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The response of multinational entertainment and media companies to unforeseen crises and risks – a case study

How can entertainment and media companies effectively manage their strategies in different segments during new challenges? A case study

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0. Abstract

This paper investigates the reaction of multinational companies in the entertainment and media (E&M) industry to different unforeseen crises and risks. The study is devoted to the research of the influence of new challenges on the E&M industry and the way how companies manage their strategies in response to various crises and risks. It is conducted through the anecdotal case study of the Walt Disney Company (TWDC), a major entertainment and media company. The article is directed at finding the answer to the research question "How can entertainment and media companies effectively manage their strategies in different segments during new challenges?" and hypothesizes that conglomerates have greater exposure to crises and risk than other organizations, and conglomerates that manage crises and risks can not only suffer but also win, and when crises or risks hit conglomerates they can offset the losses of one division with the success of another. After a thorough review of the literature on unforeseen crises and risk management, and companies' decisions about business units' management in the E&M industry, the author analyses the effects of different crises and risks, and the reaction of the industry as a whole and conducts an in-depth analysis via the example of TWDC. In the course of the study, the actions of companies in the moments of facing difficulties are analyzed and recommendations are given accordingly. The author also discusses the paper's limitations and highlights areas for potential further research.

Keywords: entertainment and media industry, crisis management, risk management, new challenges, business risk

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1. Introduction

This study looks at the entertainment and media industry, which is very much developing and expanding its segments. It should be noted that this sphere has undergone various changes over the past decades, especially since the advent of the Internet and the development of digital technology. After all, the concept of entertainment has become so broad that it involves not only going to the park or watching a movie but also digital games, streaming platforms, exclusive cruises, online concerts and exhibitions and other entertainment.

Entertainment and media companies such as The Walt Disney Company, Sony Corporation, NBCUniversal Media did not instantly become the conglomerates that they are now. Each of these companies has its own success story and vision for business expansion. Of course, there is a lot of attention to M&A in this area, as these companies acquired others in different segments or merged assets, which ultimately resulted in synergies, as well as enlarged media empires. This approach gives companies the advantage of synergies realized to scale and scope efficiencies, and the development of different sub-brands under one main parent brand, strengthening its power and influence in the industry. Companies started to merge several types of entertainment and create more valuable products, such as making movies in their studio and broadcasting it on their platform, using their own characters in their theme parks, and creating computer video games based on stories related to the characters of their own movies. This, for sure, gives them more operational capabilities, increased market share, profits and other advantages of vertical and horizontal integrations.

More recent developments have shown that there can be various events in the world that lead to unforeseen crises and associated risks. Coronavirus and subsequent alterations, earthquakes, acts of violence, political conflicts, advanced technology development, digitalization and other circumstances affect not only our daily lives but also the business. After all, all constraints and consequences bring their own adjustments to the management and performance of businesses. Businesses need to get out of difficult situations, analyze risks and look for new opportunities.

Companies operating in several countries are more exposed to risks as there is cultural and institutional distance. This makes companies' strategies more flexible and diverse. During the various contingencies that occur around the world or in individual countries, multinational companies must come up with different strategies for survival and growth. Some segments can suffer losses and decline in demand, while others can become more popular and generate more revenue.

Recent events related to COVID-19 certainly impacted the entertainment and media companies' business. Despite the fact that companies suffered losses during the pandemic and could not operate in any way in some segments, they could still find a solution how to adapt to the new realities and deliver the product to the consumer through other segments. Also, there are the economic consequences of Brexit, political conflicts between Russia and Ukraine, the strong introduction of digital technology into the life of the consumer and the interest in digital entertainment, the increase in intangible assets which leads to an increase in the risks associated with copyrights, trademarks, patents, the shifting of generation of consumers, the growing risks associated with the security of corporate data, the boycott of products related to the Chinese province of Xinjiang, the constant risks associated with climate change and other threats and risks surround the companies today. In addition, the LGBTQI+ discussion ban in Florida and the Johnny Depp scandal are extremely popular topics with the public, and have appeared on the crisis landscape very quickly, putting additional stress on the preparedness of the firm.

Actions of E&M companies during recent crises or current risks have not been fully studied yet. This study examines strategies deployed by E&M companies to deal with crisis effects and manage risks in different segments.

Therefore, this paper addresses the following research questions, and related sub-questions:

How can entertainment and media companies effectively manage their strategies in different segments during new challenges?

- *What changes have been brought to the E&M industry operations due to challenges caused by new crises and risks?*
- *What changes have been brought to the E&M industry's consumer behavior due to the new challenges caused by new crises and risk?*
- *How effectively do E&M companies manage their strategies to survive and/or bloom in unforeseen crisis times or to avoid and/or mitigate risks in different segments?*

The paper aims to show how anecdotes of recent crises and risks were managed by E&M companies by applying a case study of the Walt Disney Company.

2. Previous literature

A thorough review of the firm theory, the economy of intangibles, the business model in the E&M industry, organizational strategies, mergers and acquisitions, crisis management, risk assessment, and industry-specific information is necessary to describe multinational entertainment and media companies' response to unforeseen crises and risks.

2.1 Development of the entertainment and media industry: uniqueness, trends and tools

The entertainment and media industry (E&M industry) is part of the service sector of the economy and includes many sub-industries devoted to entertainment (US Legal, n.d.). Exhibition entertainment (amusement parks, festivals, museums, cruising) and mass media entertainment (musical theatres, cinema, television, radio, theatre, music, video games) are the most commonly known types of entertainment.

One of the most important differences between the E&M industry and others is the product and its perception. Whether it's visiting the park or watching a movie on a streaming platform, consumers are not consuming physical goods but intangible goods, i.e. the results of digital technology and IP. However, while going to the park or taking a cruise has limitations on the number of visitors, there are no limitations on the consumption of digital content (e.g. film, music) as such. The number of DVDs and Blu-ray discs sales has been decreasing year by year, as consumers prefer to consume them as intangible entertainment products rather than material goods. In 2014 digital download sales overtook physical media sales. Then in 2016 streaming revenue overtook digital downloads and physical sales (Pantano et al., 2016; Sweney, 2017). It turns out that for the E&M industry, the physical supply chain problem is irrelevant in most cases, as companies interact with the digital supply chain, where gadgets and the internet are the priority.

