The Story Behind the Mouse: Transformational Leadership at the Walt Disney Company

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Abstract

This paper will focus on the evolving leadership styles and challenges associated with them for the global media and entertainment conglomerate, the Walt Disney Company. While it started as a family-owned business by two humble brothers with a dream to create and innovate, it has evolved into a multinational and multi-sectoral company serving audiences of all ages. The Walt Disney Company is a company that allows its fans to grow with it, as those who start as fans could eventually work for the company in various capacities. The purpose of this paper is to analyze the leadership styles of Walt Disney and more recent CEOs to understand how they can be considered transformational leaders. Additionally, this paper will review the company culture and outline issues of corporate governance surrounding the company to help us understand what they can continue to improve upon. Overall, the constant innovation throughout all sectors of the Walt Disney Company allows the company to remain true to its founding mission despite becoming a public company.

Keywords: transformational leadership, Walt Disney, entertainment, media, charismatic leadership, multi-sector, leadership, mission, Bob Iger, Bob Chapek, the Walt Disney Company, corporate governance

The Story Behind the Mouse

The Walt Disney Company was founded in 1923 by brothers Walt and Roy Disney. Since its inception, the company has evolved into a globally recognized multimedia and entertainment company appealing to audiences of all ages. Walt Disney came from a large and hard-working family; his father operated a farm in Missouri until that proved to be unsuccessful, so he moved the family to Kansas City, where he acquired a paper route that Walt worked for too. Walt was always creative and hard-working, but he was not a fan of school, so he dropped out at 16 and decided to enlist in the Red Cross Ambulance Corps during World War I. When Walt returned from deployment in France in 1919, he moved back to Kansas City, where he aspired to become a newspaper cartoonist; however, he found himself creating advertisements for magazines and movie theaters, which influenced his interest in animation (Nix, 2015).
His interest in animation led to the creation of his film studio, Laugh-O-Gram, which unfortunately did not last more than a year and closed in 1923. This failed business venture allowed him to move to Hollywood and create the Disney Brothers Studio along with his older brother, Roy (Croce, 1991). The company’s first production successes were inspired by short series called *Alice’s Wonderland* and *Oswald the Lucky Rabbit*, but they hit the jackpot with the release of *Steamboat Willie* when the infamous Mickey Mouse character came to life. Walt Disney himself became the original voice of Mickey Mouse; the popularity of the mouse gave Walt the courage to dedicate the rest of his life to the Disney Brothers Cartoon Studios, aka The Walt Disney Company. *Snow White* was the first full production that he created in 1937; the success of the film was attributed to over 300 animators, artists, and assistants (Onion, Sullivan & Mullen, 2019). In 1950, Disney Studios created their first live-action film, leading to their first television and further diversified their interests (“Disney - leadership, history, etc.,” 2020). Soon after that, the first Disney theme park, Disneyland, opened in California in 1955, followed by Walt Disney World in Florida in 1971. Disney theme parks embarked on their first global venture with the opening of Tokyo Disneyland in 1983. 1983 also marked the creation of the Disney Channel, which personally played a key role in my childhood.

**The Mission of the Mouse**

Even though the company has diversified its assets and expanded its segments and global reach since its inception in 1923, its mission remains the same; “to entertain, inform and inspire people around the globe through the power of unparalleled storytelling, reflecting the iconic brands, creative minds and innovative technologies that make ours the world’s premier entertainment company” (“Disney - leadership, history, etc.,” 2020). As a fan of the Walt Disney Company, I value the fact that although Disney continues to grow over its almost 100-year history, it remains true to its founding mission and carries it through its new ventures. This connection to the founding mission helps create and maintain relationships with consumers because they view the company as a part of their family. Millions of people have created hundreds of core memories at one or more of the eleven Disney Parks around the world; they have enjoyed the hospitality at the Disney Resorts or on the Disney Cruise ships, and they have felt comfort in the movies and TV shows produced by the once family owned and operated company.
Market Reach and Competitors

