 31, 1994, and even threatened possible closure

of Euro Disney if debt restructuring did not take place. Eisner believed that the French already had so much money invested in the park that they would be forced to restructure the debt. By mid-March, the Walt Disney Company's commitment to support Euro Disney had risen to $750 million. When the banks refused to consider the refinancing plan, Eisner announced in early March to the shareholders that the park might be closed by the end of that same month; the decision would be announced at the annual shareholders' meeting on March 15.

On March 14, the banks capitulated, fearing a huge financial loss if Euro Disney closed. A new preliminary deal was struck whereby Euro Disney's lead banks were required to contribute an additional $500 million. The aim was to cut the park's high-cost debt in half and make Euro Disney profitable by 1996, a date considered unrealistic by many analysts.

Part of the deal stated that the Walt Disney Company would spend about $750 million to buy 49 percent of the new rights offering that was estimated at $1.1 billion. The banks agreed to forgive 18 months of interest payments on the outstanding debt and to defer all principal payments for three years. The banks would also underwrite the remaining 51 percent of the rights offering. For its part, in addition to its $750 million, the Walt Disney Company agreed to eliminate for five years its lucrative management fees (3 percent of revenue), royalties on the sale of tickets (10 percent), and concession sales (5 percent). The company's management fees were approximately $450 million per year, regardless if Euro Disney lost money. Royalties would gradually be reintroduced at a lower level. The capital infusion was not well received by shareholders, even though they recognized that, if the park went into receivership, further expansion and the company's image could be hurt. Some believed that this debt restructuring was just a temporary bandage and that unfavorable changes in the economy or the EEFs could require future debt refinancing.

Prince Al-Waleed, nephew of King Fahd of Saudi Arabia, purchased 24 percent of Euro Disney S.C.A. for $500 million. After the restructuring, the Walt Disney Company's stake in Euro Disney S.C.A. dropped from 49 to 39 percent. The remaining 37 percent was held by a collection of more than 60 banks, mostly French, and individual shareholders, primarily from the European community.

The debt restructuring, which included debt payment forgiveness and deferral of some principal payments, was a desperately needed lifeline for Euro Disney and gave it some financial breathing room to change its marketing strategy and attract more visitors. By 1995, with debt refinancing and some theme park enhancements in place, Euro Disney had its first quarterly profit of $35.3 million. However, there was no guarantee that Euro Disney's financial headaches would completely disappear.

By 1996, attendance at Disneyland Paris was more than at the Louvre art museum, the Eiffel Tower, and Buckingham Palace. At the same time, Tokyo Disneyland was having remarkable attendance success. In 1999, Tokyo Disneyland had 17.5 million visitors, more than any other theme park worldwide.

WALT DISNEY STUDIOS PARK

A second theme park, the $2.3 billion MGM Film Studio Tour, was scheduled to open in 1996, although plans were canceled around mid-1992 due to the resort's financial crisis at the time. After the resort began to make a profit, these plans were revived on a much smaller scale. The new theme park included a history of films, including cinema, cartoons, and how films are made. The new budget was $600 million. The MGM Studio theme park was renamed Walt Disney Studios Park and opened on March 16, 2002. It was dedicated to show business, themed after movies, production, and behind-the-scenes events. In 2013, the park hosted approximately 4.4 million guests, making it the third-most visited amusement park in Europe and the twenty-first most-visited in the world, although it has the lowest attendance figures of all 11 Walt Disney theme parks. According to the Walt Disney Company's CEO, Michael Eisner:

> To all who enter this studio of dreams . . .welcome. Walt Disney Studios is dedicated to our timeless fascination and affection for cinema and television. Here we celebrate the art and the artistry of storytellers from Europe and around the world who create magic. May this special place stir our own memories of the past, and our dreams of the future.

The company had planned to open a third park in Disneyland Paris by 2017, but this plan was push back to 2030.

ANOTHER DEBT RESTRUCTURING

By 2000, Euro Disney's restructured debt load had risen to $2 billion. With the opening of the MGM Studio park, Disneyland Paris now included seven hotels, two convention centers, 68 restaurants, and 52 boutiques. But Europe's economy was struggling. The slowdown in the European travel and tourism industry had negatively affected Euro Disney's operations and cash flow. The company was strapped for cash. Once again, the word "bankruptcy" raised its ugly head. Euro Disney's financial difficulties forced it to focus on short-term cash flow rather than expansion, enhancing rides, and building new attractions.

In response to the cash flow situation, Euro Disney S.C.A.[2] initiated discussions with its lenders and the Walt Disney Company to obtain waivers of its fiscal 2003 loan covenants and to obtain supplemental financing to address Euro Disney's cash requirements. As a result of an agreement entered into on March 28, 2003, the Walt Disney Company did not charge Euro Disney royalties and

[2] Euro Disney S.C.A. is a subsidiary of the Walt Disney Company and the owner of Euro Disney Associés S.C.A., which operates Disneyland Paris. The name of the park itself was changed from Euro Disney Resort to Disneyland Paris in 1995.

management fees for the period from January 1, 2003, to September 30, 2003. Additionally, the Walt Disney Company agreed to allow Euro Disney to pay its royalties and management fees annually in arrears for fiscal 2004, instead of quarterly.

In fiscal 2005, Euro Disney S.C.A. completed a financial restructuring, which provided for an increase in capital and refinancing of its borrowings. Pursuant to the financial restructuring, the Walt Disney Company agreed to conditionally and unconditionally defer certain management fees and royalties and convert them into long-term subordinated debt and provide a new 10-year line of credit for liquidity needs.

Jeffrey Speed, the chief financial officer of Euro Disney, said that the modified agreement would provide "significant liquidity."

2007 TO 2013

By the end of 2007, Disneyland Paris had more than 14 million visitors for the year. The theme park had 54 attractions, 54 shops, and 68 themed restaurants. In 2008, Disneyland Resort Paris welcomed its 200 millionth guest since the opening in 1992. Exhibit III shows the attendance figures for the six years from 2008 to 2013.

A study done by the Inter-Ministerial Delegation reviewing the contribution of Disneyland Resort Paris to the French economy was released in time for the resort's twentieth anniversary in March 2012. It found that, despite the resort's financial hardships, it has generated "37 billion euros in tourism-related revenues over twenty years" and supports on average 55,000 jobs in France annually, and that one job at Disneyland Paris generates nearly three jobs elsewhere in France.[3]

TABLE III ATTENDANCE FIGURES FOR 2008 TO 2013

Year	Disneyland Europe Theme Park	Disney Studio Park
2008	12,688,000	2,612,000
2009	12,740,000	2,655,000
2010	10,500,000	4,500,000
2011	10,990,000	4,710,000
2012	11,500,000	4,800,000
2013	10,430,000	4,470,000
World Ranking	6	21

[3] Inter-Ministerial Delegation for the Euro Disney Project," Disneyland Paris.

