



EXPANSION OF INDUSTRIAL SCALE THROUGH MERGERS AND ACQUISITIONS - DISNEY LAND CO. CASE

Dr. Liu Ying-Yen
Chang Jung Christian University,
Ph. D. in Business and Operation Management, Taiwan
Empresarial Commercial University Ph. D.
Leisure Management, Costa Roca
Doctoral Research, California State University

Liu Ying-Yen Studio
Studio Principal
(Academic Research, and Business Management Consultant)

Abstract

Business growth is through business philosophy, increase productivity, enhance the performance growth of more products and services. Then, expand the field of the enterprise, and its way is to elaborate the purpose of the enterprise, and its way is to elaborate the purpose of expansion in the form of mergers and acquisitions. Disney Land CEO Iger, has carried out multiple merger and acquisition plans in a row, integrating the upstream, midstream and downstream related companies, and expanding the diversified entertainment business through mergers and acquisitions to gain competitive advantage. It's not only creates business value but also is an extension and connotation of art.

In this study, we provide literature and case study, illustrated merger and acquisition in the enterprises expands the scope of business and increases industrial structure, and discusses the advantages of enterprise mergers and acquisitions. This research will provide to academic and related units for practical application.

Key word: merger and acquisition, market share, internalization, competitive advantage, customer satisfaction

Motivation and Purpose of Mergers
and Acquisitions

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The merger and acquisition
(M&A) strategy in full equity is not
necessarily capable of reducing opera-
tional risks like investment costs. In
order to obtain acquired equity and as-

sets, internal enterprise resources, capabilities like human resources, and value chain activities (such as cooperative manufacturers and customer management), Ratan Raina (2018): Said sharing of talent and resources of predecessors will lead to revenue enhancement by cost-cutting or by eliminating expenses associated with running a single business. Therefore, complete absorption and integration of the resources, capabilities and organizational culture of the acquired enterprise is the biggest motivation and purpose after M&A. Furthermore, Gaughan (2002) and Jagersma (2005): defined a merger as the combination of two or more companies to create a new organization or formation of a holding company. Finally, Chen & Findlay (2003): Said acquisition involves taking over the control of a targeted company by another company controlling interest in the share capital or substantially all the assets and / or liabilities to have a managerial influence on its functioning.

The enterprise strategy after M&A must focus on expanding the market layout, entering the target market quickly, and developing market scale through core technologies and Internet skills. Fong Chia-Lin (2022): Stated that source of business growth through increasing production capacity and exporting more products or services, another source of enterprise growth is through M&A, either of peers to expand scale or of upstream and downstream to achieve vertical integration. Liu (2022): Explained that, by acquiring the resources of other enterprises (such as brands, market channels, and manufacturers), enterprises accumulate more strength to generate creative industries around the core values of society and to gain the trust of consumers to increase market share, achieve sales performance, and create

leading brands, as well as enhance product sales performance and strengthen the market share for international market development layout.

Benefits of expanding the operation scale

The completion of mergers and acquisitions in a short time will place great pressure on other competitors. The industry's scale will increase enterprises and improve efficiency, while the operation scale will be rapidly expanded for the bargaining power and bargaining chips of upstream, mid-stream, and downstream manufacturers, competition among peers, perception of consumers, and interaction with the government. Ratan Raina (2018): Said political and economic environment of the region where a targeted company is located.

Along with market power and purchasing bargaining power increase, as financial resources are transferred, and profits are made through M&A to affect industrial structure, larger enterprises appear to reduce the degree of market competition. Fong and Lou (2007): Suggested that profitability after M&A should be improved effectively, primarily due to the growth of sales volume and the reduction of costs. In a fast-growing market, the expansion of operation scale helps to increase market share, strengthen market power, enhance product competitiveness, and improve the bargaining power of the buyer or seller. If the acquired enterprise has financial losses prior to the merger, it can reduce the tax of the acquired enterprise or obtain a lower interest rate after the merger even with debt rating problems, so that financial loss can be avoided for the main merger enterprise. Ratan Raina (2018): Said that such integration increases profitability by reducing the

extra costs involved through supply changes to its customers.

Vertical Integration Of Market And Product Extension

Ratan Raina (2018): Stated that vertical mergers can be subdivided into upward vertical integration and downward vertical integration, also referred to as backward integration and forward integration respectively. Regarding projects not involved in operation, the enterprises can extend the and variety of products through the acquisition of related enterprises and thus implement the growth strategy of diversified related product extension. The M&A of relevant upstream, midstream, and downstream companies provides important resources needed to stabilize the operations of upstream raw materials and parts groups, midstream market channels, and downstream retailers. Such vertical integration drives strategic operations. Ratan Raina (2018): Believed that the aim of such was to achieve effective and economic integration by moving up or down the supply chain.