Today, the Walt Disney Company is one of the largest media and entertainment companies comprising several other companies such as ESPN, ABC, Pixar, Marvel Studios, and Lucasfilm. The Walt Disney Company is made up of several subsidiaries ranging across five different business segments, which include media networks, parks and resorts, studio entertainment, consumer products, and interactive media. They own and operate theme parks in 3 global regions, North America, Europe, and Asia. They also own a cruise ship line and a private island in the Caribbean, Castaway Cay. According to Figure 1, the top revenue-producing segment of the Walt Disney Company in 2022 was media and entertainment, with $55.04 billion in revenue. This segment is made up of streaming services like Disney+, ESPN+, and Hulu, as well as the classic Disney Channel and channels owned by ABC like Freeform. As individuals continue coping with the effects of the COVID-19 pandemic, the Disney Parks and Experiences segment will likely see an increase in revenues as more people begin venturing back to live experiences.

Figure 1. Revenue of the Walt Disney Company in 2022, by Segment.

Source: Walt Disney (November 8, 2022).
Disney’s main competitors in the media sector are Paramount Global, Comcast Corp., Sony Group Corp., AT&T Inc., Netflix Inc., Apple Inc., and Amazon.com Inc. Each of these companies had its own Cable TV stations and or online streaming services with hundreds of options. With the advent of online streaming services, Disney has created a unique platform that is home to all their movies and shows, as well as those belonging to ABC, Pixar, Marvel, and Lucasfilm. Hulu is another online streaming provider co-owned by Disney and Comcast, with Disney having majority ownership at 67% (Katje, 2022). Its competitors in the entertainment sector are theme park and resort companies like Six Flag Entertainment Corp., SeaWorld Entertainment Inc., and Hilton Worldwide Holdings Inc. (Johnston, 2022). The scope and nature of The Walt Disney Company’s diversified assets and sectors allow us to question how this company has remained so successful over its almost 100-year history.

**Leadership Styles**

The key to maintaining success at the Walt Disney Company stems from staying true to the core mission of the company, which emphasizes developing the most creative, innovative, and profitable entertainment experiences and consumer products in the world. Walt Disney can be considered a transformational and charismatic leader, as he was full of passion for his ideas and aimed to share that with his colleagues. Transformational leadership aims to raise the level of commitment of employees to create more trust and motivation. Transformational leadership allows employees to be committed to their organization and conscious of its practices (Ferrell et al., 2021, 212). He created his own art schools for Disney employees with advanced technologies since none existed at the time. Walt Disney proved to be a risk taker simply by the fact that he moved to California at a young age and started his own business because he was passionate about it.

Walt Disney can be considered a charismatic leader because he was enthusiastic about his work, and that motivated his employees. While he was not considered to be charismatic by all his employees, he initially wanted his employees to feel like a family; providing them with good pay, specialized training programs to perfect their animation talent, and even sharing 20% of his profits with employees as bonuses (Prescod, 2021). Walt valued hard work and expected nothing less of his employees; he was a transformational leader in the sense that he wanted his employees to adopt a similar work ethic to his own, but he gave them the resources...
to enjoy their work as well, such as air-conditioned workspaces, top furniture, and technologies (Karlgaard, 2006). However, after gaining much success and moving into a new studio, his leadership style changed, and he became very controlling, adopting an autocratic style.

