While writing my book “Work in Progress” Disney went from a $19 billion a year entertainment company to a $52 billion a year entertainment company. But more importantly than keeping score with financial numbers, what I hope you will gain from this summary are insights into the challenges and the opportunities that we all can seize upon as we try to make progress in our companies and careers.

As you digest these 8 pages you will gain an inside look into what I believe is the most magical company on earth—a company whose role it is to tell stories that inspire and educate. It is a company that is guided by some very simple core values that you can take and use in your business to create positive change. Values like the commitment to excellence, the importance of teamwork and how to behave gracefully under difficult circumstances.

My hope is that the principles that have directed my career will become an everyday part of your thinking and way of doing business. Principles like:

- Suggesting the impossible in order to extend the possible
- Discovering the bad news first, as the good news rarely requires immediate action
- Realising that the key to every creative venture is the idea
- Always being aware that success tends to make you forget what made you successful in the first place.

But the final word as to why you should throw yourself into this summary I will leave to my friend Barry Diller, Chairman and CEO of USA Networks Inc:

“If you want to understand—really understand—how to succeed in business, buy this book and read every word.”
About The Author

Michael Eisner's career has revolved around managing businesses in which more than 80 percent of their products must be new every year. As a leader in the entertainment industry over three decades as the CEO of The Walt Disney Company, he executed one of the most remarkable turnarounds in the history of the business.

Eisner transformed Disney from a company with revenues of US$1.5 billion to US$30.8 billion in 2004, net income from $294 million to $2.5 billion and enterprise value from $2.8 billion to $69 billion. This is an unprecedented feat in corporate America.

FROM PAGEBOY TO PRESIDENT

I guess you could say that my love for the entertainment business began as a pageboy for NBC. It was a summer job and consisted of mainly running errands and taking calls but I had found something I truly enjoyed. I quickly moved up the ranks and soon found myself applying for a new job with CBS. In the space of 3 months my pay had gone from $65 to the princely sum of $140 a week, but I wasn’t too worried about the money.

My main focus was on what I could achieve. I spent most of my spare time working on an idea for a prime time show. Needless to say it wasn’t picked up, but my creative fires had been lit and even though my suits didn’t quite fit and my hair never stayed in the appropriate position, I managed to land a position at ABC as the assistant to the national program director.

The learning curve was steep and in 2 years time I found myself running the development of East Coast prime time. I had hardly caught my breath before I was made director of feature films and program development. After 3 successful years my next promotion was on the cards and I became the head of daytime and children’s programming.

By most people’s standards this was not a big step forward, but I was seeking greater responsibility and the opportunity to use my creative flair. At the time, we were last in the ratings. However, I was able to create a number of new programs and, by the time I left for Los Angeles to become vice-president of prime time development, I was happy with the success we had achieved.

“Succeeding is not really a life experience that does that much good. Failing is a much more sobering and enlightening experience.”

The first person to interview me for a job at ABC was a young man by the name of Barry Diller. I had been working under Barry from my first day on the job and he was a big part of the success that ABC had enjoyed.

So it came as a shock when I found that he had been hired by Paramount Pictures to become their Chairman. His departure gave me even greater responsibility, but I was to be reunited with Barry when he asked me to jump ship and become President of Paramount. I was 34 years old.

We had some enjoyable and successful years at Paramount but conflict with the CEO of Gulf & Western, which owned Paramount, forced the two of us to make the biggest decision of our careers and leave the company. Barry became CEO of Fox and I went on to become CEO of Disney.

THE $75 BILLION DOLLAR COMPANY

Don't think the startling numbers of the last 14 years will give you the whole picture of what Disney is all about. Yes our gross income went from $1.65 billion to $22 billion with our net income increasing by almost $2 billion. And if you looked at Disney in 1997 our company was worth $75 billion compared to $2 billion in 1984.

Still, none of this is able to tell the wonderful story of how 2 brothers, Walt and Roy Disney, built one of America’s greatest companies.