Research Purpose

In this study, we mainly describes the strategy of the Disney Company to expand its corporate territory through mergers and acquisitions. As the leader of the American animated film industry, the Disney Company has acquired many companies since its establishment in 1923 under the planning of several CEOs due to the expansion of its business scale and the diversified development of its business scope. Furthermore, its stock price has soared all the way to it becoming the world's largest mass culture business.

In this study, relevant measurement conditions are found in the cases and literature in order to discuss and evaluate the company's M&A from the perspectives of expert expertise, theory, and analysis, while our research comments are made according to hierarchical analysis. This study can assist businesses developing strategies and become a reference for academic research units.

Literature Discussion

Advantages Of Mergers And Acquisitions

Enhance Efficiency

The execution efficiency for the "internalization" of enterprise mergers and acquisitions, via internal development and operations, is quite fast. Henry Mintzberg (2012): Stated that strategic planners are the main participants in the entire process of strategic planning. Effective implementation is achieved through careful attention to objectives, budgets, action plans, and operational plans. In particular, when the enterprise's scale is expanded, assets and capabilities are improved, and international investment layout is complete, then the operation efficiency and performance growth following the merger become the strategic elements to which the competition pays attention. Cummings and Worley (2019): Explained that the performance appraisal process involves collecting and feeding back data about individual or group performance, as well as the way results were achieved.

Highly Reliable Resources Of The Acquired Enterprise

What is "due Diligence"? The purpose of the so-called field review is to determine and understand the value

of property and capacity of the enterprise to be acquired, the loan of property, legal matters, etc. Before the enterprise conduct merger and acquisition activities, such matters must be earnestly examined. Cummings and Worley (2019): Believed that the performance appraisal is a feedback system that involves the measurement and evaluation of individual or work group performance. Therefore, the detailed evaluation prior to M&A can avoid the main purchaser from falling into a high degree of investment risk. Henry Mintzberg (2012): Indicated that the strategic control perspective is a means for reviewing the proposed strategies and deciding whether to accept or reject them.

Avoid Vicious Competition After Increasing The Scale Of The Industry

Enterprise expansion if not by the way merger and acquisition, but set up additionally a new company, the industrial capacity and supply volume will be increased, Simultaneously in the market, it will bring pressure on itself and lead to lower prices, which will attract bigger competitors. Liu (2022): Said competitiveness accrues in companies that possess distinctive capabilities or excellence in broader business processes. If the enterprises invest in M&A, existing enterprises will not increase the current production capacity, and the production will be stable to avoid vicious competition. For the main purchasing enterprises, strategic investment goals can be achieved in M&A of existing company. Cummings and Worley (2019): Stated business strategy defines the goals and objectives, policies, and intended relationships between the organization and its environment to achieve effectiveness.

M&A Avoid Speculation Behavior

Mergers and acquisitions combine the resources and energy of more than two companies and avoid the problem of speculation by members. By fully "internalizing" the purchased enterprise, the main purchasing enterprise avoid speculative problems and has full control of all divisions below all organization levels. Liu (2022): Said organization of internal marketing canters of enterprises need to cooperate to promote their functions, the internal communication of the organization must be smooth. For some M&As, the targets still belong to the same enterprise subject and are internalized in the same group value, thus reducing the incidence of speculative behavior. The operation of a new business department must control the cost because of generating agency problems or increasing agency costs. Another benefit is acquiring control of the subsidiary through M&A, and the subsidiary must cooperate with the parent company's strategy, the aim of which is to avoid speculation. Fong and Lou (2007): Explained merger matters of enterprises shall be following to special approval by the competent authority of the target business or be handled in accordance with other relevant laws, such as the Law on Mergers and Acquisitions and the Fair Trade Law. Unlike joint ventures to balance other shareholders, the enterprise is expected to express maximize economic efficiency following a merger. Liu (2022): Believed the overall development of the enterprise is generated via expansion of the development scale or the growth of the enterprise.

Research Method

What Are The Degree Of Importance And The Consequence Of The Critical Factors Respectively?

This study has discovered related measurement items from the past document records, and first through the professional training and experience of experts, to proceed with related construction aspects and the selection of evaluation standards and then consulted the opinions of scholars, experts, and those who actually involved in enterprise operation according to the Analytic Hierarchy Process (AHP) to simplify the complicated problem evaluation system into a precise factor level system. And to build up a Pairwise Comparison Matrix after it was quantified to find out the Eigenvector of the matrix and to line up the priority sequence among different factors.