In 2012, the Walt Disney Company announced that it would again refinance the debt of Disneyland Paris with a loan of $1.6 billion and a credit facility of $120 million. Disneyland Paris had not been profitable in 12 of the first 20 years of operations.

THE WALT DISNEY COMPANY'S 2013 10K REPORT

The following information was extracted from the Walt Disney Company's 2013 10K report:

> Parks and Resorts revenues increased 9%, or $1.2 billion, to $14.087 billion due to an increase of $1.1 billion at our domestic operations and an increase of $112 million at our international operations. Domestic theme park revenue was $11.394 billion and international theme park revenue was $2.693 billion.

Table IV shows some additional information relative to the theme parks and resorts. In the exhibit, numbers in parentheses show a decrease from the previous fiscal year.

OCTOBER 2014

For the year ending September 30, 2014, the revenue from Disneyland Paris had dropped by 3 percent from the previous year and loss was estimated between €110 and €120 million. The loss from the previous year was €78 million.

Some investors wanted the Walt Disney Company to "pull the plug" on the hemorrhaging of cash at Disneyland Paris and close the park. On the other end of the spectrum was a petition written in six languages and signed by more than 8,000 people. Titled "Save Disneyland Paris," the petition cited several problems that needed to be addressed at the theme park, including poor maintenance and upkeep of the grounds, a need for better food choices, and a need for newer and upgraded attractions. Upgrades were also needed at the Walt Disney Studios Park, where some believed that attractions should be added based on recent movies, such as *The Avengers* and *Iron Man 3*.

TABLE IV 2013 10K SUPPORTING DATA

		Domestic	International
Parks and Resorts	Attendance	4%	(2%)
	Per-capita guest spending	8%	4%
Hotels	Occupancy rate	79%	81%
	Available room nights (in thousands)	10,558	2,466
	Per-room guest spending	$267	$309

The Walt Disney Company understood that the survival of Disneyland Paris was based on repeat visitors. For that reason, it decided to provide Disneyland Paris with $1.3 billion (€1 billion) over 10 years for improvements to the theme park and Walt Disney Studios Park. In addition, the Walt Disney Studio would postpone principal payments on its debt until 2024.

FEBRUARY 2017

Disney's $1.3 billion cash infusion in 2014 was partially used to make improvements and renovations. Revenue began to rebound until the Paris terrorist attacks in 2015. For the fiscal year ending September 30, 2016, Disney Europe lost about $260 million.

On February 10, 2017, Disney announced that it would make its second cash infusion in three years. This time, Disney would invest $1.6 billion and buy out all other shareholders in Disney Europe. The money would also be used for improvements, new attractions, reducing debt, and increasing liquidity at the resort.[4]

CONCLUSIONS

Improper assumptions about EEFs can wreak havoc on a project. Not all impacts created by EEFs can be controlled or managed effectively. The Walt Disney Company did what was expected of a company of its stature to correct the impact of EEFs while protecting its name, image, and reputation. Although the factors may not have had a direct impact on the way the theme park projects were managed, especially the quality and aesthetic aspects, the factors can and did have a direct bearing on how people define the success and failure of a project.

It is important to understand that theme parks must grow continuously. They must add more rides, update existing attractions, and improve other aesthetic elements as necessary. Doing this requires capital, which often makes it difficult to pay down a large debt load.

The Walt Disney Company demonstrated "Imagineering" at its best, not only in the design and construction of the theme park attractions but also in the way that it handled necessary changes due to cultural issues. Disneyland Paris is an American theme park. The company maintained its brand name and image. Cultural issues can never be resolved in a manner where everyone is 100 percent pleased. But if I am ever in such a conflicting position, I would want Disney in my corner.

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[4] www.latimes.com/business/la-fi-euro-disney-20170210-story.html.

QUESTIONS

1. Did the Walt Disney Company spend enough time and effort initially to understand the impact of the enterprise environmental factors as related to culture?
2. What steps did the company take to address the cultural issues?
3. How should the Walt Disney Company defend itself from French labor unions that argued that what was being taught to the 20,000 workers at Disney University was a violation of their individual rights?
4. What lessons were learned from Tokyo Disneyland?
5. What could the Walt Disney Company do in the first two years of operations at Euro Disney to get a higher occupancy rate?
6. Do you believe that the company would have allowed Euro Disney to close in 1994 because of its financial headaches?
7. Can executives or project managers ever really control enterprise environmental factors?
8. How can we prevent last-minute scope changes caused by executive meddling, assuming the changes will have a major impact on cost?
9. Euro Disney had three major debt restructurings between 1993 and 2013. Why was each debt restructuring necessary? What was the driving force that caused each debt restructuring?
10. Should enterprise environmental factors be tracked the same way that we track and report budgets and schedules?

Disney (D): The Globalization of Disneyland

In the late 1970s, the Walt Disney Company made the decision to begin expanding internationally. Tokyo Disneyland was to be the first Disney theme park built outside of the United States. Although the Walt Disney Company understood the enterprise environmental factors surrounding Disneyland and Walt Disney World, there were unknowns with opening a theme park in Tokyo. First, Japan has a winter season that could impact attendance. Second, Disney was unsure as to whether the Japanese would embrace the Disney characters. Having an American theme park in the middle of Japan was seen as a risk.

Although several globalization options were available to the Walt Disney Company, only three of the options are considered in this case study. Each option requires some sort of contractual agreement, and each type of agreement is impacted by the assumptions and associated risks made concerning the enterprise environmental factors. First, the company could assume the cost for constructing a theme park wholly owned by the Walt Disney Company. The cost of doing this would require expenditures in the billions of dollars. The company would have to work directly with foreign governments, labor unions, and stakeholders.

While it could be done, the risks and costs involved in doing this were considered prohibitive, especially for the first theme park built outside of the United States. Therefore, the other two options were licensing agreements and joint ventures.

LICENSING AGREEMENTS

A licensing agreement is a legal contract between two parties, known as the licensor and the licensee. In a typical licensing agreement, the licensor, such as the Walt Disney Company, grants the licensee the right to produce and sell goods, apply a brand name or trademark, or use patented technology owned by the licensor. Legal restrictions often mandate that the licensee must be a company in the host's country that is willing to accept such an arrangement with the licensor. In exchange, the licensee usually submits to a series of conditions regarding the use of the licensor's property and agrees to make payments known as royalties.