Walt Disney’s leadership motivation was that of a socialized power motive because he exercised his power over his subordinates and used his power to achieve his visions for the organization (Croce, 1991). While Walt Disney’s style of leadership motivation adheres to the idea of socialized power motive, unlike the typical definition of socialized power motive, he was not willing to take advice from others even if it was for the greater benefit of the organization (Pierce & Newstrom, 2011, Chapter 3). Even though Disney’s productions were largely attributed to a diverse team of animators, creators, and innovators, Walt Disney himself did not appreciate his employees’ opinions when it came to collaborating on projects (Walt Disney Leadership Style, 2022). His ego grew, he was discriminating against his workforce, and he was taking credit for animators’ work (Prescod, 2021). The company suffered major financial losses as a result of World War II destroying the European market for his films, putting them in $4.5 million of debt. In order to offset some of the debt, he demanded increased productivity from his employees but was unable to compensate them appropriately. However, Walt Disney’s familial repour also changed and he became condescending to his employees telling them that they were lucky to work for his company that offered them many other benefits at the time such as paid sick time. This change in leadership style led to Art Babbitt, one of the companies top animators, pushing for unionization which resulted in him, and 23 other animators being fired by Disney. As this protest gained more traction, Disney grew more bitter and paranoid. Ultimately, the Screen Cartoonists Guild reached out to the state department to bring awareness to Disney’s lack of compliance with American fair labor standards. The Labor Conciliation Service became involved and reached a settlement with Disney that resulted in a victory for the union providing better pay standards to employees and reinstating those who were fired prior to the strike while also setting a precedent for labor standards within the animation industry (Prescod, 2021).

Over Walt Disney’s 100-year history, there have been few CEOs appointed. Bob Iger, who served from 2005 to 2020 and was recently reinstated in November 2022, is the most notable and successful CEO the Walt Disney Company ever had. He, like the founder Walt Disney, can also be considered a transformational leader, as he has been dedicated to the company for over 15 years. During his first tenure, his
main goal was to implement a creative strategy, without micromanaging, with the hopes of increasing the company’s revenues and services. Iger attributes his success to following his ten principles to achieve effective leadership, which are optimism, courage, focus, decisiveness, curiosity, fairness, thoughtfulness, authenticity, integrity, and the relentless pursuit of perfection (Teramae, 2022). Iger also implemented the participative leadership style of path-goal theory, as he was open to employees’ suggestions and encouraged their involvement in ideas (Pierce & Newstrom, 2011, Chapter 8). In practicing these principles, he was able to make major achievements for the company, such as the acquisitions of Pixar, Marvel, and LucasFilm and the launching of Disney+ (Schumpeter, 2020). While Iger brought a lot of good to the Walt Disney Company during his tenure, his main leadership quality was that of owning up to mistakes made to be able to recover from them (Coyle, 2014).

Bob Iger’s return came at a time Bob Chapek, his successor, was dealing with political controversy, issuing cost cuts and layoffs, as well as implementing a hiring freeze across the company. Bob Chapek led the company through the challenging times of the COVID-19 pandemic; the company’s stock continued to grow through 2021 despite the parks being closed and new movies not being released in theaters (Calia & Sherman, 2022). However, as depicted in Figure 2, the stock plummeted towards the end of 2021, giving additional reasons to justify the reappointment of Bob Iger as CEO. Upon Iger’s return, Disney’s shares increased by 9% after losing 36% of their value in 2022 (Pallotta, 2022). With his return, the Walt Disney Company hopes to take advantage of the current evolution of the media industry and develop a succession plan that preserves the founding goals of the company, which are to foster creative excellence and inspire future generations through the power of storytelling.
Figure 2. Key Events Affecting Disney’s Market Capitalization, 2020-2023.

