

Politics at Walt Disney

In the early 2000s, Walt Disney CEO Michael Eisner came under increasing criticism for the company's falling performance and for the way that he had centralized decision making so that all important decisions affecting the company had to have his approval. He began to lose the support of the board of directors, especially of Roy Disney, who as a member of the founding family commanded a great deal of support. However, the majority of Disney's board of directors had been handpicked by Eisner, and he was able to control the agenda until the company began to incur major losses in the mid 2000s. Poor performance weakened Eisner's position, but so did his personal relationship with Steve Jobs, who was the CEO and major owner of Pixar, the company that had made most of Disney's recent blockbuster movies such as Toy Story, Cars, and so on. After Jobs threatened to find a new distributor for Pixar's movies when its contract with Disney expired in 2007 because of the personal antagonism between himself and Eisner, Disney's board decided to act. Eisner was encouraged to become chair of Disney and to allow his handpicked successor, Bob Iger, assume control of the company as its CEO. Iger owed his rapid rise at Disney to his personal relationship with Eisner, who had been his mentor and loyal follower. Iger had always suggested new ways to improve Disney's performance but had never confronted Eisner—always a dangerous thing to do if a manager wants to become the next CEO! Once Iger became CEO in 2006, pressure was applied to Eisner, who soon decided to resign as Disney's chair; then Iger negotiated the purchase of Pixar by Disney that resulted in Steve Jobs becoming its biggest stockholder. Disney was still performing poorly, but now that Iger was in total control and no longer under the influence of Michael Eisner, he adopted a plan to change the way Disney operated. As COO of Disney under CEO Michael Eisner, Iger recognized that Disney was plagued by slow decision making that had led to many mistakes in putting its new strategies into action. Its Disney stores were losing money; its Internet properties were flops; and even its theme parks seemed to have lost their luster as few new rides or attractions were introduced. Iger believed one of the main reasons for Disney's declining performance was that it had become too tall and bureaucratic and its top managers were following financial rules that did not lead to innovative strategies. One of Iger's first moves to turn around Disney's performance was to dismantle its central "strategic planning office," which was composed of several levels of top managers who were responsible for sifting through all the new ideas and innovations sent up by Disney's different business divisions, for example, its theme parks, movies, and gaming divisions. After a lengthy decision-making process, they then decided which proposals should be presented to Eisner. Iger saw the strategic planning office as a bureaucratic bottleneck that reduced the number of ideas coming from below; he dissolved the office, reassigned the best managers back to their different business units, and retired the rest. The result of cutting out these unnecessary layers in Disney's hierarchy has been that more new ideas are generated by its different business units and the level of innovation has increased. Divisional managers are more willing to speak out and champion their ideas when they know they are dealing directly with CEO Iger and not with an office of bureaucrats concerned only with the bottom line. Disney's performance has improved steadily under Iger; in 2010, it announced much improved revenues and profits and a new venture—Disney acquired Marvel, the company that owned the rights to such characters as Spider-Man, X-Men, and the Hulk—so many new kinds of rides and movies may be expected in the future. In 2011, it announced new agreements with Apple and other companies such as Google and Amazon to stream its huge video library to customers online and to make them available for download using cloud computing so that users can access them using any mobile computing device.

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