Licensing agreements cover a wide range of well-known situations. For example, a retailer in the theme park might reach agreement with the Walt Disney Company to develop, produce, and sell merchandise bearing Disney characters. Or a construction company might license proprietary theme park design technology from the Walt Disney Company to gain a competitive edge rather than expending the time and money trying to develop its own technology. Or a greeting card company might reach agreement with the Walt Disney Company to produce a line of greeting cards bearing the images of popular Disney animated characters.

One of the most important elements of a licensing agreement covers the financial arrangement between the two parties. Payments from the licensee to the licensor usually take the form of guaranteed minimum payments and royalties on sales. Royalties typically range from 6 to 10 percent, depending on the specific property involved and the licensee's level of experience and sophistication. Not all licensors require guarantees, although some experts recommend that licensors get as much compensation up front as possible. In some cases, licensors use guarantees as the basis for renewing a licensing agreement. If the licensee meets the minimum sales figures or theme park attendance figures, the contract is renewed; otherwise, the licensor has the option of discontinuing the relationship.

Another important element of a licensing agreement establishes the time frame of the deal. Many licensors insist on a strict market release date for products licensed to outside manufacturers. This strict release date also applies to the time needed to construct the theme park. After all, it is not in the licensor's best interest to grant a license to a company that cannot build the theme park in a timely manner or that never markets the products. The licensing agreement also includes provisions about the length of the contract, renewal options, and termination conditions.

Another common element of licensing agreements covers which party maintains control of copyrights, patents, or trademarks. Many contracts also include a provision about territorial rights, or who manages distribution in various parts

of the country or the world. In addition to the various clauses inserted into agreements to protect the licensor, some licensees may add their own requirements. They may insist on a guarantee that the licensor owns the rights to the property, for example, or they may insert a clause prohibiting the licensor from competing directly with the licensed property in certain markets.

There are advantages as well as disadvantages with licensing agreements. The primary advantage is that the licensing agreement can limit a company's financial exposure. It is entirely possible that the Walt Disney Company may not have to provide any financial support for the construction of the new theme park. It would provide expertise in the design, construction, and management of the park and its attractions. It can demand that all attractions be identical to those at Disneyland and Walt Disney World. The theme park could be an exact duplicate of those two parks.

In exchange, the Walt Disney Company would receive royalty payments based on admission fees and the sale of food, beverages, and merchandise. The company may also receive royalty payments for the use of Disney characters, including use in themed hotels. The Walt Disney Company can also collect a percentage of sponsorship fees. The company would receive royalty payments regardless of whether the theme park lost money.

The disadvantages are limitations on profitability and possibly future opportunities. If the theme park is highly profitable, the Walt Disney Company would receive only royalty payments and would not share in the profitability. All profits may stay with the licensee. The licensee may demand that the Walt Disney Company not be allowed to enter certain markets that could be seen as competitors for the new theme park. This could limit the company's ability for future expansion in foreign markets. Since the Walt Disney Company would not be managing the theme park under the licensing agreement, it could face a loss of quality control that affects its image and reputation. Licensing agreements, therefore, can minimize risk for licensors and maximize risk for licensees.

JOINT VENTURES

A joint venture is a business agreement in which the parties agree to develop, for a finite time, a new entity and new assets by contributing shared equity. The theme park would be shared ownership. Both parties may exercise control over the enterprise and consequently share revenues, expenses, and assets.

A joint venture takes place when two parties come together to take on one project. In a joint venture, both parties are equally invested in the project in terms of money, time, and effort to build on the original concept. Although joint ventures are generally small projects, major corporations also use this method to diversify or expand their business globally. A joint venture can ensure the success of smaller projects for those that are just starting in the business world or for

established corporations. Since the cost of starting new projects is generally high, a joint venture allows both parties to share the burden of the project's start-up cost as well as the resulting profits.

Since money is involved in a joint venture, it is necessary to have a strategic plan in place. In short, both parties must be committed to focusing on the future of the partnership rather than just the immediate returns. For example, it may take years before a theme park arrives at the desired yearly attendance figures. Ultimately, both short-term and long-term successes are important. In order to achieve these successes, honesty, integrity, and communication within the joint venture are necessary.

With joint ventures, there can be a dominant partner and participation of the public. There may also be cases where the public shareholding is substantial but the founding partners retain their identity. In such cases, local governments may provide some funding in the way of loans or tax incentives in the hope of creating jobs.

Further consideration relates to starting a new legal entity on foreign soil. The licensor may have to abide by legal requirements in the host country related to ownership of shares of stock in the new venture, the use of local labor, abiding by local union contracts, how procurement will be performed, and restrictions on land development. Such an enterprise is sometimes called an incorporated joint venture and can include technology contracts (rights related to know-how, patents, trademarks, brand use agreements, and copyright), technical services, and assisted-supply arrangements.

Joint ventures are profit and risk maximization strategies for licensors and risk minimization strategies for licensees. A joint venture does not preclude the licensor (such as the Walt Disney Company) from collecting royalties. However, it does require that both licensor and licensee make significant financial contributions. The result is usually a much larger project than each party could afford if each had to do it alone. The main disadvantage is that licensor and licensee can have different opinions on critical decisions.

TOKYO DISNEYLAND

The Walt Disney Company's partner for Tokyo Disneyland was be the Oriental Land Company. It had to decide whether the partnership should be based on a joint venture or a licensing agreement. Unsure about how the EEFs would affect the acceptance of the theme park and the fact that this was the Walt Disney Company's first theme park outside of the United States, it opted for the risk minimization strategy of a licensing agreement. Under this agreement, Tokyo Disneyland was not partially or wholly owned by the Walt Disney Company. With the licensing agreement, the company would receive royalty payments of 10 percent of the admission fees and 5 percent of the sales on food, beverages, and merchandise.

It receives its royalty payments even if Tokyo Disneyland loses money. The Walt Disney Company did have a small investment in the theme park ($3.5 million), which amounted to 0.42 percent of the initial construction cost. Because it opted for the risk minimization licensing agreement, the Walt Disney Company decided not to invest heavily in land development surrounding the theme park.

In April 1979, the first basic contract for the construction of Disneyland in Tokyo was signed. Japanese engineers and architects flocked to California to tour Disneyland and prepare to construct the new operating dreamland in Tokyo. Just one year later, construction of the park began. Hundreds of media reporters covered the story, indicative of the high expectations for the park. Although the building process was successful, the final cost of Tokyo Disneyland was almost double the estimated budget, costing ¥180 billion rather than the projected ¥100 billion Nevertheless, Tokyo Disneyland has been a constant source of pride since opening day over 30 years ago.

With only a few exceptions, Tokyo Disneyland features the same attractions found in Disneyland and Walt Disney World's Magic Kingdom. It was the first Disney theme park to be built outside the United States, and it opened on April 15, 1983. The park was constructed by Walt Disney Imagineering in the same style as Disneyland in California and Magic Kingdom in Florida.

