Walt Disney's Dennis Hightower: Weaving Together the European Operations

"My role is to step back, take a global view, and evaluate tradeoffs," Hightower remarked of his role as head of Disney Consumer Products–Europe and the Middle East (DCP-EME). "Once I have reached a decision, I try to make my country managers respond to my ideas in order to ensure that the entire region moves in concert."

Hightower placed considerable emphasis on personnel issues. "Numbers don't get things done, people do," he observed.

> It may not be the only concept of effective management, but it has worked for me. And there is great value in knowing who gets tweaked in what way. One of my key responsibilities is to know who to push and who to pull back, when to push and when to pull back, and how to push and how to pull back. I use a combination of personal persuasion and financial and non-financial incentives. Then, if anybody chooses to ignore me, that person does so only at considerable career risk. I have to have the hammer in one hand and the velvet glove on the other and know when to use which, with whom to use which, and to what extent.

Crafting a European Strategy: 1988-1992

To provide a source of common resources and coordinate the activities of the countries and licensees, Hightower established in the regional office marketing and creative services divisions, the former to support merchandise licensing, the latter the publishing and music businesses.

Contract administration and auditing were centralized. "I told my country managers to focus on the revenue-production side of their business and let me worry about the back office," he remarked. Scale economies and elimination of redundancy yielded immediate savings.

Hightower realized that, with the regional office administering contracts, DCP-EME could begin to enter into "mega-deals" with selected partner companies spanning multiple countries. He negotiated pan-European deals with Mattel, Nestlé, Kodak, Sega, Nintendo, Coca Cola, IBM, Johnson & Johnson, and Seiko. Although they accelerated growth, the mega-deals earned mixed reviews from

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the country offices. "The mega-deal mentality of 'one size fits all,' which may work in the United States, is doomed to failure in Europe, given our diverse cultures," remarked a country manager. Hightower was undeterred by such reservations. "The studio is leaning on all of us to reach our corporate target of 20% growth every year," he said, "and if pan-European deals get the whole of Europe there faster, we will take the pan-European deals route."[1]

Hightower had moved the publishing business beyond pure licensing so that, by 1992, Disney's European publishing operations became a mosaic of licensing in the United Kingdom, Germany, and the Nordic countries, joint venturing in France and the Middle East, and fully-owned subsidiary in Italy. Vertical integration had dramatically raised revenues and increased operating profits, albeit at lower margins. (See **Exhibit 1**).

"Dennis has achieved all his plan targets," Bo Boyd remarked upon naming Hightower president of DCP-EME in 1991. "More important, Europe is marching to the beat of one drummer."

Renewing the Organization: 1992-93

1992 brought a host of promising opportunities and new challenges. EuroDisney was about to open and, although European unification seemed to be a distant dream at best, the demise of communism had opened new market opportunities in Eastern Europe.

Reorganizing the Regional Office. In the space of a few months in 1992, Hightower effected a number of organizational and personnel changes at the regional office. (See **Exhibit 2** for an organization chart for DCP-EME.) He named the Finance head, who had been wanting to shift into an operating role, to head the Middle East sub-region, and dismissed the head of Marketing, who, he observed, "had a divisive approach of pitting one country manager against another." He filled both positions through internal promotions of European executives. The 22-person marketing staff and the 21-person publishing group at the regional office supported the country offices by negotiating pan-European contracts, providing a central facility for quality control and coordination, and disseminating information.

Weaving the Country Operations Together. "One legacy that I will be proud to leave behind," Hightower remarked, "will be of far greater interplay among the countries on a positive collegial basis than when I had arrived." In 1992, in pursuit of this integration, he replaced the fiercely independent U.K. country manager with an outsider. "She took a strictly British perspective," explained an executive in the U.K. subsidiary. "Whenever a pan-European deal was struck, she had to be brought into it kicking and screaming." An operating council established by Hightower–comprising himself, the then eight country managers, and four executives from the regional office–met quarterly.