I won’t go into their tale of challenge and persistence here, as I could not do it justice. All you need to know is that over a number of decades they brought happiness and joy to families in a way that had never been done before. This is the tradition that I have tried to continue. My job has been to cultivate that culture of excellence while taking the company to places on this planet it has never been before.
I'M GOING TO DISNEYLAND

It was while sitting down inside Disneyland having dinner with a number of celebrities, including Jeana Yegar and Dick Rutan, who had just come back from a round the world trip in a single engine airplane on one tank of gas, that one of the greatest advertising campaigns in Disney's history was born.

And I have to give the credit to my wife for this one because, at some point in the evening, she turned to Rutan and asked, “So what are you going to do next?”

“Well, we’re going to Disneyland”, he replied with complete sincerity. The next chance she got, Jane grabbed me and described the conversation and how this could make a wonderful advertising campaign.

I was sold on the idea. Two weeks later at the Super Bowl, the New York Giants beat the Denver Broncos. As the quarterback for the Giants walked to the sideline he was stopped by our camera crew and asked, “Phil Simms, you've just won the Super Bowl, what are you going to do next?” He looked at the camera and with a big smile replied, “I'm going to Disneyland.”

The next day we had him at the Park with his family, making media appearances and having a great time. Within a short period, the campaign had acquired an icon status with superstars like John Elway and Michael Jordan coming onboard. This gave our company enormous visibility worldwide.

Everything we do here at Disney is about creativity. Every day we must come up with original ideas for our motion picture studio, for our theme parks, TV, Web sites and the other divisions of the company. My role is to oversee this creative team of people as we endeavour to reach for the stars. Inevitably, we fall short. But as long as we learn from our mistakes and have more successes than failures, we are making progress.

WHERE DO I START?

When I joined Disney it gave me the opportunity to work with Frank Wells. Frank had previously been the President of Warner Brothers and it was, to a large degree, through his influence that I was lucky enough to be a part of Disney in the first place. Frank became President and Chief Operating Officer. He was a major part of Disney’s success but, more importantly, he was a wonderful man. His death in a helicopter accident in 1994 was a massive blow to the company and to me.

“It is rare to find a business partner who is selfless. If you are lucky it happens once in a lifetime.”

I will never forget him or what we where able to achieve together.

FRANK WELLS

Frank was a man of the utmost integrity. He served as a kind of moral governor for me. Whenever I was tempted to push the boundaries more than I should, he was there to reel me back in. His high moral standards reminded me of my father. I can still remember the words Dad said to me a few months before he died.

“I've never once in my life committed an immoral or unethical act.”

A daunting statement to say the least and Frank had the same unyielding morals.

The best example I can give you of how Frank lived his life are the words written on a sheet of paper that his son found in Frank’s wallet after his tragic helicopter crash. They read…

“Humility is the essence of life.”

He had carried that piece of paper around for 30 years, and that’s how he lived his life.

RE-CREATING THE CORPORATION

Have you ever heard the saying. When it rains it pours? Well this is an apt description of the challenges we were about to face at Disney. I had been concerned about my health for some time and it came to a head when I was admitted to hospital for triple bypass surgery. This, combined with the chasm that Frank's death had left, was bound to draw a reaction from the analysts.
However, it was our hope that the market would not react in an emotional way. But by the beginning of October 1994, that emotion had dropped our stock to a low of $38 a share and left me wondering what else could go wrong. But the truth of the matter was that the core of our business was very strong and our management solid.

THE END OF THE STORM

Needless to say I survived my operation and my health began to slowly improve. The hole left both personally and professionally from Frank’s passing would take longer to mend but things were not all negative. We had just posted record earnings and we now had one of those enjoyable challenges to deal with—that is, how to invest our excess cash flow.

We could give a large dividend, make an acquisition or buy back our stock. We decided on the third option.

By purchasing back our own shares when others were selling, we could keep focussed on the intrinsic value of Disney. A value, which we knew, was far more than what the market currently perceived it to be.

$1 billion in shares later, I felt assured that we had made the right investment.

When I look at what we did to reinvent Disney, I am reminded of a number moves that made all the difference:

1. Our Mighty Ducks

You may remember a movie we created called ‘The Mighty Ducks’. It is a family film about a team of kids who play ice hockey. Well, to cross promote that film, we purchased a professional ice hockey team in Anaheim and called it the same name.