There are seven themed areas in the park: the World Bazaar; the four classic Disney lands: Adventureland, Westernland, Fantasyland, and Tomorrowland; and two mini-lands: Critter Country and Mickey's Toontown. Many of the games and rides in these areas mirror those in the original Disneyland, as they are based on American Disney films and fantasies. Fantasyland includes Peter Pan's Flight, Snow White's Scary Adventures, Dumbo the Flying Elephant, and others based on classic Disney films and characters. The park is noted for its extensive open spaces, to accommodate the large crowds that visit the park.

The day the park opened in 1983, attendance was 13,200 visitors. On August 13 of the same year, more than 93,000 people visited the park. This one-day attendance record surpassed that of all other Disney theme parks to that time. Three years later, Tokyo Disneyland broke the record again with a one-day attendance of 111,500 people.

EURO DISNEY (DISNEYLAND PARIS)

In Tokyo Disneyland's first year of operations, 1983, it was evident that the park would be a success. In 1984, the Walt Disney Company made the decision to build a second foreign theme park, this time in Europe. The company wanted to build a state-of-the-art theme park, a decision that eventually led to "budget breaker" scope changes, and wanted it to open by 1992. Many of the changes were last-minute changes made by Michael Eisner, Disney's CEO.

Using the first year's results from Tokyo Disneyland, highly optimistic financial projections were established for Euro Disney based on the expectation of 11 million visitors the first year and 16 million visitors yearly after the turn of the 21st century.

The Walt Disney Company viewed the Euro Disney theme park as a potentially profitable revenue generator for decades since the company would have a leisure and entertainment monopoly in Europe. Unlike Tokyo Disneyland, the Walt Disney Company opted for a joint venture that was designed around a profit maximization strategy. The company would receive 10 percent royalties on admissions, 5 percent royalties on food, beverage and merchandise sales, a management fee equivalent to 3 percent of revenue, a licensing fee for using the Disney name and characters, 5 percent of gross revenues of themed hotels, and 49 percent of the profits. The Walt Disney Company also received royalties from companies that invested in and endorsed specific rides. If Euro Disney was as successful as Tokyo Disneyland, the Walt Disney Company could receive more than $1 billion in royalties and profit sharing each year.

Part of the decision to use a joint venture relationship was because the Walt Disney Company realized that it had made serious mistakes in Disneyland, Walt Disney World, and Tokyo Disneyland by not investing heavily in property development surrounding the theme parks. To maximize its profits, the Walt Disney Company agreed to build 18,200 hotel rooms surrounding Euro Disney by 2017.

WALT DISNEY STUDIOS PARK

The Walt Disney Company recognized that, if you want people to come back to theme parks again and again, you must add new attractions, build adjacent theme parks on closely related topics, or do both. The $2.3 billion MGM Film Studio Tour was scheduled to open in 1996, although these plans were canceled around mid-1992 due to the resort's financial crisis. After the resort began to make a profit, the plans were revived on a much smaller scale. The new theme park included a history of films, including cinema, cartoons, and how films are made. The new budget was $600 million. The MGM Studio theme park was renamed Walt Disney Studios Park and opened on March 16, 2002. It was dedicated to show business, themed after movies, production, and behind-the-scenes. Just like Euro Disney, this park was part of the original joint venture relationship rather than just a licensing agreement.

In 2013, the park hosted approximately 4.4 million guests, making it the third-most visited amusement park in Europe and the 21st-most visited in the world though it had the lowest attendance figures of all eleven Walt Disney theme parks.

TABLE I TOKYO DISNEYLAND ATTENDANCE: 1983 TO 1997

Year	Attendance
1983	9,933,000
1984	10,013,000
1985	10,675,000
1986	10,665,000
1987	11,975,000
1988	13,382,000
1989	14,752,000
1990	15,876,000
1991	16,139,000
1992	15,815,000
1993	16,030,000
1994	15,509,000
1995	16,986,000
1996	17,368,000
1997	16,686,000

TOKYO DISNEYSEA

In 1997, Tokyo Disneyland recognized the need for a second theme park because attendance was leveling off, as indicated in Table I.

Between 75 and 80 percent of the visitors to Tokyo Disneyland were repeat visitors. Even with new attractions being built each year, there was apprehension that people might not return to the park after two or three visits. Furthermore, a drop in attendance by as much as 4 percent over the next four years was expected. A new theme park would be needed.

The concepts and designs for a Disney sea park had been in development at Walt Disney Imagineering for more than 20 years. However, the Walt Disney Company recommended that the new theme park be similar to the Walt Disney Studios Park that was in the planning stages for Euro Disney. Disney's partner in Japan, the Oriental Land Company, believed that the Japanese would not be as enamored with moviemaking as were Americans and Europeans. Instead, the decision was to build a Tokyo DisneySea for about $3.5 billion, based on recognition of the Japanese love for the sea. Unlike Tokyo Disneyland, the new park would be more adult-themed, including faster, scarier rides and shows designed for an older audience.

The success of Tokyo Disneyland made it quite apparent that the Walt Disney Company would have been better off financially had it chosen a joint venture

rather than a licensing agreement. However, a sea park was not the same as a Disneyland park. The Walt Disney Company believed that the Tokyo DisneySea did have some risks. The Oriental Land Company believed that the Tokyo DisneySea could be just as successful as Tokyo Disneyland, but coming up with $3.5 billion was very risky. The Oriental Land Company would have preferred to minimize its risks by having a joint venture but eventually negotiated a licensing agreement for the $3.5 billion theme park. The debt for Tokyo Disneyland had been paid off in three years after the park opened. The Oriental Land Company believed that the Tokyo DisneySea could also be paid off in a reasonably short period of time.

In 2013, Tokyo Disneyland hosted 17.21 million visitors, moving its ranking to the world's second-most visited theme park, surpassing Disneyland in California but falling behind the Magic Kingdom in Florida. However, as seen in Table II, the Tokyo DisneySea attracted 14.08 million visitors in 2013, making it the world's fourth-most visited them park. In 2013, a total of 132,549,000 visitors visited Disney theme parks.

