OLLSCOIL NA hÉIREANN, GAILLIMH
NATIONAL UNIVERSITY OF IRELAND, GALWAY

Semester II Examinations 2002-2003

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4IF121 B.Sc (Information Technology)
3BC162 B.Comm.Degree
1OA161: (Occasional Arts)
1EM161: Erasmus
4BI121: B.E. Degree (Industrial Eng. & Information Systems)
4BJI21: B.E. Degree (Man Engineering with Language)

IE434, IE424, IE319: ***Operations Strategy***

Examiners:
Dr. E. J. Wright
Prof. J. Sheil
Ms. Mary Dempsey

Answer two questions in total.
Answer Question **1 or** Question **2**
Question 3 is **compulsory**
All questions will be marked equally
Use a Separate answer book for each question

Time allowed: **Three** hours
No. of Answer Books: 2

No. Pages: Cover + 8
Department: Industrial Eng

Answer Question 1 or Question 2

Question 1

To "*materialise the product from the design, it should be approached from the context of the knowledge resources available to the company" [Brown, 1996]*

Discuss the strategic function of process design within the company.

Question 2

A business is subjected to several forces from new entrants, suppliers, customers, substitute products and from existing competitors.

Discuss how these competitive forces shape a company's strategy

<u>Question 3 - Compulsory</u>

"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 that Frank Wells, President and CEO of the Walt Disney Company, presented to Dennis Hightower, newly hired Vice President of Disney Consumer Products for Europe. The time was June, 1987.

<u>You are to assume the role of Dennis Hightower and present, as your answer to this question, the report which Hightower would submit to Wells.</u>

You should refer to the case outlined below

The Disney Organisation

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

The company 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, the company's characters, songs and music, as well as visual and literary properties. By 1987, the division's revenue had reached $167 million, with operating income of $97 million.

The Disney Organisation 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; the French country manager hired all subsequent European country managers. Over the years, he came to be regarded as a "living legend", credited with having essentially built Disney's European business since World War II.

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 in Disney's world headquarters at Burbank, California. (See Exhibit 2 for Disney's organisation chart).

All eight country managers had spent substantial time in their positions (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 vacations where they would stay with the country managers at their homes. Roy Disney Jr., the company's current vice chairman, "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, house wares and stationery. Since it was a licensing driven business, 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; German and U.K. operations were historically driven by merchandise and licensing whereas French and Italian operations were driven by book and magazine licensing (Exhibit 4).

The European Headquarters

Historically, Disney's European market penetration had lagged behind U.S. market penetration. But Disney management foresaw tremendous opportunities opening in Europe during the 1990's. The countries were blossoming. Management believed 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 would be established in Paris for DCP. 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-European would head the office. The country managers had been consulted on this decision. Their sentiment was that the new European had 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.

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

Recruiting the Recruiter

Boyd and Hightower spent three weeks in Europe meeting with each country manager to understand the business issues confronting them and get a sense of the kind of person who would win their confidence, respect and trust. They interviewed several prospective candidates. "The more I traveled with Hightower" recalled Boyd, "the more I liked him" Hightower remembered;

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 wit 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.

Dennis Hightower

Born in a family with a rich military tradition, 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 after returning from his second tour of duty to the Far East, Hightower felt that he was ready for fresh challenges. Industry was beginning to open up in minorities so he resigned from the Army and joined Xerox in June, 1970. "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 selected to attend Harvard Business School on a fellowship.

Hightower joined McKinsey upon graduation from Harvard. Four years later in 1978 he left McKinsey to join General Electric, initially in a strategic planning role, and then as a vice president and general manger in Mexico. In 1981 he moved to Mattel as vice president of corporate planning, based in Los Angeles, California. Higtower made these career moves because of current consideration rather than as steps that were part of a grand plan. He noted; 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 generalised desire to associate with the best I have tried not to overmanage my career.

The next three years were very difficult, as Mattel, facing severe business problems, downsized drastically to about a third of its size in 1981. 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, he recalled;

All the good opportunities were on the East Coast but my family needed geographical 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 Hightower completed his newly created job with Disney he thought wryly to himself "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. What changes would that 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?