Evolving Relations with the Rest of Disney. Hightower had met with success in the ambassadorial task of building awareness of DCP-EME in Burbank. "Before Dennis, people in the studio would refer to the United States and the rest of the world," observed a country manager. "Dennis has made them realize the richness, complexity, and potential of Europe." Performance had yielded relative independence. "Chances are," reflected Hightower, "as long as we continue to deliver we'll continue to get autonomy. The studio has always had the philosophy of letting the operators operate. I talk with Bo three to four times a month at most."

[1]Disney's worldwide head office at Burbank was called "the studio" inside the company.

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Looking Ahead: 1994

As he settled into his seat on a transatlantic flight from Paris to Burbank, California, Hightower reflected with considerable satisfaction on his seven years with DCP-EME. But he foresaw a number of challenges on the horizon.

Looking out over the Atlantic, Hightower pondered over how to organize Disney Consumer Products' apparel business in Europe. Apparel was the company's largest merchandise category in revenue terms, contributing more than 30% to the retail sales of all Disney-licensed products. "It is a business close to everyone's heart," Hightower quipped, "since everyone thinks that he or she is the world's greatest fashion critic and designer."

When Disney apparel could be sold by anyone who purchased a nonexclusive license, distribution had been spotty and product quality often shoddy. Upon his arrival, Hightower charged a regional office team to rectify this situation by developing an apparel strategy. A regional office marketing executive recalled how the team's strategy played out:

> The apparel team came up with a list of four manufacturers who could be developed into pan-European licensees. Weeding out the marginal licensees dramatically raised our designs and product quality. Europe-wide sales of apparel have gone up 24% since introduction of the pan-European policy. But the four manufacturers have preferred mutual exclusivity to vigorous competition; instead of jumping into the newly opened markets, they have retreated into their home bases.

The German country manager described the consequences.

> My textile sales are down 30% this year. Germany has very structured retailing with big department stores and mail-order houses. It requires sustained relationship building. None of the pan-European licensees is German. As a result, none of our pan-European licensees was able to win the big accounts, despite intense efforts. In contrast, Italy is made up of small retailers. None of the licensees effectively penetrated Italy. Now I am unhappy since my market is underexploited and the Italian country manager is unhappy since his market is not being served. Incidentally, apparel is not the only category in which we have been hurt by the regional office taking control over some of these issues.

These differing perspectives had given Hightower pause. "Do we need to move from where we stand on this issue today?" he wondered, "and, if so, where should we be heading and by what route?"

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Exhibit 1 DCP-EME: Performance and Business Composition

DCP-EME Growth Trend: 1988-1995

	1988	1989	1990	1991	1992	1993	1994	1995e	CAGR(%)
Revenue ($ m)	56	108	131	143	231	279	308	351	30.0
Optg. Income ($ m)	36	58	66	68	92	101	115	142	21.7
Profitability (%)	65	53	50	48	40	36	37	40	
Human Resources									
Regional. Office	4	11	26	43	62	97	112	114	
Subsidiaries	124	169	186	238	282	329	354	371	

e: expected

DCP-EME Revenue and Income: 1994

$ m	**Product Line**				**Total**
	Merchandise Licensing	**Publishing**	**Music**	**Others**	
Revenue					
France	14.6	69.8	12.0	0.9	**97.3**
Germany & E. Europe	22.8	14.5	2.5	0.6	**40.4**
U.K.	16.1	3.2	2.9	0.9	**23.1**
Italy	6.9	93.0	5.2	0.8	**105.9**
Others	21.1	12.8	2.7	4.8	**41.4**
Total Revenue	**81.5**	**193.3**	**25.3**	**8.0**	**308.1**
Operating Income	**55.8**	**49.0**	**7.3**	**2.9**	**115.1**

Refer to Exhibit 4 of HBS case No. 395-055 for DCP-EME's revenue and income in 1987.