FUTURE OF TOKYO DISNEYLAND

Since the park opened in 1983, Tokyo Disneyland has regularly been the most profitable Disney resort. By 1994, over 140 million people had entered through its gates (the population of Japan is only 127.6 million), and its popularity had increased. Just two years later, it employed 12,390 people, marking Tokyo Disneyland as the biggest workplace in Japan's diversionary outings. Although the attendance trend is similar to that of other Japanese theme parks, the revenue produced by Tokyo Disneyland is larger than all other national theme parks combined, thus greatly profiting the Japanese economy. Many speculate that Tokyo Disneyland is such an economic success due to timing and location; the theme

TABLE II 2013 ATTENDANCE FIGURES FOR SELECTED THEME PARKS

Theme Park	2013 Attendance	2013 Worldwide Ranking
Walt Disney World's Magic Kingdom, Orlando	18,588,000	1
Tokyo Disneyland	17,214,000	2
Disneyland, Anaheim	16,202,000	3
Tokyo DisneySea	14,084,000	4
Disneyland Paris	10,430,000	6
Disney's Animal Kingdom at Walt Disney World	10,198,000	7
Disney's Hollywood Studios, Walt Disney World	10,110,000	8
Ocean Park, Hong Kong	7,475,000	12
Hong Kong Disneyland	7,400,000	13
Walt Disney Studios, Disneyland Paris	4,470,000	21

park lies in a metropolitan area with a population of 30 million and opened at the height of a booming economy where hard-working citizens desired a fun escape from reality. One of the main goals of Tokyo Disneyland was to keep improving the park and move away from the restrictions of the Walt Disney Company. Japan had merged its national identity with Tokyo Disneyland ark by adding attractions with distinctly Japanese qualities. Cinderella's Castle displays the classic Disney character and story plot yet presents the story through the eyes of the Japanese. Meet the World, located in World Bazaar, shows true national identity and pride as it embodies Japanese history; instead of costumes, Meet the World characters wear the traditional Japanese kimono. Once nominated by Disney Legends, Masatomo Takahashi, the former president of the Oriental Land Company, states that this growth and development is one of the company's primary goals: "We must not just repeat what we receive from Disney. I am convinced that we must contribute to the cultural exchange between Japan and U.S.A."[1]

HONG KONG DISNEYLAND

In 1988–1989, negotiations began to bring the original Disneyland to Hong Kong. Hong Kong was recognized as an international finance center and the gateway to China. The Walt Disney Company recognized that, even though many countries and cities in Southeast Asia may be on the cutting edge of technology, they were not familiar with many of the Disney products, including comics of Disney characters such as Mickey Mouse. Because of the potential risk of limited brand awareness, marketing and advertising would be critical. Even with limited brand awareness, the Hong Kong government recognized significant benefits in the venture:

- Hong Kong Disneyland would attract millions of tourists a year, create thousands of jobs, enrich the quality of life, and enhance Hong Kong's international image.
- The world-class theme park had the potential to provide Hong Kong with a net economic benefit of billions of dollars over 40 years.
- It was estimated that attendance in the park's first year of operation would be over 5 million, gradually rising to around 10 million a year after 15 years.
- About 18,400 new jobs were expected to be created directly and indirectly on opening, rising to 35,800 over a 20-year period.
- Around 6,000 jobs were expected to be created during the construction of facilities for Phase I of Hong Kong Disneyland. In addition, some 10,000 jobs were expected to be created by the land reclamation and other infrastructure works funded by the government.

[1] From the Oriental Land Company website, www.olc.co.jp/en/50th/03.html. Accessed February 2017.

The benefits of the base case were based on several assumptions, including these:

- The park opens in 2005.
- The park's total attendance in its first year of operation is estimated at 5.2 million.
- The park gradually reaches full annual capacity of 10 million total visitors after 15 years.
- Nearly all employees at Hong Kong Disneyland would be from Hong Kong. About 40 Disney employees from around the world would manage the park initially. But eventually about 35 local employees would be trained to take up these management duties.
- Disney would provide master planning, project management expertise, real estate development, design of the attractions, and other such support activities.
- Staff training for key personnel would take place in Hong Kong and the United States. In the United States, trainees would receive hands-on experience at existing Disney theme parks.
- In Hong Kong, the company would develop suitable training packages for a wide spectrum of Hong Kong Disneyland employees. A Disney University would be established as part of this process.
- Hong Kong Disneyland would attract 3.4 million incoming tourists from outside Hong Kong in Year 1, rising to 7.3 million after 15 years.

Hong Kong Disneyland is located on reclaimed land in Penny's Bay, Lantau Island. It is the first theme park built in Hong Kong, and is owned and managed by the Hong Kong International Theme Parks. Unlike Disneyland Paris, the Walt Disney Company preferred to be actively involved in park management rather than just being an investor. As part of a negotiated joint venture agreement, the government contributed $2.9 billion to build the park and Walt Disney Company contributed $314 million.

Risks

Despite the Walt Disney Company's experience with other theme parks, there were several risks in regard to the Hong Kong project. Some of these risks that emanated from EEFs included:

- The Chinese people's willingness to accept an American theme park.
- The Chinese culture.
- Potential cost overruns that could require that the Walt Disney Company provide additional financial support.

- Weather conditions.
- Uncertain market conditions.
- Hong Kong had another theme park, Ocean Park, which had opened in 1977. Both parks could be competing for the same tourists.
- Political uncertainty.
- A change in the government's policy for acting as a financial partner.
- Legal barriers affecting the joint venture.
- Counterfeit products.

The park opened to visitors on September 12, 2005. The park consists of five themed areas: Main Street, U.S.A., Fantasyland, Adventureland, Tomorrowland, and Toy Story Land. Cast members speak in Cantonese, English, and Mandarin. Guide maps are printed in traditional and simplified Chinese as well as English, French, and Japanese.

The park has a daily capacity of 34,000 visitors—the fewest of all Disneyland parks. The park attracted 5.2 million visitors in its first year, below its target of 5.6 million. Visitor numbers fell 20 percent in the second year to 4 million, which led to criticism from local legislators. However, park attendance increased by 8 percent in the third year, attracting a total of 4.5 million visitors in 2007. In 2013, the park's attendance increased to 7.4 million visitors, making it 13th in world park attendance.

Feng Shui Culture

The Walt Disney Company learned an unpleasant lesson about the importance of culture and EEFs from the negative publicity following the launching of Disneyland Paris. The company was attacked as being insensitive to European, and especially French, culture. The Walt Disney Company attempted to avoid similar problems of cultural backlash by attempting to incorporate Chinese culture, customs, and traditions when designing and building the resort, including adherence to the rules of feng shui. Feng shui is a local culture where numbers, colors, and images can represent good luck as well as bad luck. Buildings and structures must face in certain directions depending on their surroundings. There must be a balance between the elements of earth, wood, and fire. For instance, a bend was put in a walkway near the Hong Kong Disneyland Resort entrance so good *qi* (*chi*) energy would not flow into the South China Sea. Lakes, streams, and waterfalls were strategically placed around the theme park to signify the accumulation of wealth and good fortune.