It's interesting that the consumer of a modern product in the E&M industry gets only emotions and feelings associated with getting impressions and pleasure from a product. Also in this industry, there are Satiation effects. According to the learnings of Hennig-Thurau and Houston, the sensations that we enjoyed when watching a movie or listening to music for the first time do not repeat. But when consumers watch the same movie or listen to the same song again, these products might produce only weak sensations, and then consumers will quickly experience satiation or have less satiation (Hennig-Thurau & Houston 2018). Accordingly, the

E&M industry focuses on the emotions and sensations of the consumer. This is important because it turns out that it is the customer who can shape the demand for a particular product or service, request new products, regulate the creation of competition, and customer can also choose the most liked or appropriate way to satisfy that need (Voronina, 2021).

The two-sided nature of entertainment and media products means that companies can make revenues not only from consumers but also from advertisers. Consequently, the business model in the E&M industry mainly includes two revenue sources: customers and advertisers (Hennig-Thurau & Houston 2018). While customer demand is shaped by 'what', 'when', and 'on what terms' customers are willing to buy, advertisers' demand is shaped by 'how much of content' they can advertise or 'how much of airtime' they are willing to buy. Now, with the time of developed streaming services, we are witnessing a clear reflection of the aforementioned business model with AVOD (Advertising-based Video on Demand) and SVOD (Subscription Video on Demand). So, the challenge for companies is to balance the needs of consumers and advertisers. Meanwhile, media companies that create content have a completely different level of business model, where revenue from content licensing is at the heart of the matter (Peckham, 2018).

Of course, the E&M industry has changed over the years. This is connected not only with the needs of people or the business realities of a particular time but also with the development of technology. At the end of the 19th-century people started going to the movies, in the early 1930s people started listening to the radio in their homes, in the 1950s there was the spread of television, from the 1980s people had personal computers, and in the 1990s there was already the internet. With the advent of the Internet, we can talk about social networks and the digitalization of many things. (Mukherji & Sengupta).

Some key issues and trends need to be mentioned because they have an impactful factor on the way how entertainment and media industry is developed today. From the 1980s companies actively started to create and acquire different divisions and segments to reach new categories of customers and increase profit. This is how companies like The Walt Disney Company, Warner Bros. Discovery, News Corp, Tribune Company, Sony Group Corporation and Comcast Corporation, Wanda Group, which we know today as multinational conglomerates in their industry, have risen (Stein & Evans, 2009).

The phenomena of vertical integration and horizontal integration are quite popular and applicable in the E&M industry. Vertical integration is known as the combination in one company of two or more stages of production normally operated by separate companies (Sippel, 2017). It shows the degree to which a company manages its upstream suppliers' products and its downstream distribution. The more company gets larger, the more vertical integration it has (Stein & Evans, 2009). A successful example of vertical integration is WarnerMedia, which owns Warner Bros. Television Studios, The CW Television Network, and Warner Bros. Home Entertainment. Consequently, they can release their film, broadcast it through the CW Television Network, and later release it on Warner Bros. Home Entertainment. Thus, WarnerMedia owns the content at every stage of the way to delivery to customers and all the steps including production, distribution, and exhibition were under the control of one company (Stein & Evans, 2009).

There is also an example of utilizing horizontal integration, which is characterized as a company strategy that is aimed at acquiring the assets of a competitor's company in order to increase the market share, or specific competitive skills. The Walt Disney Company acquired Pixar company, which to this day has had positive results for both companies and is an example of M&A deals' synergy effect. While Pixar is still creating and producing movies, Disney is helping it with distribution, marketing, and speeding up all processes (Furrer, 2010). This has resulted in increased profits, increased productivity, and a positive effect on the rebirth of Walt Disney Animation Studios (Iger, 2019).

It is becoming increasingly popular and makes sense for companies in the E&M industry to combine the assets of companies or buy the assets of another company or work on a collaborative project, which gives them the effect of synergy. Synergy refers to the dynamic where components of a company work together to produce benefits that would be impossible for a single, separately operated unit of the company (Dines & Humez, 2009). A perfect example of synergy or how companies agreed and produced a successful project from which everyone profited is 'Spider-Man: Homecoming'. The film was co-produced by Columbia Pictures (a member of Sony Pictures) and Marvel Studios (a member of the Walt Disney Studios) and distributed by Sony Pictures Releasing. After the success of the first film, they went on to work together on the sequels 'Spider-Man: Far from Home' and 'Spider-Man: No Way Home'. Despite the conflicts that arose between the companies over the production financing structure and profit-sharing from the film before the release of the second film, they were able to resolve them and go on to make the third film and succeed (Hazelton, 2019).

A special role in the development of the E&M industry is played by advanced technologies. Consumer requirements are becoming different, and more technological. Of course, the E&M market is also changing because of this. For example, the concept of streaming services has become widespread, which are represented by Spotify, Netflix, HBO and others (Stein & Evans, 2009). They allow us to listen to music content, and watch videos or television on that platform instead of downloading those content. Also, the emergence and development of Augmented Reality (AR) and Virtual Reality (VR) have greatly changed our vision of video games, and gamification on different gadgets, cinemas, museums, and theme parks (Jasoren). Also, the development of social networks, the rise in popularity of NFT and other innovations in technology are changing our vision of video games, and gamification on different gadgets, cinemas, museums, and theme parks (Jasoren). Also, the development of social networks, the rise in popularity of NFT and other innovations in technology are changing our vision of personalization of content for customers, methods of interaction with customers and distribution of services and products. Moreover, with the development of the company's technological products, the intangible assets which includes goodwill, brand recognition, and intellectual property (patents, copyrights, and trademarks) increase. Companies may face regulatory risks in different countries and IP thefts that can result in serious financial losses (Chalaby, 2018).