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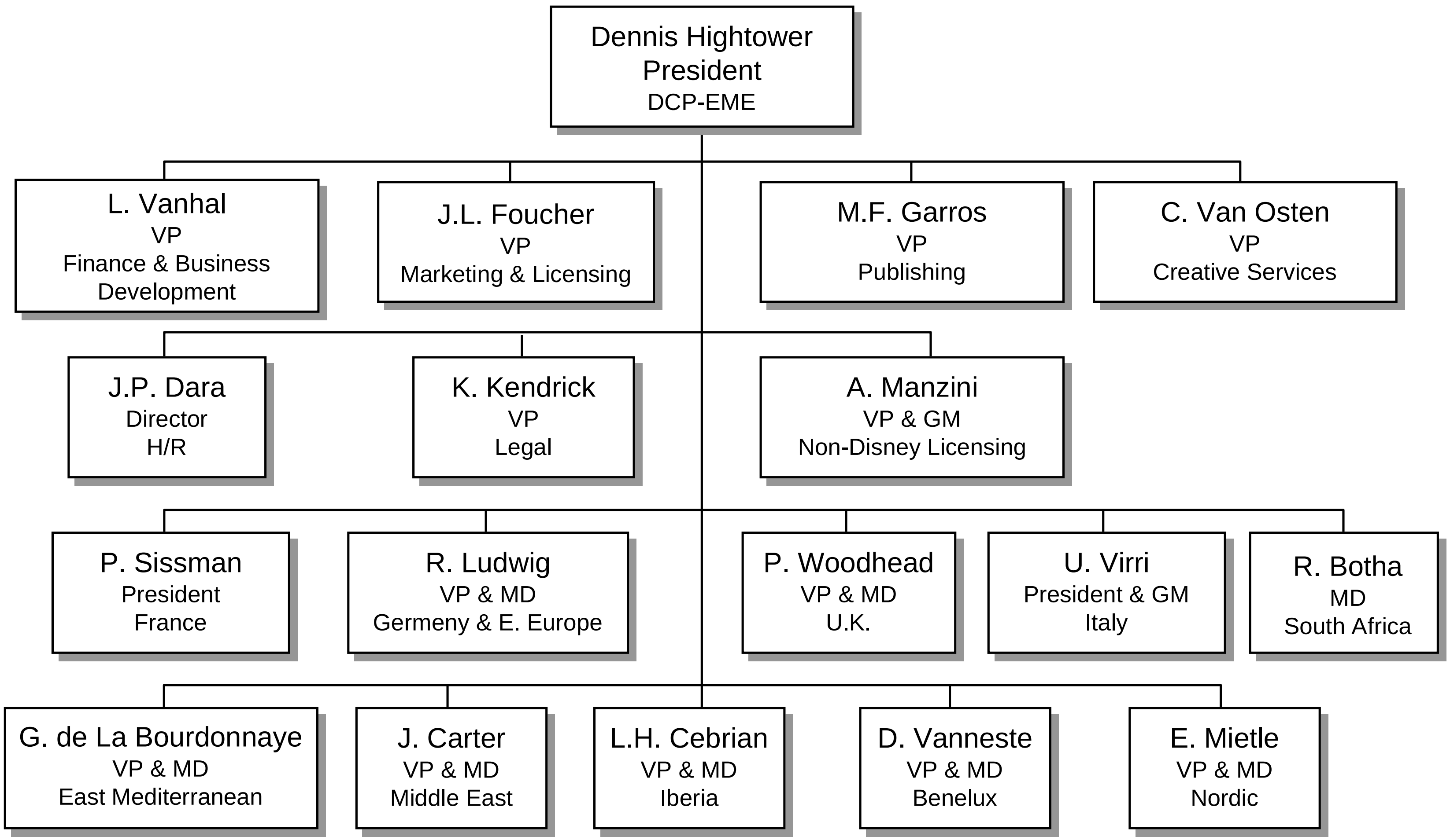
Exhibit 2 DCP-EME Organization Chart: 1994



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