The Walt Disney Company hired a feng shui expert to assist with designing the park and the attractions to focus on bringing the largest amount of good luck. The company was taking no chances with even the smallest details. Some of the feng shui features that were implemented are listed next.

- September 12 is considered as a lucky day for opening a business. Hong Kong Disneyland was officially opened on September 12, 2005.
- Various earthly elements important in feng shui, such as wood, fire, earth, metal, and water, were carefully balanced throughout the resort . For example, projections of a rolling fire in one restaurant bar enhance the fire element at that location, while fire is prohibited in other areas.
- Hong Kong Disneyland's main gate and entrance was positioned in a north–south direction for good luck. Another landscaped area was designed east of the theme park to ensure this north–south positioning, also enhanced by large entry portals to the area.
- Hong Kong Disneyland was carefully positioned on Lantau Island in Penny's Bay among hills and sea for the best luck. The lucky feng shui hill formations in the area include "white tiger" and "green dragon."
- The actual park entrance was modified to maximize energy and guest flow in order to help the park's success.
- Individual attraction entrances inside the Disney Park have been positioned for good luck as well.
- Large rocks are placed throughout Hong Kong Disneyland because they represent stability in feng shui. Two boulders have been placed within the park, and each Disney hotel in the resort has a feng shui rock in its entrance and courtyard or pool areas. The boulders also prevent good fortune from flowing away from the theme park or hotels.
- Water features play an important role in the Hong Kong Disneyland landscaping because they are extremely beneficial in feng shui. Lakes, ponds, and streams are placed throughout the park to encourage good luck, fortune, and wealth for the resort. A large fountain featuring classic Disney characters welcomes guests at the entrance to the park and to provide good luck (and for the taking of pictures).
- The Hong Kong Disneyland Hotel and the Disney's Hollywood Hotel were built in carefully selected locations with water nearby in a southwest direction to maximize prosperity from feng shui.
- The Hong Kong Disneyland Resort hotels have views of the waterfront onto the ocean and South China Sea. This provides good feng shui.
- The main ballroom at the Disneyland Hotel at the Hong Kong Disneyland Resort is 888 square meters, because 888 is a number representing wealth.
- The elevators at the Hong Kong Disneyland Resort do not have the number four, and no building (including the resort hotels) has a fourth floor. The number four is considered unlucky in the Chinese culture because, when pronounced, it sounds like the Chinese word for death.
- Red is an extremely lucky color in Chinese culture, so it is seen frequently throughout the park, especially on the buildings on Main Street, U.S.A.
- No clocks are sold at Hong Kong Disneyland stores because in Chinese the phrase "giving clock" sounds like "going to a funeral."

- No green hats are sold in Hong Kong Disneyland stores because it is said in Chinese culture that a man wears green to indicate that his spouse has cheated on him.

CRITICISMS

Overcrowding

Just before the grand opening, the park was criticized for overestimating the daily capacity limit. The problem became apparent on the charity preview day on September 4, 2005, when 30,000 locals visited the park. The event turned out to be a disaster, as there were too many guests. Wait times at fast food outlets were at least 45 minutes, and wait times at rides were up to two hours.

Although the park's shareholders and the Hong Kong government pressured the park to lower the capacity, the park insisted on keeping the limit, agreeing to relieve the capacity problem only by extending the opening time by one hour and introducing more weekday discounts. However, according to park officials, local visitors tended to stay in the park for more than nine hours per visit; thus, the adaptations would do little to solve the problem.

During Chinese New Year 2006, many visitors arrived at the park in the morning bearing valid tickets but were refused entry, because the park was already at full capacity. Disgruntled visitors attempted to force their way into the park by climbing over the barrier gates. Management was forced to revise the ticketing policy and designated future periods close to Chinese public holidays as special days during which admission would be allowed only with a date-specific ticket.

Initially, there were only 22 attractions, fewer than any other theme park. In July 2009, an agreement was reached between the Hong Kong government and Disney to add 20 more attractions. The Walt Disney Company would invest $450 million in the expansion and provide a loan to the theme park.

Fingerprinting

As at other Disney theme parks, visitors to Hong Kong Disneyland have their finger biometrics scanned at the entry gate. Visitors are not warned of the policy beforehand. Fingerprinting is done of all visitors older than 11 years of age and is used to associate a ticket with the person using it. The company claims that the surface of a guest's finger does not contain sufficient information to re-create a fingerprint image. Nonetheless, forensic specialists note that the data collected are more than adequate to establish a positive identification.

Public Relations

The Walt Disney Company initially refused to release attendance figures after media reports surfaced saying the park's attendance numbers might be lower than

expected. The company finally declared on November 24, 2005, that the park had over 1 million guests during its first two months of operation.

In response to negative publicity locally and to boost visitor numbers, Hong Kong Disneyland offered $50 discounts for admission tickets to holders of Hong Kong identification cards in the period before Christmas 2005. Also, from March to June 2006, the park offered Hong Kong identification card holders the opportunity to purchase a two-day admission ticket for the price of a single-day ticket.

OCEAN PARK HONG KONG

Ocean Park Hong Kong opened in 1977. At that time, the park had a monopoly on theme park entertainment in Hong Kong since it was the only theme park. As it was the only park and was owned by the government, over the years, many attractions became outdated. It was not under any pressure to add more attractions and grow. When a deal was reached in 1999 to bring Disneyland to Hong Kong, it sounded like a death sentence for Ocean Park Hong Kong because it did not have the financial strength of the Walt Disney Company.

Initially, Ocean Park seemed to have lost its identity. But Ocean Park's strength was the fact that it seen as an educational park rather than an entertainment park. The park had an aquarium and live animals as well as some attractions. Its ticket prices were significantly lower than the proposed admission fees to Hong Kong Disneyland.

Rather than risk park closure, a reengineering effort was initiated. A subway line was built to the park, and the Chinese government gave the park a pair of pandas, bringing the total to four pandas. Additional hotels were built. The government also acted as guarantor for a loan to the park. The park successfully fended off the threat of Hong Kong Disneyland and hosted foreign visitors who wanted to visit both parks. In 2012, Ocean Park was the winner of the prestigious Applause Award; it was the first ever Asian attraction to be recognized as the best theme park in the world. In 2013, Ocean Park's attendance surpassed that of Hong Kong Disneyland.

FUTURE GLOBALIZATION

The future of the Walt Disney Company may focus on vacation resorts surrounding theme parks. But to get people to the theme parks, the company must get young children acquainted or hooked on Disney characters. In China, the company is getting children acquainted with its brand name at an early age. The Walt Disney Company operates dozens of English-language schools throughout China, where Disney characters and stories are used as teaching aids.