Developed by Saaty (1971), the analytic hierarchy process (AHP) is a method that is mainly applied to decision-making problems under uncertain conditions when many evaluation standards apply. The analytic steps of AHP include problem description, establishment of a hierarchical relationship after discovering influential factors, determining the relevant importance of decision attributes for each hierarchy by pairwise comparison and ratio scale, establishing a pairwise comparison matrix, and calculating eigenvector and feature values to obtain the relevant weight of the elements of all hierarchies, as described below.

Problem Description

When using the ARP, the issue should be understood and analyzed in as much detail as possible, and possible factors influencing the issue shall be incorporated into the issue while determining the main target of the issue.

Establishment Of A Hierarchical Relationship

In this stage, it is necessary to determine the target of the issue, all indexes for the overall target, the evaluation standard for the indexes, and the alternative solution to be considered and their evaluation standards. During establishing the schemes, the evaluation standard set and the alternative solution set can be brainstormed. In theory, for the hierarchy number of the hierarchical structure and the number of the elements in the same hierarchy, Saaty recommended that, in order to avoid deviation in the decision maker's judgment of the relevant importance of the standard, elements in the same hierarchy should not exceed seven.

Establishment Of A Pairwise Comparison Matrix For All Hierarchies

After establishing the evaluation element for the target analytic hierarchy and the next hierarchy by questionnaire survey, the decision maker shall perform pairwise comparison for the relevant importance of both standards and obtain the relative weight of the standards by the eigenvector of the pairwise comparison matrix. Saaty recommended that the pairwise comparison is expressed with nine evaluation scales. According to the attribute design of each standard in the questionnaire, after pairwise comparison, the decision maker or experts of various fields filled in scales 1-9. According to what is obtained by the questionnaire survey, the pairwise comparison matrix A of the hierarchies can be established.

Calculation Of The Eigenvector And Feature Value To Obtain The Relevant Weight Of The Elements Of All Hierarchies

For the established pairwise comparison matrix A, the eigenvector and the feature value are calculated

using the theoretical basis of eigenvector for the relevant weight of the elements.

This study uses an expert AHP questionnaire to obtain the weight relationship of all constructs and weight indexes. The competitive strategy was developed through the entertainment industrial structure and the obtained key success factors. We expect practicable competitive strategy to improve the advantages for enterprises in their country. Through discussion and revelations of the related literature, this study maps out the research framework of key success factors for enterprise operation strategies.

Case Study - Disney Land

The Walt Disney Company, founded in 1923 by brothers Walt and Roy Disney, is a diversified international media company with its headquarters in Los Angeles, California. The Walt Disney Company is the world's second largest television and cable company by revenue, following only Comcast Corporation, and has been around for nearly a century.

The Disney Company began its career with the production of animated films, becoming the leader of the animation industry in the United States. Later, the Company's operating strategy diversified into live-action movies, theme parks, and radio and television. Currently, Disney's main business items include five areas of film and television entertainment, a media network, theme parks, resorts, consumer products, and interactive media, all of which have established the entertainment group with film at its core and considerable influence on global mass culture.

Dehi (2011): Stated that a company's brand promise is derived from understanding its corporate identity and its culture.

In 2005, Robert Allen Iger, Disney Company's sixth CEO, made three acquisitions in a row starting in his second year at the helm, buying Pixar Animation Studios, Marvel Studios, and Lucas Film for USD 15.7 billion in just six years. As for young people's memories, Disney is buying their childhood.

The computer animation division of Lucas Film is Pixar Studios, formerly a computer animation company based in California. The technical personnel within the company possess rich imagination and creativity. Its unique entrepreneurial spirit is "full of vitality, always the different" to create the world's most creative animation studio. In 1995, Pixar Company launched the world's first fully 3D computer animated film "Toy Story." Pixar invested a huge amount of money and purchased the computer hardware and software to develop 3D animation technology, attracting a global audience who loves animated films, creating unlimited success, and earning profits for the company.

Through these three acquisitions, Disney obtained almost all the famous heroes in the United States, including Iron Man, Captain America, beloved Star Wars characters, and more, and expanded the audience market of adults and men, instead of just the animation film image enterprises that were generally dominated by women and children. Opening the adult and male market, Disney's business direction developed toward the popular American hero animation film market. Therefore, Disney extended intellectual property right products to all age groups and

now expands the content of the product in multiple ways with drastic growth, which also enhances the value of the product and increases the market share. For example, in the 10 years since CEO Iger took power and after the release of "Star Wars: Episode VII: The Force Awakens" in December 2015, Disney grew from USD 45 billion to USD 176 billion, with net profits jumping from USD 2.3 billion to USD 8.3 billion, with stock prices going from USD 24 to USD 100.