All these trends and the development of advanced technologies bring new opportunities for companies, but also risks and threats to which managers must respond.

2.2 Crisis and risks, and the entertainment and media industry

2.2.1 The nature of crisis and its management

When we talk about contingencies, we think of concepts such as 'disaster', 'crisis' and 'risk'. A disaster is a harmful event, which is described in the literature as natural destruction that is categorized as natural forces such as floods, hurricanes, tsunamis, and earthquakes (Stallings, 2005) and man-made disasters, that are categorized as the result of human intent, error, or as a result of failed systems, for example, terrorism, technological hazards, economic breakdowns, transportation hazards, war, etc. (The Office of Emergency Management, Monroe County).

According to Boin, 't Hart and Kuipers, a crises' study area is a temporal slice of the process through which a disaster comes and eventually downs. A crisis is defined as a threat to the basic structures or the fundamental values and norms of a system, which under time pressure and highly uncertain circumstances necessitates making vital decisions (Rosenthal, Charles, & 't Hart, 1989). It's suggested that the threat in question may still be averted if people, communities, institutions leaders, or systems rise to the challenge.

Generally speaking, a crisis has three components: threat, urgency and uncertainty. Any destruction, damages and other forms of adversity threaten the life-sustaining systems of a community and its values. It is important that what is a threat be truly perceived as a threat. When a crisis occurs, such as a change in the climate, an epidemic or a war, it does not have to be delayed, because it is necessary to respond to such acute moments. And of course, all threats are accompanied by high uncertainty (Boin, 't Hart & Kuipers, 2017). We cannot tell, for example, when the COVID-19 pandemic will end or what the ultimate consequences of Brexit will be. But these components lead us to the need to involve society and organizations in crisis management.

Identification of a threat to society and organizations and its elimination is an objective of crisis management. According to Pearson and Clair, organizational crisis management is a systematic attempt by organizational members with external stakeholders to avert crises or to effectively manage those that do occur. One of the well-known crisis framings is the '4Cs' framing created by Shrivastava. According to his framing, crisis studies can focus on four key aspects of crises: 'causes', 'consequences', 'caution' and 'coping'. Causes describe the circumstances that led to the crisis. Consequences are the immediate and long-term impacts. Caution describes the measures taken to prevent or minimize the impact of a potential crisis. Coping comprises measures taken to respond to a crisis that has already occurred. The '4Cs' frame can be considered as a crisis management model.

In addition to identifying a threat, crisis management is also needed to mitigate the effect of a threat that has occurred and to respond to its effects with changes. Therefore, Kingdon noted that a crisis may open up unforeseen 'windows of opportunity'. Hence, a crisis is not only a failure but also an opportunity.

To assess the crisis management of the company, it is necessary to understand the effectiveness of the company's actions in dealing with various crises. Researchers believe that actions such as early recognition, sense-making, decision making and coordination, meaning making, accounting and learning increase the effectiveness and legitimacy of crisis management (Boin et al., 2016).

Boin, Kuipers and Overdijk believe that the effectiveness of crisis management can be measured by the following three dimensions: Making things happen (to minimize the impact of a threat), getting the job done (to ensure the cooperation between previously unrelated agents and to enable 'workarounds' when routines and resources don't work as they were supposed) and fulfilling a symbolic need for direction and guidance. Nevertheless, it is difficult to say for sure whether a particular company has coped with the crisis that took them by surprise or not. It needs a thorough analysis and investigation.

2.2.2 The nature of risks and its management

There is a misconception that crisis management and risk management are the same. However, as we have already realised, crisis management focuses on the response to the crisis. At the same time, it should be understood that risks that are poorly managed can lead to a crisis.

Risk management is a process that looks at the present and the future, and aims to identify, assess and mitigate any potential damage to the business (Willmer, 2016). Crisis management can be said to be responsible for a reactive process looking at unforeseen events, while risk management is responsible for a proactive process looking at foreseeable events (Terms Compared, 2019).

In a business or enterprise context, it is common to distinguish between strategic risk, financial risk, and operational risk (Aven E. & Aven T., 2015). Strategic risks are defined as consequences for the enterprise that are influenced by mergers and acquisitions, technology alterations, competition, political conditions, laws and regulations, labor market changes, etc. Financial risks are defined as consequences for the enterprise that are influenced by the market, i.e., the stock prices, interest rates, FX rates, debt/equity issues), earnings management etc. Operational risks are defined as consequences for the enterprise that comes from the result of internal structure, systems, decision-making, processes, safety issues, etc. In addition, there are several sources that include compliance risk, reputational risk, and political risk among business risks. (Kenton, 2022; Borad, 2022). Compliance risk is the threat to a company's financial, organizational, or reputational standing resulting from violations of laws, regulations, codes of conduct, or organizational standards of practice. Reputational risk is the potential for negative publicity, public perception, or uncontrollable events to negatively impact an organization's reputation, thereby affecting its revenue. Political risk is a threat to results from unstable political conditions or new legislation that may affect a company or sector.

Aven E. and Aven T. describe that the current approach to assessing the effectiveness of risk management is based on the achievement of strategic objectives, and performance is measured using key performance indicators (KPIs). In this approach, the risk is the influence of uncertainty on the achievability of a goal. Consequently, risk management effectiveness is measured in terms of the likelihood of achieving the objective, i.e. the target KPIs.

2.2.3 The influence of crises and risks on the entertainment and media industry: new challenges and consequences

There are crises and risks in absolutely every business industry. However, the challenges and consequences they entail vary from industry to industry. This study looks at more recent crises and risks that are relevant today.

One of the crises of recent times is the novel coronavirus 2019, currently designated as COVID-19. It brought some changes in our lives starting in 2020. Words such as 'lockdown', 'quarantine', 'working/studying remotely', and 'restrictions' have become increasingly common in our speeches. Because of the pandemic, various public activities have been canceled or postponed for some time, and people have been forced to spend time at home. E&M companies canceled their scheduled events (concerts, premieres, competitions, festivals, cruises, etc.) and this naturally affected the revenues of the industry. According to the PwC report, for 2020 the global E&M revenue declined by 3.8%, from US$2.1tn in 2019 to US$2.0tn in 2020, the most significant year-on-year drop in the history of the Global Entertainment & Media Outlook.