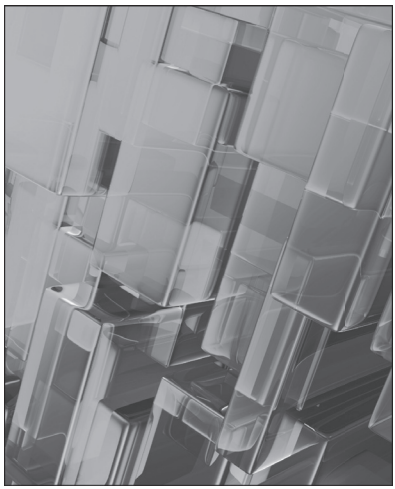
The Walt Disney Company opened Shanghai Disneyland in 2015. It is three times the size of Hong Kong Disneyland and cost $5.5 billion. Two additional theme parks will be attached to Shanghai Disneyland sometime in the future.

The park was financed 30 percent with debt and 70 percent with equity. The Walt Disney Company has a 43 percent stake in the joint venture; with the remaining 57 percent controlled by the state-run holding company Shanghai Shendi Group, which is a consortium of three companies owned by the Shanghai government.

It is expected that the Walt Disney Company will continue its globalization efforts and expand elsewhere over the next several decades.

QUESTIONS

1. What is the fundamental difference between a licensing agreement and a joint venture as related to the Disney theme parks?
2. Why did the Walt Disney Company opt for a licensing agreement for Tokyo Disneyland?
3. Why did the Walt Disney Company opt for a joint venture agreement with Euro Disneyland?
4. Does the size of the theme park have a bearing on whether a licensing agreement or a joint venture should be selected?
5. What is the difference between a theme park and a vacation resort?
6. If the goal is a vacation resort, should the Walt Disney Company negotiate a licensing agreement or a joint venture?
7. Why was it necessary to build the Walt Disney Studios Park as part of Euro Disneyland?
8. Why was it necessary to construct Tokyo DisneySea?
9. For the agreement with Tokyo DisneySea, would the Walt Disney Company have preferred a licensing agreement or a joint venture?
10. What did the Walt Disney Company see as the risks with Hong Kong Disneyland?
11. What is the feng shui culture?



Disney (E): Ocean Park Hong Kong: Competing against Disney

Ocean Park Hong Kong opened in 1977. The park had a monopoly on theme park entertainment in Hong Kong since it was the only theme park. As the only game in town, and owned by the government, it had many outdated attractions and was under no pressure to add more attractions and grow. But when a deal was reached in 1999 to bring Disneyland to Hong Kong, it sounded like a death sentence for Hong Kong Ocean Park because they did not have the financial strength of Disney. A decision had to be made on whether to compete with the Walt Disney Company. And if the park opted to compete, the question was "How?" and "How much money would be necessary?" If it chose complacency, there was a significant risk that Ocean Park might not exist in the future.

ENTERPRISE ENVIRONMENTAL FACTORS

Most project managers are assigned to projects shortly after the project is approved and possibly after the business case has been established. Project managers must have knowledge of the EEFs associated with project execution, but

unfortunately these factors may not be described in the business case. Typical EEFs are listed next:

- State of the economy
- Present and future legislation
- Politics
- Consumer behavior
- Influence of labor unions
- Competitive forces
- Culture[1]

Other important EEFs address the traditional marketing and sales elements:

- Products to be offered
- Markets to be served
- Investment

Although other elements could be considered, these three EEFs are very important to this case study.

HISTORY

Ocean Park Hong Kong opened in January 1977. It was constructed with HK$150 million (approximately US$20 million) funded by the Hong Kong Jockey Club. The land was provided free by the Hong Kong government. Between 1982 and 1984, the Jockey Club allocated a further HK$240 million (approximately US$31 million) to developing facilities at Tai Shue Wan and thrill rides at the Summit.

Ocean Park ceased to be a subsidiary of the Jockey Club on July 1, 1987, becoming its own statutory body, with a government-appointed board. The Jockey Club established a HK$200 million (approximately US$26 million) trust to ensure the park's continued development. At present, Ocean Park is managed by the Ocean Park Corporation, a financially independent, nonprofit organization.

Even though some funding was available for continuous improvement efforts, Ocean Park's growth was quite slow. This was due to two factors: It had a monopoly on this type of entertainment in Hong Kong, and government-controlled enterprises tend to move slower than those in the private sector. The government was not even sure what the park should be—an Asian Sea World, a theme park like Disneyland, or a smaller park similar to Six Flags?

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[1] Several enterprise environmental factors could have been listed here. These are the factors that impacted Euro Disney. See case study Disney (C): Disney Theme Parks and Enterprise Environmental Factors.

Part of Ocean Park's identity crisis and resulting complacency was attributed to economic conditions. The Asian financial crisis of 1997–1998 impacted consumer spending and thus park attendance. In the four-year period from 1999 to 2002, the park had lost money, and its survival was at stake. To make matters worse, the outbreak of severe acute respiratory syndrome (SARS) in 2003 had a serious impact on tourism. Attendance dropped almost 10 percent, from 3.4 million visitors in 2002 to 2.9 million visitors in 2003.[2] Ocean Park had a 75 percent decrease in profits, from US$2 million in 2002 to US$0.5 million in 2003.[2] Even though Ocean Park was somewhat profitable, and adding in the fact that Hong Kong Disneyland would open in just two years, many believed that Ocean Park was on life support and doomed to close.

THE DECISION TO COMPETE WITH DISNEY

Rather than throwing in the towel, Ocean Park Hong Kong decided to compete. Plans were prepared for the park's redevelopment. Using the EEFs of products to be offered, markets to be served, and investment, we can assess Ocean Park Hong Kong's decision.

With regard to products offered, Ocean Park Hong Kong could not compete directly with the Walt Disney Company. Rather, Ocean Park had to establish its own identity without using attractions that are similar to those of Hong Kong Disneyland.

Disneyland deals with storytelling, castles, cartoons, animation, and imagination. People visiting Disney theme parks are made to believe that they have escaped the real world and are living out part of a fantasy with characters such as Mickey Mouse, Winnie the Pooh, and Cinderella. Ocean Park Hong Kong would focus on real-world attractions, including live animals such as pandas, dolphins, and sea lions. The park also would have ride attractions, making it a marine-based theme park. Its new identity would include animals, the ocean, the environment, conservation, and, most of all, education.

Ocean Park would serve the same markets as it did previously plus have the advantage of having new customers that came to see Disney also visit Ocean Park Each park would be a feeder system for the other park. Ocean Park's development plan would include up to 80 attractions. Ocean Park believed that people who had visited Disneyland and Walt Disney World in the United States would be disappointed with Hong Kong Disneyland because of its small size and would then visit Ocean Park.