Since 1997, Disney, which had been focusing on animated films, had been losing its competitiveness due to the introduction field of 3D animation, and Pixar, which produced 3D animation, had become an industry star in the market. In January 2006, Disney announced the purchase of Pixar Studios for USD 7.4 billion and completed the formal process of acquisition in May. This was in response to the fierce competition in the animation market to improve the bargaining power and bargaining chips for channels. Furthermore, Disney exchanged its own shares for about 40% of Pixar's shares held by Jobs at a ratio of 2.35:1, making Disney the largest shareholder of Pixar, and entrepreneur Jobs the largest individual shareholder of Disney. The characteristics of a brand with such equity include high consumer loyalty.

In 2009, Disney bought Marvel for USD 4 billion. Marvel was a company with few resources and limited growth but featured several superheroes in its comic-book business, which attracted the investment of Disney. To cater to audience tastes, hero-based animation films quickly entered the target market, such as Spider-Man and Batman, which are excellent films with rich stories that have been favored by audiences.

CEO Iger could ensure Disney's future creativity and competitiveness by giving consumers a variety of choices based on the expansion of cable networks and the spread of Internet. In 2012, Disney bought Lucas Film for USD 4.1 billion to make another extended investment. Lucas Film, best known for the Star Wars franchise, was the film industry leader in visual effects, sound effects, and computer animation. By the end of 2015, Disney had generated tens of billions of dollars in revenue, driven by the success of the entire Star Wars franchise and its related products, amid a whirlwind of consumer interest in entertainment. Setiani Titi and Antoni (2018): Stated that a brand offering new identities and images helps a company to change positions to not only retain existing customers but also attract new customers.

CEO Iger once mentioned the concept of "mini Disney," namely American companies similar to Disney that start out as a post-film operation and expand around the world, but on a smaller scale. For example, the Pixar, Marvel, and Lucas acquisition cases has such characteristics: starting from movies, the competitive advantages and development tracks were very similar to Disney. In addition, Pixar and Lucas had worked with the Disney

Company Prior To Being Acquired

The understanding among one another increased the economic effect in later operations following the three successful acquisitions, and the operation of enterprises made significant gains for the Disney Company. Ratan Raina (2018): Believed that depending on the organizational objective and prevailing business environment, organizations can adopt different types of merger methods.

Through this series of mergers and acquisitions, Disney made up a deficiency for its shortcomings with regard to 3D animation technology, and its target market and age groups of consumers have successfully covered both women and men, as well as all kinds of groups from children to adults. In addition, its global integrated marketing network and excellent industrial chain development ability are among Disney's the competitive advantages throughout the world.

Through the connotation and business philosophy of enhancing the competitive advantages acquired after M&A, combined with the overall platform resources of the enterprise itself and the creative ability of script software, Disney has further created not only commercial value, but also the extension and connotation of an art.

Conclusion

Starting from the production of animated films, Disney increased its industry scale through diversified mergers and acquisitions. Successful marketing was the main key for Disney during the expansion of its business territory, and meeting consumers' needs became the focus of its core marketing activities. Kotler Keller (2012): Said corporate credibility is the extent to which customers believe a firm can design and deliver products and services that satisfy their needs and wants. To enhance the performance of its business strategy, Disney integrated upstream, midstream, and downstream related enterprises through M&A, implemented a series of M&A activities, enhanced quality improvement, and created long-term customer satisfaction. Kotler Keller (2012): Said it reflects the supplier's reputation in the marketplace and is the foundation for a strong relationship. Henty Mintzberg

(2003), illustrated that organization goals the firm's broad objectives, and performance-related outcomes ranging from market share and customer satisfaction.

The interaction between the audience's entertainment needs and Disney's international media enterprises has become an important mechanism for creating and regenerating film and television culture. Under the concept of organization management, cultural differences are considered in management and system design planning. After the merger and acquisition, Disney's ability to integrate the global marketing network and creative industry chain development has been key to the long-term organization management and business performance, thus enabling the company to obtain high-quality content creativity, create greater commercial value, and maximize competitive advantage. Henry Mintzberg (2003): Stated that the firm must develop an integrated organization (structure, processes, rewards, and people) that is unique to that stage and forms the company's center of gravity.

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