After the relaxation of restrictions, people gradually began to return to the old regime, but with new rules. For example, COVID-19 preventive measures (distance, masks, sanitizers), the limited number of people in public places (cinemas, restaurants, museums, sports grounds, etc.), travel restrictions (closed borders for tourists), etc. This, of course, has an impact on different business segments and consumer behavior.

Companies in the E&M industry are constantly reviewing their strategies for different segments. Deloitte mentioned in its report that focusing on a single line of business could become increasingly risky and more top providers look to expand their business units across entertainment categories (Deloitte, 2020). For example, The Walt Disney Company (TWDC), which has two main segments Disney Media and Entertainment Distribution (DMED) and Disney Parks, Experiences and Products (DPEP), reported that in 2020 the DPEP segment was at great risk because theme parks, resorts, cruise ships and guided tours were closed. While revenue from the DMED segment grew by 12.9 points in 2020 compared to 2019, the DPEP segment saw a 36.4 points drop (The Walt Disney Company, 2022). Operations in the DPEP segment depend on government-mandated restrictions due to COVID (density limitations, travel restrictions, health requirements, logistical limitations) and therefore it faced disruptions in the business that it could not influence. It should be noted that by operating in two segments, TWDC avoids the risk of bankruptcy in such times. Nevertheless, working as before is no longer possible, and the only thing left to do is to adapt and build on it.

During the pandemic, entertainment took on a broader notion. The world has been attending 'online concerts' of famous collectives and singers (London Symphony Orchestra, Andrea Bocelli, Lady Gaga, etc.), 'online concerts' (Netflix, HBO Max, Disney+, etc.), 'online museum tours' (Louvre Museum, Vatican Museum, etc.), participating in online marathons (Global Virtual Run), and meeting online in ZOOM, Instagram and other social platforms to celebrate birthdays and other events we have learned. Thus, the behavior of the average consumer has changed. The consumer has become more adapted to online products and has an increasingly positive attitude towards them. The high level of online penetration prior to the pandemic is an unavoidable process. In 2020, McKinsey & Company conducted COVID-19 consumer pulse surveys all over the world. The results showed that in the entertainment industry, namely entertainment at home, books, magazines, newspapers, consumer electronics, fitness and wellness more people expect to make a portion of their purchases online post COVID-19 than before (McKinsey & Company, 2020). Since the media industry can offer intangible goods to its consumers, it has received a new set of opportunities during the pandemic.

Dynamic advances in technology and online penetration present several risks for firms. First, continued advances in technology may create new challenges for businesses by increasing competition, as well as altering the relationship between consumers and providers in the creation and delivery of content. Difficulties may arise in meeting consumers' current expectations and future ones (PwC, 2021). Second, cyber-attacks and data protection issues. For example, streaming platforms like Netflix and Spotify are reliant on uninterrupted services. Cyber-attacks can not only be operational risks that disrupt the system of the platform itself but also imply reputational risks, as there may be a lack of trust from partners and consumers regarding the company's professionalism and data protection. According to the Communications and Media Survey 2020 conducted by Accenture, only 36% of consumers trust technology companies to safeguard their personal data appropriately over other companies such as their wireless mobile or internet provider (World Economic Forum, 2020).

Another strategic risk that is very relevant to any company today is doing business with a country involved in a political conflict and which is creating a crisis for another country. Acts of violence carry not only security risks for companies but also reputational risks, operational risks, and, of course, financial risks. The political conflict that escalated into a Russian military invasion of Ukraine has caused many foreign companies to withdraw from the Russian market (Financial Times, 2022).

Risk mitigation has become a key point of corporate strategy in the media and entertainment industry because it presents the greatest possibilities of loss for that industry (Chalaby, 2018). And in the case of many E&M companies, where the brand is sold to consumers through intangibles rather than physical goods, there is a lot of focus on the company's image.

3. Methodology

This paper presents qualitative research on the influence of crises and risks on the entertainment and media industry. As a qualitative, anecdotal analysis on a specific case study, the research presents the overall reaction of the industry and then focuses on a single company chosen in a way so that the results of the paper may be determined how they could be representative of the entertainment and media industry.

Since new and relevant crises and risks are investigated in this paper and there is a lack of recent research on that topic, qualitative research is more applicable. Also, qualitative research is used to understand thoughts, concepts, or experiences. In this study, the aim is to understand the strategies of companies to manage crises and risks. As a result, we can have hypotheses or formulated theories that explain the nature of the actions of the companies.

Due to the nature and topic of this paper, secondary data collection was chosen as an appropriate method for the qualitative and quantitative analysis. To increase the validity of qualitative research results, it is advisable to apply triangulation, that is, the use of data collected from different sources by different methods, by different researchers, and if possible, by all triangulation techniques that have the necessary reliability. Personal bias are minimized.

The research is based on various academic papers to support the literature review. However, due to the relatively recent nature of the phenomenon, it is necessary for the analysis to rely on other sources, specifically on articles published by non-academic organizations.

The Walt Disney Company was chosen for a case study for a number of reasons:

- As a listed company with a century of legacy, there was extensive available information on the firm;
- The company has two main segments in the E&M industry, which makes its experience unique and broad on a global scale;
- As a global player, TWDC operates in different territories that have own culture and institutions. This fact increases the number of risks that global companies have faced or may face;
- The company is one of the bigger players in the field of E&M, which makes it a significant representative for study, and has the largest E&M global brand.

Through a single case study of the large global conglomerate in E&M industry and several anecdotes of crises and risks, this paper poses the hypotheses that:

H1: Conglomerates have greater exposure to crises and risk than other organizations;

H2: Conglomerates that manage crises and risks can not only suffer but also win;

H3: In times of crisis or risk, the conglomerate can offset the losses of one division with the success of another.