This had the added bonus of creating a stronger tie with the city, which is located in California where Disneyland is also located. And we purchased the Angels baseball team for the same reasons.

2. Park Expansion

With the success of our theme parks we have started planning work on a new park in California. Others are also planned in several countries, including China.

3. The King of Films

The mega success of The Lion King, which generated almost $1 billion in revenue and which is arguably the most profitable film of all time, made 1995 a great year for us.


We have taken the step of getting involved in a business venture that we knew very little about in the beginning. We have purchased a cruise line with 2 ships and, as with past ventures where our knowledge has been initially limited; we have taken ourselves on a crash course of the business. This has been a successful strategy for us in the past.

5. Go Big

Our Disney Action Movie Studio is starting to focus on larger star driven movies that sell well overseas. It is a change from our past model of lower budget movies, but standing out from the crowd is worth the extra cost.

6. Low Cost, Big Profit

Yet we still have our low budget films produced by Miramax which historically have been extremely profitable.

“Intellectual Property – led by movies – has now become America’s leading export, exceeding even the aerospace industry, the long time leader.”

MICKEY AND GOOFY RULE THE WORLD

By the time Frank and I took over the company, the brand seemed a bit old fashioned and directionless. But looks can be deceiving. We could have gone about creating something new but that would have been a mistake. What we needed to do was to bring back what people had always found magical about Disney. To remind people why they fell in love with Disney in the first place.

“A brand is a living entity, and it is enriched or undermined cumulatively over time, the product of a thousand small gestures.”

STEPS TO SUCCESS

We took the following steps:
1. Money Talks
Firstly we looked at compensation. Both Frank and I were firm believers in incentives over high salaries for executives. It encourages and helps an individual to truly be paid what they are worth. By creating a lucrative stock option plan that rewarded not only their division’s but also their company’s performance, had our team heavily invested in the success of the company as a whole.

2. Weekly Lunches
The next step was the organization of a compulsory weekly lunch for our top executives and heads of divisions. An agenda was not important. Instead the focus was on the current events occurring in their respective divisions or companies. Many initiatives and ideas would come out of these meetings.

3. Disney University
I have to thank Walt Disney for this next idea, which we called “Disney Dimensions”. He had pioneered a similar idea in which middle managers and other hourly employees would be taught the Disney culture and philosophy in a group format.

We created our own spin on things by having 20 or so of our finest executives at a time spend grueling 7am to 10pm or later days learning every bit of the Disney philosophy, culture and business.

4. Head of Mishigoss
Next we gave Frank Wells the unofficial title of “Vice President of Mishigoss” Mishigoss is a Yiddish word for hassles and craziness. Very simply, Frank’s role was to settle any interdivisional conflicts that invariably end up costing the company in any number of ways if not handled properly.

5. Synergy
I formalized a personal assistant type role for the specific purpose of having someone to promote synergy throughout the company. The most important function of this person was to keep on top of valuable ideas that could be used for cross-promotion within Disney.

6. Brand Management
Our next step was an interesting one.

“If the company was in danger of being dismissed as irrelevant when we arrived, now we faced the opposite risk. Overexposure was threatening to dilute the integrity of the brand.”

To deal with this we nominated an individual to manage the brand. Her role was very simple. Monitor the use of our name and products as well as possible new business ventures and how any of those may add to or take away from our brand over the long term.

7. Integrity
By creating new businesses like our Disney retail stores and the Disney Channel on TV, we were able to successfully grow while still keeping the integrity of the brand intact.

8. Licensing
Licensing was another part of our business that we realized could have a far more lucrative upside than our existing arrangement. By playing a greater role in the production, distribution and marketing of our licensed products, we were able to quadruple our operating profits from licensing alone.

9. The Lion King on Broadway
Yet another way to broaden our brand was with the development of live theatre shows based around successful movies. I was concerned with this at first as I understood that a movie has huge scope with the ability to open in thousands of cinemas in one night across the country.

And even if it does poorly at the cinema, you have other chances to bring in the revenue through video, network television and overseas sales. A Broadway musical can close in a single night! Regardless of the risks, we went ahead with our venture. Much to our delight, it has been a huge success.