Source: Refinitiv Datastream, *The Economist*, February 2023

**Company Culture and Leadership Ethics**

Transformational leaders have more influence on coworker support and the implementation of ethical culture; companies that emphasize transformational leadership practices are more likely to partake in corporate social responsibility activities. The Walt Disney Company is most noted for its emphasis on its service through people (Caruso, 2002). As part of its mission, Disney is committed to creating a better world through its stories, operations, experiences, and philanthropy. As a global company with operations set up in many different countries, they strive to offer safe, inclusive, and respectful environments in all Disney production facilities. As of 2021, they have launched new programs as part of their corporate social responsibility initiatives; these include World of Belonging, World in Balance, and World of Hope. World of Belonging is its diversity, inclusion, and equity initiative, which highlights that 50% of its workforce is made up of women and 46% are people of color (2021 Corporate
Social Responsibility Report, 2021). World in Balance emphasizes its environmental sustainability efforts and hopes to reduce the emissions and waste associated with the production of its products by 2030. World of Hope is their community initiative that emphasizes their charity work, such as food donations during the COVID-19 pandemic to communities in need as well as their product donations to children in US and Canadian hospitals. They also invest in their personnel by creating workplace flexibility for their employees and making sure they provide health and wellness services that their employees can utilize freely. They also encourage their employees to pursue higher education and take advantage of the career development programs they offer. They are committed to operating responsibly, and that is being done by increasing board oversight, especially on ESG initiatives, and supporting greater work conditions for employees, especially considering COVID-19 (2021 Corporate Social Responsibility Report, 2021).

Disney has become very strict in upholding its ethical business codes and promoting positive work environments across its international scope. They remain committed to operating in markets that comply with their ethical standards, resulting in them terminating manufacturing contracts in Bangladesh because of the work conditions in that country. While this cost them about 250 million dollars, in the 21st century, companies must remain socially responsible to have happy consumers. Disney has also launched initiatives promoting greater health amongst families and children, so they ended their partnerships with McDonald’s and took on partners like Danone and Evian to promote water as opposed to sodas, etc. Disney uses its marketing efforts, specifically its characters, to promote the products they partner with and engage with its consumers (Menon, 2019).

Corporate Governance

Corporate governance often goes along with the concepts of corporate social responsibility, which are outlined above. Corporate governance refers to the system of oversight, accountability, and control for organizational decisions and resources; each organization has a hierarchy of individuals who help carry out these functions (Ferrell et al., 2021, 74). A company’s board of directors, shareholders, and stakeholders are all a part of the corporate governance framework, each including their own specific roles. Some decisions these individuals have to make regard ethical and legal risks, regulatory financial reporting, compensation, strategic, financial, and stakeholders’ interests (Ferrell et al., 2021, 78). The Walt Disney
Company operates with a board of directors of between 9 and 21 members. These members must exhibit the interests of shareholders and align with the overall mission and values of the company; they must also hold a significant amount of equity in the company. The Board of Directors elects a chairperson, and their responsibilities are outlined within the corporation’s by-laws (Corporate governance guidelines - the Walt Disney Company, 2014). The Walt Disney Company faced major corporate governance issues under CEO Michael Eisner, who held the position from 1984 until 2005. While Eisner is credited with increasing the brand’s overall market size from $2 billion to $67 billion and recognition as a global media conglomerate, he made some questionable decisions that led to Disney becoming the example in carefully choosing successors amongst the board of directors.

In 1995, Michael Ovitz was hired to serve as president of the company for 5 years; this decision was made because the president and COO at the time, Frank Wells, had been killed in a helicopter crash, and Michael Eisner was facing health issues that no longer allowed him to play the role of CEO and COO (Lederman, 2008). Ovitz was originally hired with the expectation that he and Eisner would act as co-CEOs however, due to Ovitz’s 55% ownership of a private company, Creative Arts Associates, Disney had to negotiate stronger financial compensation in order for him to join them. Eisner took the role of co-CEO from him and only offered him the president role instead of both president and COO like Frank Wells had once held. Eisner was adamant about keeping as much power as he could, which resulted in other members of the board refusing to report to Ovitz. Ultimately, this mismanagement led to them going to court to solve the problem legally. There it was discovered that under Eisner, Disney was not following the same practices as other large publicly traded companies in that board meetings were held without management present and without the assessment of the directors of management’s performance (Lederman, 2008).

