Walt Disney's Dennis Hightower: Taking Charge

Go out and grow the business. Do something different from what has been done in the past. Develop a strategy and bring it back to us in three months.

This was the challenge Frank Wells, president and COO of the Walt Disney Company, presented to Dennis Hightower, newly hired vice president of Disney Consumer Products for Europe, in June 1987.

The Disney Organization

Founded in 1923 by the Disney brothers, Walt and Roy, with a $500 loan, the Walt Disney Company had grown by 1987 into an entertainment industry giant with sales of nearly $3 billion. The company was involved in film and television production, theme parks, and consumer products (see **Exhibit 1**).

Disney struck its first consumer product licensing agreement in 1929 with the merchandising of a Mickey Mouse pencil tablet. Subsequently, the Disney Consumer Products (DCP) division was established to manage the licensing of the Walt Disney name and the company's characters, songs, music, and visual and literary properties. By 1987, the division's revenue had reached $167 million, with operating income of $97 million.

The Disney Organization in Europe, 1938-1987

Soon after its inception, DCP became involved with international licensing. In 1934, Walt Disney personally visited Italy to initiate a licensing business with an Italian publisher. After the war, he hired his first country manager, for France. Over the years, the French country manager, who hired all subsequent European country managers and was credited with having essentially built Disney's European business since World War II, came to be regarded as a "living legend."

Professor Ashish Nanda prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. It contains substantial material from "Dennis Hightower and the Walt Disney Company in Europe" (HBS case 490-010) by Professor T.D. Jick and B. Feinberg.

By 1987, DCP had eight wholly-owned European subsidiaries that operated in 20 different markets and together employed 102 people. Each subsidiary reported individually to Barton ("Bo") Boyd, worldwide head of Disney Consumer Products, who was located at Disney's world headquarters in Burbank, California. (Disney's organization chart is presented in **Exhibit 2**.)

All eight country managers had spent substantial time in their positions (See **Exhibit 3**). The longer-tenured country managers knew the Disney family personally. Most had known Walt and his brother, Roy Disney, Sr. The Disney children were regularly sent to Europe on vacation, and frequently stayed in the homes of the country managers. Roy Disney, Jr., the company's current vice chairman, had "learned the business" from the French and German country managers when he became active in the company nearly three decades earlier.

Proudly independent and perceived as "senior senators," the country managers for all practical purposes *were* Disney in Europe. They had developed book and magazine publishing and a full range of merchandise licensing of apparel, toys, housewares, and stationery. The business being licensing-driven, management had made little investment in hard assets; it was a very high-margin enterprise.

The country managers operated in very different environments with diverse business compositions. The German market was much larger than the Portuguese market, for example, and whereas German and U.K. operations were historically driven by merchandise licensing, French and Italian operations were driven by book and magazine licensing (See **Exhibit 4**).

The European Headquarters

Historically, Disney's market penetration in Europe had lagged behind that in the United States. But Disney management foresaw tremendous opportunities opening in Europe during the 1990s. The European Community was moving towards market harmonization and prospects for cooperation across countries were blossoming. Management expected that the 1992 opening of the EuroDisney theme park near Paris would greatly reinforce Disney's presence in Europe.

In order to take full advantage of emerging marketing opportunities, it was decided that a European headquarters for DCP would be established in Paris. Everything concerning the eight country subsidiaries that had previously been managed by Burbank would now be run by Paris. A newly created position, vice president of DCP–Europe, would head the office. The sentiment of the country managers, who had been consulted on this decision, was that the new European head should not be a European; the notion of an American who could "relate" to the studio (as the Burbank headquarters was called) and build credibility locally was much more appealing to them.

Once the decision was made to establish the Paris office, the search firm of Russell Reynolds was hired to recruit candidates for the new European vice president job. Dennis Hightower, head of Russell Reynolds' Los Angeles office, was put in charge of the search.