Information regarding the performance and the strategic decisions of the company has been gathered and are further analysed in the following section.

4. Analysis

4.1 Recent strategic reorganizations and company profile

Almost 100 years ago, in 1923, the family-owned American company Disney Brothers Cartoon Studio, which we now know as The Walt Disney Company (TWDC), was founded. Within a century, the company expanded its entertainment and motion picture businesses, conquering the world and becoming one of the conglomerates in its industry. According to the Fortunes' rating of World's Most Admired Companies in 2022, Disney is holding the 5th spot on that list among all companies and 1st spot among Entertainment companies (Fortune, 2022).

Throughout its existence, the company has made few changes in the organizational structure of the company, related to global trends, market demands, the financial performance of the company, and other circumstances. Over the past 10 years, the company has made three changes to its segment organization. Thus, we will look at TWDC's strategic reorganizations that occurred in 2015, 2018, and 2020 (Table 1).

Table 1. Strategic Reorganizations of The Walt Disney Company in 2015, 2018 and 2020

	Date	**Reorganization of the segments**	**Key subject**	**Reasons**
1	2015	From 5 segments (Media Networks; Parks and Resorts; Studio Entertainment; Consumer Products; Interactive) into 4: • Media Networks • Parks and Resorts • Studio Entertainment • Consumer Products & Interactive Media	Merger of two segments, Consumer Products and Interactive.	This change was caused by changing consumer preferences in a technology-driven marketplace. There was a need to creation of new immersive products based on cutting-edge technologies
2	2018	From 4 segments (Media Networks; Parks and Resorts; Studio Entertainment; Consumer Products & Interactive Media) into 4: • Media Networks; • Parks, Experiences and Products; • Studio Entertainment; • Direct-to-Consumer & International (DTCI)	The combination of Parks & Resorts and Consumer Products & Interactive Media to create Parks, Experiences and Products Creation of DTCI	The merger of Parks & Resorts and Consumer Products & Interactive Media was caused by the idea of uniting Products and Parks retail and e-commerce operations. The creation of the DTCI was caused by the need of delivering entertainment and sports content to consumers through global media. Furthermore, the upcoming Disney-branded streaming service, the Company's stake in Hulu, and the upcoming ESPN+ streaming service affected this change at that time.
3	2020	From 4 segments (Media Networks; Parks, Experiences and Products; Studio Entertainment; DTCI) into 2: • Disney Parks, Experiences and Products (DPEP) • Disney Media and Entertainment Distribution (DMED)	The combination of Media Networks, Studio Entertainment and DTCI to create DMED	The creation of the DMED was caused by the idea of centralizing its media businesses into a single segment that will be responsible for content distribution, sales, and advertising. The main focus is on the creation of original local and regional content for its streaming services (Disney+, Hulu, ESPN+ and Star+)

Modified from sources: TWDC, 2015; TWDC, 2018; TWDC, 2020

The company significantly reduced the number of segments from 5 to 2 within 5 years by merging and also creating new ones. By evaluating how and why the company's segments were reorganized, we can conclude that the company acted according to the technological breakthrough in the field of media and entertainment, and encouraged new technology's ability to erase boundaries between different businesses.

The Disney Media and Entertainment Distribution (DMED) segment (as a division) includes businesses such as Linear Networks (Domestic and international channels – ABC, Disney, ESPN, Freeform, National Geographic, Fox, Star; Television networks), Direct-to-Customers (streaming services Disney+, Disney+ Hotstar, ESPN+, Hulu and Star+), Content Sales/Licensing. DMED has 4 content-creation groups which are Studios Content (Walt Disney Pictures, 20th Century Studios, Marvel, Lucasfilm, Pixar and Searchlight Pictures), General Entertainment Content (creating general entertainment episodic and original long-form content for the Company’s streaming platforms and its cable and broadcast networks that are based on the content of 20th Television, ABC Signature and Touchstone Television; ABC News; Disney Channels; Freeform; FX; and National Geographic), Sports Content (providing live sports programming, news and sports-related content for the cable channels, ESPN+, and ABC) and International Content and Operations (pipeline of local and regional content for the streaming services). TWDC's main competitors in this segment are Comcast Corporation (owners of NBCUniversal), Sony Group Corporation (owners of Sony Pictures Entertainment, Columbia Pictures), Warner Bros. Discovery (HBO owners), Netflix, Amazon Subscription Services, and Paramount Global (formerly ViacomCBS).

The Disney Parks, Experiences and Products (DPEP) segment (as a division) includes businesses such as Parks & Experiences (Theme parks and resorts - Walt Disney World Resort in Florida, Disneyland Resort in California, Disneyland Paris, Hong Kong Disneyland Resort, Shanghai Disney Resort, Tokyo Disney Resort; Disney Cruise Line, Disney Vacation Club, National Geographic Expeditions, Adventures by Disney and Aulani, a Disney Resort & Spa in Hawaii) and Consumer Products (Licensing of IP to various manufacturers; Sale of branded merchandise through retail, online and wholesale businesses). Its main competitors in this segment are Comcast (owners of NBCUniversal), Six Flags Entertainment Corporation, and Cedar Fair Entertainment Company).

TWDC is an example of a conglomerate that owns other companies operating in different segments. The main advantage for companies that form a conglomerate is risk diversification and investment attractiveness. Essentially, a conglomerate can consist of several, dozens, or even hundreds of subsidiaries operating in different markets and industries. If one or more subsidiaries perform poorly for various reasons, the conglomerate may rely on many other companies to generate profits. However, there is a corporate vulnerability and unified image which can prove to be a disadvantage for conglomerates, as the entire company can be affected by how its subsidiaries are managed. It is important to manage a conglomerate and its subsidiaries in a proper manner so that the parent company can diversify its risk. If the company does not properly evaluate the overall risk arising from each subsidiary business, it can end up costing the conglomerate much more (Staff, 2022).

