**Disney’s “growth by acquisition” strategy**

**Advantages, limitations, risks of this strategy**

* We can explain the advantages by using examples from Disney’s successful acquisitions
* Advantages
  + Avoids time & risk of trying to build capabilities in-house
  + Can create value by stretching target’s capabilities or leveraging Disney’s capabilities
  + Can create value by acquiring complimentary businesses (i.e. stretching and leveraging between any pair of businesses in the portfolio)
  + Can provide access to new markets, technologies
  + Disney has done a lot of acquisitions, so has likely built up significant acquisition/integration capabilities
* Limitations, risks
  + Expected synergies do not materialize
    - Unexpected integration difficulties
    - Weak integration plan
  + Winner’s curse: Disney may over-pay for an acquisition
  + Risk of poor evaluation & weak due diligence
  + Principal-agent problem: managers at Disney may wish to grow Disney because it’s good for them, even if it’s not best for shareholders
  + Risk of diluting Disney’s mission and focus – too much diversification

**Should Disney change course (and if so, how)? Why or why not?**

* Disney can continue to acquire targets, but must do so only on a limited, specific, intentional basis
* The primary threat posed by the “growth by acquisition” strategy is that the focus of those involved in the acquisitions will stray from value creation to just getting acquisitions done