Recruiting the Recruiter

Boyd and Hightower spent three weeks in Europe meeting with each country manager in an effort to understand the business issues confronting them and get a sense of the kind of person who would win their confidence, respect, and trust. As they interviewed a number of prospective candidates, they became increasingly familiar with one another. "The more I traveled with Hightower," recalled Boyd, "the more I liked him." Hightower recounted the turn of events at that point:

> We were going through a very exhaustive search and had narrowed the list to six final candidates when, one Friday evening, Frank Wells invited me to Burbank for a discussion and sprang a surprise. He said, "While we think we have six good candidates, we have done some checking on you and think that you are the person we want for the job." I was concerned with such a move since the country managers had candidly shared their points of view with me, and it would be uncomfortable for me to now go back as their boss. Frank told me that Bo had already spoken with the three senior-most country managers from France, Germany, and Italy to share the decision with them and to ask whether they anticipated any problems. The three managers had approved of the choice.

Hightower was appointed vice president of DCP–Europe in June 1987.

Dennis Hightower

Born into a family with a rich military heritage, Dennis Hightower had joined the Army in 1962 "because it offered blacks leadership opportunities that weren't available in industry at that time." Over the next eight years, he served in the Army with distinction. However, upon returning from his second tour of duty to the Far East, he was ready for fresh challenges and found new fields of endeavor opening up. Industry, in particular, was becoming more receptive to minorities, so Hightower, in June 1970, resigned from the Army and joined Xerox Corporation. "While working at Xerox," Hightower recalled, "I noticed that people who were doing things, who were moving things, all had MBAs." He applied for and was admitted to Harvard Business School on a fellowship.

Hightower joined McKinsey upon graduating from Harvard. Four years later, in 1978, he left McKinsey for General Electric, where he served in a strategic planning role, and later as a vice president and general manager in Mexico. In 1981, California-based Mattel hired Hightower as vice president of corporate planning. Current considerations rather than any grand plan had motivated Hightower's career moves. He summed up his advancement philosophy thus: "I have always had the confidence that, without my actively seeking them, the right opportunities will find their way to me. Other than follow a generalized desire to associate with the best, I have tried not to overmanage my career."

The next three years proved difficult, as Mattel, facing severe business problems, downsized drastically to about one-third of its 1981 size. Hightower assisted the chairman in restructuring the company, but once the restructuring was completed, the company no longer had an opening at the corporate level and he was out of a job. Family considerations drove his next job choice. "All the good opportunities were on the East Coast," he recalled. "But my family needed geographic stability for some time. They had sacrificed much in support of my career moves. I felt I owed them this one."

Hightower joined Russell Reynolds in 1984 and, two years later, became head of its Los Angeles office.

Accepting the Challenge

As he contemplated his newly created job with Disney, Hightower thought wryly: "If you don't know where you are going, any road will take you there!" His task was to figure out where Disney would be in 1992, and what changes that would entail. He mused:

These European managers have been running themselves for years. They have been very successful; it is a very profitable business for Disney. It could have been more profitable, but things were fine just the way they were.

So what do I bring to the party? Not only am I an outsider, but I am also a boss they've never had before and probably don't want—no matter how much they may intellectually agree to the need for one.

How am I going to develop a strategy that will unify Europe, grow the business beyond any one individual area, and introduce critical thinking and creative approaches—all in three months? Where do I begin?

Exhibit 1 Walt Disney Company Financial Performance and Business Composition

	1940	1950	1960	1970	1980
Financial performance: 1940-1980					
Sales ($ m)	2.5	7.3	46.4	167	915
Net income ($ m)	(0.1)	0.7	(1.3)	22	135
Return on Equity (%)	(1.7)	11.7	(6.2)	10.0	12.6
Business composition: 1940-1980 (% of revenue)					
Film/Television	77	74	50	41	18
Theme parks/resorts	-	-	39	49	70
Consumer products	23	26	11	10	12

Divisional revenues and operating income: 1981-1987 ($ m)

	1981	1983	1985	1987
Film and Television				
Sales	175	165	320	876
Operating Income	35	(33)	34	131
Theme Parks				
Sales	692	1,031	1,258	1,834
Operating Income	124	190	255	549
Consumer Products				
Sales	139	111	123	167
Operating Income	51	57	56	97

Source: D.J. Collis and E. Holbrook, "The Walt Disney Company (A)," HBS case 388-147.