True conglomerates have become a rarity since the restructuring of global finance in the 1980s. Due to increasing pressure from investors to maximize shareholder value and returns, many conglomerates were tagged with ‘conglomerate discounts’; since all divisions of the firms were under one corporate umbrella, under one company stock listing, the returns on equity from the segments performing above the firm’s average were penalized, or discounted by the segments performing lower. Thus, shareholder pressures to divest of underperforming divisions increased, and conglomerates lost favor. TWDC, however, remained one of the few firms that retained a conglomerate status.

Despite all the changes in the market and external circumstances, TWDC has had growth in earnings with the exception of 2020 (6.1 points drop) and 2017 (0.9 points drop) (Table 2). The decline in revenues in 2017 is due to the less successful ESPN performance, and losses from equity investments in BAMTech and Hulu. The decline in revenues in 2020 is explained by the fact that the DPEP segment could not operate in the former regime due to COVID-19, as well as lower profits from theatrical distribution and stage plays, advertising, and sales of television and film programs to third parties.

Revenue performance is relatively steady and generally tends to increase, but EBITDA is subject to constant fluctuations (Table 2). Between 2016 and 2018, when the year-on-year percentage change in EBITDA compared with the previous year was approximately 8%, this indicator decreased by 4 points in 2017, which may be because TWDC experienced declines in revenues from theatre and home entertainment distribution, advertising, and merchandise licensing, as well as discontinued Disney Infinity (video game series) and invested significantly in Hulu and BAMTech. However, large revenues came from the just-opened Shanghai Disney Resort, which had just opened at that time. Then in 2018, EBITDA increased by 8 points which could be due to TWDC generating higher revenues in theatrical distribution, TV/SVOD distribution, and parks, and also increasing its stake in BAMTech. In 2019, TWDC acquired Twenty-First Century Fox and completed the consolidation of Hulu, which may have impacted EBITDA. In 2020, EBITDA decreased by a record 73.3 points, which can be explained by the impact of the pandemic and a decrease in sales of television and film programs to third parties. Subsequently, the negative impact of the pandemic on theme parks, resorts, cruise lines, cinemas, stage plays, and advertising revenue was partially offset by an increase in subscription revenue at Disney+, Hotstar, and Hulu. In this example of EBITDA fluctuations, we can see how the TWDC conglomerate was able to hedge its risks related to a decrease in profitability in one segment (i.e., Media) and offset it by an increase in profitability in another segment (i.e., Parks) in 2017 and vice versa in 2020. The calculation of the EBITDA indicator can be found in Appendix 1.

The proportions of revenues from DMEDs and DPEPs have changed significantly over the last 7 years (Table 2). While in 2015 the proportions were 58.4% and 41.6% respectively, in 2021 the proportions are 75.4% and 24.6% in favor of DMED. These numbers indicate that the company remains profitable and successful with a focus on entertainment digital products for the public.

Table 2. Revenues and EBITDA of TWDC, 2015-2021 (in millions of USD)

Current segments	**Previous segments**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Disney Media and Entertainment Distribution	Media Networks	50,866	28,393	24,827	24,500	23,510	23,689	23,264
	Studio Entertainment		9,636	11,127	9,987	8,379	9,441	7,366
	Direct-to-Consumer & International		16,967	9,386				
	Eliminations		(6,646)	(2,519)				
	Total DMED	50,866	48,350	42,821	34,487	31,889	33,130	30,630
Disney Parks, Experiences and Products	Parks and Resorts	16,552	17,038	26,786	20,296	18,415	16,974	16,162
	Consumer Products				4,651	4,833	5,528	4,499
	Interactive (Media)							1,174
	Total DPEP	16,552	17,038	26,786	24,947	23,248	22,502	21,835
Total revenue		67,418	65,388	69,607	59,434	55,137	55,632	52,465
% change compared with the previous year		**3.1%**	**-6.1%**	**17.1%**	**7.8%**	**-0.9%**	**6.0%**	**-**
Share of DMED from total revenue		75,4%	73,9%	61,5%	58,0%	57,8%	59,6%	58,4%
Share of DPEP from total revenue		24,6%	26,1%	38,5%	42,0%	42,2%	40,4%	41,6%
EBITDA		9,078	5,093	19,061	18,314	16,955	17,655	16,339
% change compared with the previous year		**78.2%**	**-73.3%**	**4.1%**	**8.0%**	**-4.0%**	**8.1%**	**-**

Source: Own edition based on TWDC annual reports of 2015-2021

For comparison, the total revenues in 2021 of the major E&M companies that make rivalry with the Walt Disney Company can be found in Table 3. Since Sony Group Corporation is a Japanese company, it publishes its financial data in the Japanese Yen. For the sake of comparison, the figures were converted into U.S. dollars using the spot exchange rate between the U.S. dollar and the Japanese Yen, which stood at 1:121.39189 on the 31st March 2022 when the financial year closes in Japan (XE.com Inc., 2022).

Table 3. Total revenues of major E&M companies, 2021 (in millions of USD)

Company	**2021**
The Walt Disney Company	67,418
Comcast Corporation	116,385
NBCUniversal (owned by Comcast Corporation)	34,319
Sony Group Corporation	81,731 (9,921.5 Bln Yen)
Warner Bros. Discovery	12,191
Paramount Global	28,586
Netflix	29,698
Amazon Subscription Services	31,768
Six Flags Entertainment Corporation	1,497
Cedar Fair Entertainment Company	1,338

Source: Own edition based on annual reports of mentioned companies, 2021

The figures clearly show the dominance of Comcast Corporation in terms of revenue. The rivalry between the two conglomerates can be seen in the theme park, network television, theatrical productions, and streaming businesses, and even in the United States' acquisition of the fourth-largest media conglomerate Twenty-First Century Fox (Havard, 2020). Moreover, Comcast wanted to buy out Disney in 2004 but was turned down (Sherman A, 2018).