GROWING THE EMPIRE
Let me give you an interesting statistic. When it comes to acquisitions and their effect on shareholder value, the numbers show that as much as 60% of acquisitions have a negative effect on shareholder value.
“Acquisitions are typically born of an abundance of animal spirits and ego.”

Warren Buffett

However, even though we had spent over a decade staying away from making acquisitions, the prospect of purchasing ABC seemed to make sense as long as we could avoid some of the common mistakes these types of ventures are prone to:

1. Paying too much
2. The lack of synergies and cost-efficiencies which are usually not enough to offset the inflated purchase price
3. And finally the usual differences in culture that are bound to create some unrest when two organizations are melded together.

At $19 billion ABC was the 2nd largest acquisition in corporate history. However, we felt that was a fair price and there was no doubting that ABC was a great strategic fit for us.

With ABC’s distribution capabilities and our great content and marketing abilities, the prospects looked good for making this a very successful marriage. Needless to say, it was still a hard decision to make when you looked at the risks. But the potential upside was worth it.

With the purchase of ABC came their powerful brand names (ABC News, ABC Sports and ESPN). There was now the opportunity of cross promotion with 3 of the biggest brands in the marketplace at our disposal (Disney, ABC and ESPN). Add to that the new management talent we would immediately have access to, the ability to attract new talent in the future and many other positives, and we felt confident about going forward.

After the acquisition was complete we focused on 2 main initiatives.

1. The Right People
For me, personnel were key. I had to make sure that the correct individuals were responsible for management and operational decisions at all levels of the various businesses.

2. Brand Strength
We had to extend and strengthen the various brands that ABC had developed. To give you an example:

a. We are using our experience in launching the Disney retail stores to create the same process with an ESPN retail chain
b. A radio show for children aged 6 to 11 called Radio Disney. With ABC radio this is now possible
c. Sports Illustrated has been a dominant force in print magazines. So ESPN has launched a bi-weekly magazine to shake up that industry
d. ESPN Zones is another innovation, which is best described as an entertainment arena and a virtual reality complex based around a sporting theme.

GIVE PARTNERSHIPS A MISS

I have a simple philosophy when it comes to partnerships… I don’t like them. That’s not to say they can’t be valuable, but from our point of view at Disney I don’t want to be in the position of having to ask for permission and make compromises with a partner every time we want to make a decision on something.

The solution for us was quite simple and it is one that we have used with our hotels, retail stores and other ventures that we have embarked upon with little initial experience.

1. Hire the best people in the industry
2. Know that we will make mistakes along the way
3. Know also that we will learn from them and immediately do it better.

A PARK FULL OF CHALLENGES AND TRIUMPHS

The idea of building a theme park in Europe had been on the table for a while and we had narrowed the choices down to two, either Spain or France. But even though there was support for Spain, my heart was always with France.

We felt very confident of the success of this new park as Tokyo Disneyland had performed well, with us putting in only $2.5 million. That money had gone to design and management work. For this we received 10% of the gross income on admission and 5% of the food and merchandise sales.
In the first year alone we received $40 million in royalties. But we realised how much more we would have earned if we had been the primary owners. This was the plan we took into our European venture.

We were excited about the estimates coming from our research: 10 to 15 million people a year visiting the park and the creation of approximately 10,000 new jobs.

NEGOTIATING WITH THE PRIME MINISTER

We knew that this would be an intricate negotiation with the French Government and that it was bound to have some difficulties. But we have always been tough negotiators and put our best foot forward with our initial proposal:

1. The French would sell us 4,400 acres of land valued at its present state as farmland, and not the much higher price that would be created once the commercial zoning was approved

2. They also agreed to lend us $700 million at below market rate to finance the huge infrastructure that had to be created

3. Amongst a number of other contingencies, Disney would be paid a management fee and royalties based on the income produced from the park.

“The key to succeeding in any difficult negotiation, I’ve always believed, is the willingness to walk away at any point in the process.”

Our chief negotiator in the Euro Disney project was Joe Shapiro. It would be mild for me to say that both Frank and I drove Joe hard. Almost nothing he and his team achieved was good enough. Frank, as always, had no concept of whether it was 3pm or 3am when it came to work, and Joe would regularly get calls at ungodly hours of the morning asking for updates and being told to go harder.