It was determined that the compensation committee had to create a deal for Ovitz that was greater than any other board member in order to get him to sign; however, the decision to present him with his compensation package was made before the board determined whether he was fit to be hired. The court attributes these issues in governance to Eisner’s self-interest in trying to maintain control of the succession process, as well as the lack of discussion amongst the board and having a compensation committee present a deal to the potential hire before the board had
come to a decision. Eisner fired Ovitz, which ultimately resulted in Disney paying him about $109.3 million because of his compensation package (Bates, 2004). Eisner tried to exercise coercive power over Ovitz when deciding he wanted to fire him, as he had no legitimate reason to do so. Coercive power refers to the idea that the person exerting power will punish the other party if they do not do as is expected (Pierce & Newstrom, 2011, Chapter 6). This whole situation showed how mismanaged the board of directors at Disney was because CEO Michael Eisner believed that by appointing his friends and acquaintances to the board, he would be able to maintain power and creative control; however, it was unrealistic to believe that these individuals would not exercise their own opinions (Holson, 2005).

More recently, Disney, who is Florida’s biggest employer, has faced several political controversies due to Florida’s state legislature having a GOP majority. The Walt Disney Company, Florida’s largest employer, has had special self-governing powers in the central Florida area, which were essential to the development of its theme park and resorts in the 1960s. This government body, referred to as the Reedy Creek Improvement District, gives Disney control over the 25,000 acres its theme parks sit on (Olson, 2023). Governor Ron DeSantis passed the Parental Rights in Education Act in July 2022, also referred to as the “Don’t Say Gay” Bill, which gives parents more control over what their children learn in school, essentially banning teaching about sexuality and gender in grades K-3 (Cineas, 2023). In the wake of this bill, Disney failed to denounce the bill, which caused backlash from their employees, who staged a walkout. To rectify this, the CEO at the time, Bob Chapek, formally denounced the bill and pledged to donate $5 million to the Human Rights Campaign. While this gesture was rejected by the organization, Chapek continues to advertise that they will not discriminate in the hiring process as a way of mending relationships with existing employees (Dammann, 2022). This is an additional example of transformational leadership, as transformational leaders have a stronger influence on coworker support and create an ethical culture within the company (Ferrell et al., 2021, 212). However, Chapek’s decision to back his employees increased tensions with Governor Ron DeSantis, who signed a bill at the end of February 2023 taking control of municipal services and development for the previously known Reedy Creek Improvement District.

This new bill includes the appointment of a five-person state board to oversee the municipal services where Disney World operates; the members of this board are all conservative allies of Ron DeSantis (Olson, 2023). The main concern for Floridians
with these new bills was that their taxes would increase because Disney no longer had their special tax status. However, Governor DeSantis has assured locals that they will not be responsible for the company’s debts. The tensions between the company and Governor DeSantis began with Disney’s strict stance on taking COVID-19 precautions, such as mandating masks in their theme parks and enforcing vaccination mandates for their staff. Additionally, Disney faced criticism from conservatives for attempting to make changes to the theme parks and movies to increase inclusivity; this threatened DeSantis’ fight against “woke indoctrination,” which refers to the teachings of diversity, equality, and factual history of race relations in the US (Olson, 2023).

In establishing a new governing structure for the Walt Disney Company within the state of Florida, the company has also faced criticism over its new five-year employee contracts. The unions that comprise about 32,000 Disney full-time staff members overwhelmingly voted against the proposal stating that Disney should do more for its employees. The unions are calling for an immediate $3 an-hour raise as opposed to the proposal’s $1 per year raise and other benefits that Disney offers, such as an additional 401(k) plan and eight weeks of paid family leave. Disney has currently been operating under an extension of the previous 3-year contract, which prohibits unionized workers from striking. However, workers are enraged that previous CEO Bob Chapek and other executives received multi-million-dollar severance packages (Barnes, 2023).

Overall, Disney relies on its cast members, as their employees are called, to operate at their fullest potential. Giving employees better benefits will entice them to maintain their roles and increase productivity and company profitability.