In general, major E&M companies, including Disney and Comcast, have been accused of consolidating and monopolizing the industry, which entails destroying competition and threatens the viability of other creative companies. However, now is a time for tech companies like Netflix, Amazon, Apple and etc. And to better compete with them, traditional companies like Disney have to acquire the right assets (Katz, 2019). In addition, it may be easier to deal with various crises and risks if a company operates as a conglomerate with numerous subsidiaries. Disney may still see this as a positive offset of any potential conglomerate discount.

4.2 The reaction of the Walt Disney Company as a response to a certain new crises and risks

In this chapter, we will look in detail at the crises and risks TWDC has faced and how it has responded. I will make some suggestions on the breakdown of what strategies it is pursuing and assess the effectiveness of these actions. All events are listed in chronological order.

Video Streaming service (Strategic and operational risk)

One of the risks for companies in the E&M industry is advanced technology development. Digital entertainment is a reality that companies cannot ignore. In September 2006, Amazon created its Amazon Prime Video service (current name Prime Video), which allowed to download and watch digital copies of movies and TV shows. Then, in 2007, other international streaming platforms Netflix and Hulu appeared, in 2010 - iQiyi, in 2015 - Hotstar and Youtube Premium, in 2018 - ESPN+, in 2019 - Apple TV+ and Disney+, in 2020 - HBO Max and Peacock, in 2021 - Discovery+ and Paramount+ (Wikipedia, 2022).

There is an opinion that TWDC launched its own Disney+ platform perfectly in time, making the wait enjoyable for TWDC fans and a couple of months before lockdown due to COVID-19, giving it a good start in terms of subscriber numbers (Runkevicius, 2020). However, there are also criticisms saying that TWDC was quite late in launching its streaming platform, as at the time of its launch its big competitors were the first movers - Netflix and Amazon (Prime Video), and more recently, it was announced that Discovery+ and HBO Max would become a single platform (Maas, 2022). There was also the risk that people would not want to change their subscription or take out a new one. Experts say this decision is the biggest risk for management (Scribner, 2019). While Bob Iger, former CEO of TWDC, said it would have been a bigger risk to sit back and do nothing as customers switch from cable to streaming platforms and he argued that it's necessary to launch because customers want that kind of entertainment and it's the opportunity for the company to grow (Youtube, 2019).

Two years before the launch of its platform, TWDC announced that it would stop licensing new content to Netflix in anticipation of starting up its own streaming service in 2019 (Castello, 2017). Thus, TWDC noted that it will offer original and exclusive content on its platform and the company actually has the largest own-content library; a significant advantage where many of its competitors have to purchase content with considerable copyright costs. This is an advantage that it has had and has taken advantage of it to develop its own platform.

In addition, at the time of the launch of Disney+, TWDC already included subsidiaries such as Hulu and ESPN, which gave TWDC not only experience in streaming but also a 'Bundling' marketing strategy, which it used to create a bundle package of all three services for cheaper prices (Alexander, 2019).

As for the pricing strategy - this is definitely Penetration Pricing (Campbell, 2020). Since the biggest share of the Disney+ subscribers is the US market, the US market pricing will be taken as an example. When the company launched its platform in November 2019, the monthly subscription price was $6.99, while the main competitors (Netflix and Amazon Prime Video) were priced at $8.99 (Table 4). This strategy helped TWDC to establish its place in the market, compete with the main stars of this business, and confidently raise the price.

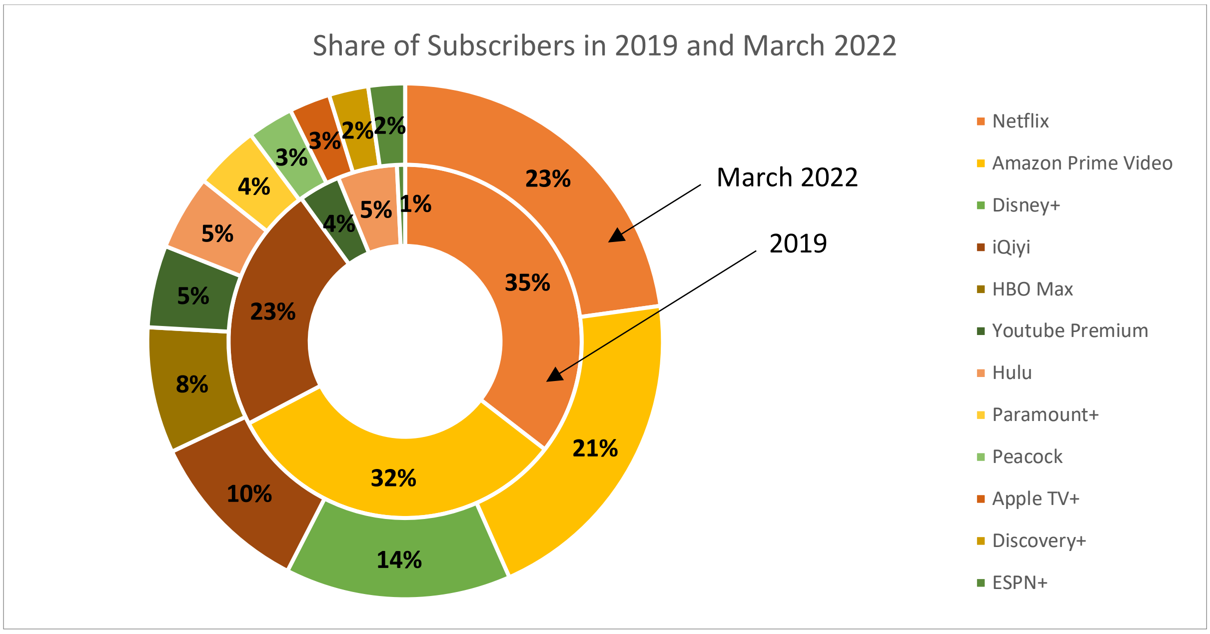
Table 4. The price of the cheapest subscription of streaming platforms