Exhibit 2 Organization Chart of the Walt Disney Company, 1987

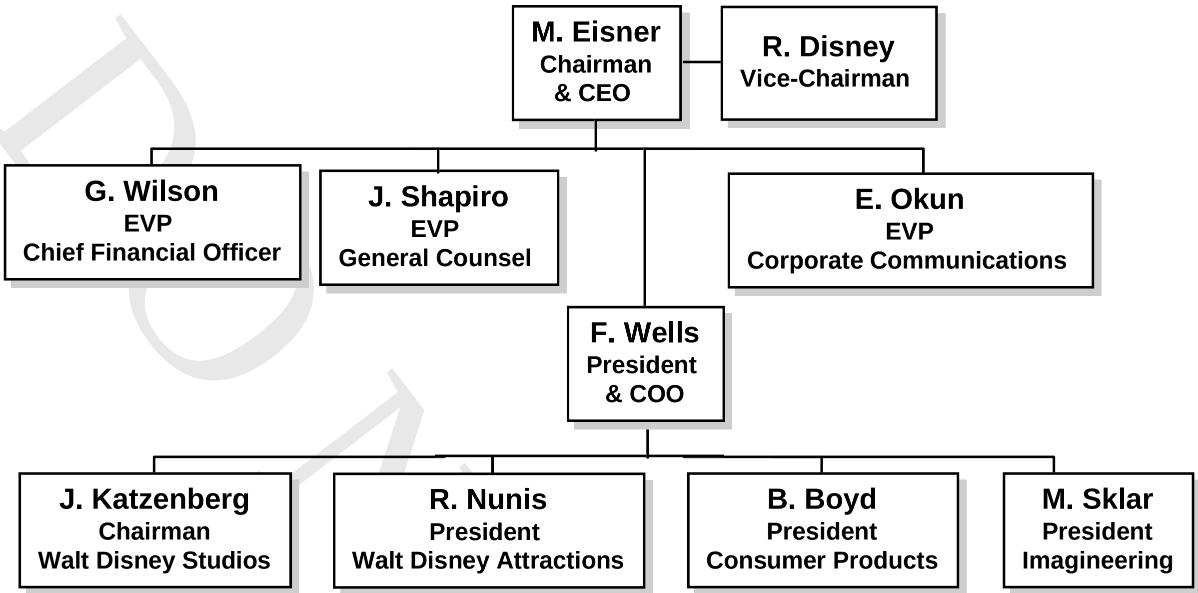

Exhibit 3 Disney Consumer Product's European Country Managers, 1987

Country	Age of Country Manager	No. of years in the role
France	70	40
Denmark	60	24
Germany	60	30
Belgium	60	35
Italy	60	26
Spain	44	16
Portugal	41	10
United Kingdom	41	15

Exhibit 4 DCP Europe: Market Size and Performance

The European Market, 1987

	Population (millions)	Per capita GNP (in US $)[a]	Production (m US $)		
			Merchandise	**Publishing**	**Music**
France	55.5	15,987	155	22	18
Denmark	5.1	19,373	17	2	1
West Germany	61.2	18,183	158	15	37
Italy	57.3	13,129	114	10	6
Spain	38.7	7,499	55	6	3
Portugal	10.2	3,510	11	1	1
United Kingdom	56.8	12,533	114	22	19
Europe	**831.5**	**7,877**			

Sources: *European Marketing Data and Statistics*, and *National Accounts OCDE*.
[a]1987 exchange rates.

Estimated Composition of DCP–Europe's Revenue and Income in 1987

$ m	Product-line				Total
	Merchandise Licensing	**Publishing**	**Music**	**Others**	
Revenue					
France	2.8	5.7	1.5	0.1	10.1
Denmark/Nordic countries	2.5	6.1	0.3	0.1	9.0
West Germany	4.1	4.1	0.4	0.2	8.8
Belgium	1.4	2.0	0.1	0.2	3.7
Italy	3.6	3.6	0.3	0.0	7.5
Spain	1.2	1.0	0.2	0.1	2.5
Portugal	0.4	0.3	0.1	0.0	0.8
United Kingdom	4.2	0.6	0.3	0.1	5.1
Total Revenue	**20.2**	**23.4**	**3.2**	**0.8**	**47.6**
Operating Income	**15.3**	**17.3**	**2.0**	**0.0**	**34.6**

Source: Disney Consumer Products–Europe