We worked at a ratings scale from 1 to 10 on certain matters in the negotiation. We would drive Joe hard to go for a ten on an issue regarding interest rates or purchase prices etc. He would report back to us having achieved a 10 or sometimes a 12. In many cases, we would send him back with the bar raised again. To his credit, he achieved our lofty expectations on most points.

“Well, when you’re trying to create things that are new, you have to be prepared to be on the edge of risk.”

When it was all said and done we signed the papers with the new Prime Minister Jacques Chirac with a 49% ownership stake in the park. In addition, we were able to sell shares in the park while keeping our 49% ownership. We sold $1 billion worth of stock in the 1989 IPO.

HOW TO WORK THE FINANCES

Financial discipline is vital to any company, especially one as large as Disney. Our ‘financial box’ was made up of a number of initiatives.

- Forecast costs, revenues and profits for all ventures
- Create 5-year financial plans that require each division to produce clear, long term financial goals with budgets planned within a framework. This may not guarantee performance but it does make those responsible constantly reassess their business and be accountable.
- Create 20/20 goals, which focus on creating a 20% annual increase in revenue and a 20% return on equity to measure return on investment. By achieving those two 20/20 measurements your company, like ours did over the next decade, will come to be seen as a growth company for investors.

FIGHTING OFF BANKRUPTCY

However there were some dark clouds on the horizon. We had run into some operational issues, the biggest being insufficient revenue to support Euro Disney’s $4 billion of debt. Our attendance was strong but things like our hotel occupancy were well down from our projections.

To put a bandaid on the problem Disney funded Euro Disney $150 million to cover the anticipated shortfall and an extra $200 million to cover the start-up costs for a second gate for the park. Unfortunately that project had to be aborted.
EGG IN THE FACE

I arrived at an event launching our public offering at the French Stock Exchange with Disney Characters and a number of executives in tow. I was all smiles as I got out of the car to begin my short speech, but the various objects that started flying past my head quickly wiped the smile from my face.

It didn’t take me long to realise that we were in the middle of a demonstration of people critical of the deal the government had made with us. I managed to elude the various eggs and other objects and finished my speech, but before I knew it pictures of the event were being shown around the world.

This was a difficult time and we had to throw every resource we had at the project just to get it opened on time. We arranged for an extra 500 executives to be brought in for a 5-month period. We had logistical challenges, one of which was the hiring, housing and training of 12,000 cast members. By some miracle we managed to get it all done.

But we still had the issue of restructuring the debt. I knew we would need help from the banks and I set our team to work on that task. What I didn’t tell them was that if our discussions with the banks failed we would have to let the project go into bankruptcy or close it completely. These were drastic measures, but I was willing to act on them if the Disney Company was at risk.

What went on over the coming months was a high stakes poker game with neither the banks nor Frank and I willing to compromise. Negotiations had started in January and our March 31 deadline was quickly approaching.

In the end, a complicated financial arrangement was agreed upon in which Disney would defer all royalties and management fees for 5 years. The banks gave us a 16-month no interest period and deferred our principal payments for 3 years. Finally we would open up another $1 billion in new stock similar to our last public offering.

Euro Disney was financially stable again and was renamed Disneyland Paris.

“I spend far less time looking back in regret than I do looking forward in anticipation.”

THE JOURNEY CONTINUES

When I look at life now I see it as a race to simply get it all in. Looking at the future I see many things. I see my children being successful. I am grateful for my health and appreciate how fortunate I have been. You know, it amuses me as I think about it, but much of the time I still feel like a kid. I mean, I genuinely look forward to going to work most mornings.

And even though you would quickly surmise that I am certainly not the youngest face on display at one of our meetings, I am honestly relieved that I do feel that youthful energy.

Ever since I was a kid I have been an optimist. Sometimes I go to see the Mighty Ducks play ice hockey and, even if they are down by 3 goals with only minutes left, I still believe they will pull it off. And when it doesn’t turn out how I wished I don’t spend much time dwelling on it. There is too much to be done.

“Life is a race that I began when I was born but didn’t truly appreciate until I nearly died.”