**Technology Impact on Leadership**

Over Bob Iger’s first tenure, Disney saw major changes to its digital and animation practices. As a transformational leader, his goals were to invest most of the company’s capital into creating high-quality branded content and experiences, embrace technology and apply it in all facets to enhance the customer experience and become closer to the customers to be more efficient overall as a company (Buvat & KVJ, 2014). The key to achieving these goals was to create a technology specific to Disney that would allow them to transform the customer experience, operate more efficiently, create more personalized touch points for consumers, and
promote interactivity across all channels of the company. Disney began using data mining to retrieve more specific information about their guests and carry out daily operations. With the invention of MagicBands, FastPass, and the MyMagic+ app, Disney was able to start collecting data on their guests as soon as they made their reservations and throughout their stay. The MagicBands feature RFID technology and are a part of the new vacation management system across Disney Resorts and Parks, allowing access to the theme parks, hotels, and allowing customers to tap and make purchases throughout the parks since they are all linked to their online accounts.

Disney has invested over 1 billion dollars into this technology, and it has certainly paid off for them, as 90% of visitors have rated this technology as excellent or very good (Buvat & KVJ, 2014). In addition to redesigning the Disney consumers’ vacation experience, they have also updated the animation technology in their stores to make the customer experience more customized; these updates helped boost profit margins by 20%. Bob Iger has always welcomed the advent of technology instead of viewing it as a threat; in including digitally competent people as a part of their board of directors, Disney is able to set itself apart and utilize evolving technologies to stay competitive. Disney also features a yearly event called the Disney Analytics & Optimization Summit, which allows people across the company to come together to understand the roles of analytics. Bob Iger helped introduce Disney to the idea of enhanced storytelling through the continuous advancements of technology, and now that he has been reappointed, he will likely continue to make advancements in this area.

Bob Chapek had the goal of creating an enhanced customer experience using artificial intelligence. He planned to expand the Disney+ streaming service and augmented reality capabilities through the analysis of consumer data (Wilson, 2022). With the advent of AI technology and the Metaverse, Disney is trying to adapt its business strategy to better implement these technologies and enhance the overall “magical” consumer experience. Disney is in the perfect position to leverage its enormous animation portfolio to enhance its digital capabilities. Disney has already appointed leaders like Mike White, SVP of next generation storytelling and consumer experiences, and Erin Green, former head of mixed reality at Meta, to these departments showing they are serious about capitalizing on metaverse opportunities. The goal of these projects is to not only enhance the customer experience but give them new experiences altogether. With this industry expected
to be worth up to $13 trillion as soon as 2030, Disney is already scoring high in hiring individuals with capabilities in the augmented and virtual reality department (Marr, 2022). Bob Chapek’s goal was to bring Disney into the metaverse and create a more immersive and interactive experience for consumers rather than the passive one that currently exists. Although he is no longer associated with the Walt Disney Company, Disney’s leap into the metaverse remains a major goal for Bob Iger, who has the hopes of creating an avatar system that can be used across an open metaverse (Vainilavičius, 2022).

**Conclusion**

Being a risk taker and leading with passion proved to be the right move for Walt Disney, as the company’s net worth as of 2021 was $203.61 billion (Navarro, 2021). While transformational leadership can be attributed to the success of the company as well, the original mission established by the Disney brothers themselves, “to entertain, inform and inspire people around the globe through the power of unparalleled storytelling, reflecting the iconic brands, creative minds and innovative technologies that make ours the world’s premier entertainment company,” is what continues to drive up revenues for this company. Though the company continues to evolve with the times, it is doing so organically and by leaders who have embraced the original mission and collectively come together with the support of employees to continue the work of their predecessors. The Walt Disney Company has several facets; they continue to welcome new leaders who all adopt the same transformational leadership model. In doing so, they have been able to maintain their consumers’ dedication to the brand and evolve with their customers, employees, and society’s needs. These attributes are what helps maintain the Walt Disney Company’s high rank on the S&P Fortune 500 list (Webmaster, 2022).
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