With regard to investment, in March 2005, Ocean Park Hong Kong announced a HK$5.5 billion (US$705 million) master redevelopment plan financed by bank loans to build the park into the world's best marine-based attraction. The goal

[2] Paul Wiseman, "Ocean Park Takes on Hong Kong Disneyland," *USA Today*, June 16, 2007.

was to make the park into a world-class, must-see landmark that would further strengthen Hong Kong as a premier theme park attraction. The park would double the number of animal and ride attractions from 35 to over 80 and would firmly establish itself as a tourist destination. The groundbreaking took place in November 2006, and the project was completed in six years over eight phases. Attractions opened under the master redevelopment plan include SkyFair, Amazing Asian Animals, Ocean Express, Sea Life Carousel, The Flash, Aqua City, the Rainforest, Thrill Mountain, and Polar Adventure.

Today, Ocean Park Hong Kong, known as just Ocean Park, is a marine mammal park, oceanarium, animal theme park, and amusement park, situated in Wong Chuk Hang and Nam Long Shan in the Southern District of Hong Kong, China. It is one of two large theme parks in Hong Kong, along with Hong Kong Disneyland.

Ocean Park has a wide array of attractions and rides, including four roller coasters, and animal exhibits with different themes, such as a giant panda habitat, a jellyfish and Chinese sturgeon aquarium, and a world-class aquarium featuring the world's largest aquarium dome, which displays more than 5,000 fish. Between 1979 and 1997, Ocean Park was most famous for its signature killer whale, Miss Hoi Wai.

Besides being an amusement park, Ocean Park is committed to merging entertainment and education while inspiring lifelong learning and conservation advocacy. This is done by operating observatories, laboratories, an education department, and the Ocean Park Conservation Foundation, Hong Kong (OPCFHK), a foundation that advocates, facilitates, and participates in the conservation of wildlife and habitats, with an emphasis on Asia, through research and education. In 2011–2012, the foundation funded 42 conservation projects, covering 27 species in 10 Asian countries for a total of HK$5 million.

Ocean Park was the first institution in the world to have success in artificial insemination of bottlenose dolphins and has developed numerous new breeds of goldfish.

ANIMALS

Ocean Park first gained accreditation from the Association of Zoos and Aquariums in 2002. In 2013, Ocean Park gained accreditation for a third successive five-year term, making it the only animal facility outside of the Americas to earn this industry recognition and validation of superior animal care, which meets or exceeds world standards, as established by the association.

The park's commitment to take full advantage of its unique collection of insects, fishes, birds, and marine mammals for scientific research has also been given a boost. With the increasing success of the park's breeding programs, births of rare shark species, bottlenose dolphins, sea lions, sea horses, penguins, anacondas,

red-handed tamarins, pygmy marmosets, and different species of sea jellies have been recorded. Endangered birds and butterflies are also being hatched and reared at Ocean Park.

Animal on display at the park include giant pandas, dolphins, Chinese sturgeons, red pandas, Pacific walruses, spotted seals, southern rockhopper penguins, king penguins, gentoo penguins, Chinese giant salamanders, kinkajous, Sichuan golden snub-nosed monkeys, and orcas.

CONSERVATION

Ocean Park has directed much effort into education and research about animal conservation. It established the Ocean Park Conservation Foundation in 1993 and the Hong Kong Society for Panda Conservation in 1999. In July 2005, the two merged to form the Ocean Park Conservation Foundation, Hong Kong (OPCFHK), a registered charitable nongovernmental organization. With the ambition to advocate, facilitate, and participate in the conservation of wildlife and habitats, OPCFHK has provided a total of HK$9 million to 90 local and overseas projects since 2005, including various research projects on dolphins, horseshoe crabs, porpoises, giant pandas, snakes, and birds in various Asian countries.

Since 2006, OPCFHK has been collaborating with the Agriculture, Fisheries, and Conservation Department to handle cetacean stranding cases within Hong Kong waters. After the 2008 earthquake in Sichuan, OPCFHK established a Giant Panda Base Rebuilding Fund and donated equipment to affected nature reserves. In 2011–2012, the foundation funded 42 conservation projects, covering 27 species, in 10 Asian countries for a total of HK$5 million—all record highs.

Ocean Park has also facilitated learning through education programs throughout the years. The park established the Ocean Park Academy in 2004 to dedicate further efforts in education. Through the academy, the park runs educational tours for schoolchildren and workshops for teachers from the Hong Kong Institute for Education. Every year, the park offers over 35 core courses for around 46,000 students on six big topics: giant pandas and red pandas, dolphins and sea lions, birds, fishes, plants, and mechanical rides.

The Marine Mammal Breeding and Research Centre set up by Ocean Park houses nine dolphins and conducts research on dolphin breeding. The center is divided into six separate zones and provides behavioral training and basic husbandry to dolphins. It also plays a part in research work on the echolocation capabilities of dolphins.

To promote the idea of conservation to public, the official website of Ocean Park now features a "Conservation" session, which discusses the importance of conservation and some current conservation issues related to daily life. It also offers funny facts about some wildlife species as well as environmental threats and conservation.

GET CLOSER TO THE ANIMALS

Ocean Park runs a series of programs called "Get Closer to the Animals" that enable visitors to have close encounters with its resident animals. Its wildlife encounter programs run the gamut from hands-on experiences, such as swimming with dolphins at the Dolphin Encounter, to learning to be a panda keeper through the Honorary Panda Keeper Program. Visitors who wish to come face-to-face with fish join Grand Aquarium Scuba Diving for a journey in the Grand Aquarium (diver's certificate required). Nighttime in the Ocean's Depths offers a chance to camp inside the Grand Aquarium, spending a night viewing the underwater world. Visitors can also join tours like the Amazing Animals Ed-Venture, Grand Aquarium Ed-Venture, Polar Ed-venture, and Rainforest Ed-venture, which take groups behind the scenes at these facilities. Through the Polar Adventure, the Penguin Encounter, the Seal Encounter, and Honorary Polar Animal Keeper, people can meet with polar animals up close.

OTHER UNIQUE EXPERIENCES

The park can also be hired for birthday parties, wedding celebrations, and evening company outings. The park also offers various corporate training programs.

QUESTIONS RELATED TO ENTERPRISE ENVIRONMENTAL FACTORS

1. Why didn't Ocean Park Hong Kong grow like other theme parks?
2. How did Ocean Park differentiate itself from Hong Kong Disneyland?
3. Was Hong Kong Disneyland seen as a threat to Ocean Park before the expansion of Ocean Park?
4. Was Hong Kong Disneyland seen as a threat to Ocean Park after the expansion of Ocean Park Hong Kong?
5. Was Ocean Park a success?