	2019	**2020**	**2021**	**2022**
Disney+ (Standard)	6.99	6.99	7.99	7.99
Disney+, Hulu, ESPN+ bundle (Standard)	12.99	12.99	13.99	13.99
Amazon Prime Video (only Video)	8.99	8.99	8.99	8.99
Netflix (Basic)	8.99	9.99	9.99	9.99
iQiyi (Standard)	wasn't available in the US	6.99	8.99	8.99
Youtube Premium	11.99	11.99	11.99	11.99
Apple TV+ (standard)	4.99	4.99	4.99	4.99
HBO Max (ad-supported since 2021)	-	14.99	9.99	9.99
Peacock (free version)	-	Free	Free	Free
Discovery+ (ad-supported version)	-	-	4.99	4.99
Paramount+ (Essential Plan)	-	-	4.99	4.99

Source: Own edition based on platforms' websites

Before Disney's launch into the streaming market, Netflix and Amazon's share of subscribers in 2019 was about one-third each, i.e., 35% and 32% respectively (Figure 1) and they were dominant players. Even with the launch of Disney+, its shares declined slightly, we still can see that the absolute number of subscribers increased, which means the growth of the streaming market (Table 5). The analysis of TWDC management's forecast of its subscriber numbers and comparison with its competitors was done. According to Table 5, we can see that the growth in the number of streaming subscribers is not only typical for Disney+, but also for other companies. This indicates a growing trend in demand for streaming services. However, it should be noted that the growth rate of Disney+ subscribers is higher than that of its competitors. Between 2020 and the first quarter of 2022, the number of subscribers grew by 64 million, an increase of 86.8 points. Remarkably, in 2019, even before the launch of the platform, the company's management predicted that the number of subscribers would be between 60 and 90 million by 2024 (Jarvey, 2019). However, at the beginning of January 2021 (based on Q1, 2021 results) the number of its subscribers was already 94.9 million. It can be said that the company has met its target in an earlier timeframe.

Figure 1. Share of Subscribers in 2019 and March 2022



Source: Own edition based on Table 5

Table 5. Subscribers' number (in millions of people)

	2019	2020	2021	March, 2022
Disney+	-	73.7	118.1	137.7
Hulu	25.6	32.5	39.7	45.6
ESPN+	3.5	10.3	17.1	22.3
Amazon Prime Video	150	200	200*	200*
Netflix	167.1	203.7	221.8	221.6
iQiyi	106.9	110.3	101.6	101.4
Youtube Premium	18	30	50	50*
Apple TV+	-	10	20	25
HBO Max	-	38	73.8	76.8
Peacock	-	-	24.5 (9 million are paying customers)	28 (13 million are paying customers)
Discovery+	-	-	22	24
Paramount+	-	-	32.8	39.6

Source: Own edition based on companies annual reports (2019-2022), Statista (2019-2022, CNBC (2019-2022), Variety (2019-2022)

**as of lack of updated number, this number was copied from the previous period*

Given the above-mentioned arguments, it can be said that TWDC really justified its risks when it entered the streaming game. Its strategies and decisions regarding content, pricing, and subscribers have benefited its streaming business. Even if the company reports increasing revenues in Direct-to-Consumer segment (Table 2), it also still reflects operating losses (Table 6). Because, the company spends enough money on technology, acquisitions, and maintenance of other media companies (e.g., Twenty-First Century Fox) and platforms (e.g. Hulu), as well as maintaining the new division. Therefore, it cannot be said that it is the streaming segment that currently keeps the company afloat, as it seems like the Linear Networks segment does it.

Table 6. Operating income (loss) statements of TWDC, 2020-2021(in millions of USD)

		2021	**2020**
DMED (*goods delivered by telecommunications*)	Linear Networks	8,407	9,413
	Direct-to-Consumer	(1,679)	(2,913)
	Content Sales/Licensing and Other	567	1,153
	DMED, Total	**7,295**	**7,653**
DPEP *(physically delivered goods)*	Parks & Experiences	(2213)	(1696)
	Consumer Products	2,684	2,151
	DPEP, Total	**471**	**455**

Source: Own edition based on TWDC annual report, 2021

However, the achievements of Disney+ can also be attributed to the impact of COVID-19 when many streaming platforms increased their revenues. The research agency Kantar stated that people will now think more soberly and reduce their spending on streaming platforms, supporting their claim with the increasing number of cancellations (Sweney, 2022). Therefore, the best option for TWDC is not to put all resources into streaming, but also keep supporting other segments as a conglomerate.

Great East Japan Earthquake - Tohoku Earthquake (Operational risk)

On 11 March 2011, a magnitude 9.0 earthquake struck north-eastern Japan, officially named the 'Great East Japan Earthquake'. The earthquake triggered the largest tsunami and the disaster led to the development of a severe accident at the Fukushima Daiichi nuclear power station. The event was a tragedy for the country, with nearly 20,000 thousand people dead and tens of thousands left homeless (Takemoto et al., 2021).

TWDC licenses the IP for the Tokyo Disney Resort to a Japanese company named The Oriental Land Company, which wholly owns and operates this business. This resort is not so close to the epicenter of the earthquake in 2011 (about 400 km), but still, the whole country faced the consequences of this disaster, floods, and suspended traffic. This earthquake falls into the category of crises forced by natural disasters. Such events cannot be predicted, but it is good to be prepared for such situations.

At the time of the earthquake, about 70,000 people were inside the Tokyo Disney Resort, namely Tokyo Disneyland and Tokyo DisneySea. Fortunately, there were no fatalities or injuries at the resort. The entire staff worked smoothly: informing people of the incident, providing them with food, shelter, accommodation, self-protection items, blankets, and other necessities, and ensuring everyone's peace and comfort. Visitors witnessed how prepared the park staff were for emergencies. They remarked how much the cast members were the real heroes in this situation and many guests left the resort with positive feelings about their experience during the earthquake consequences (Lloyd, 2022). People said and wrote that 'there was no other place they would have preferred to be at that moment than Disney' or that 'bad things did not happen at Disney but only miracles' (Roberts, 2012).

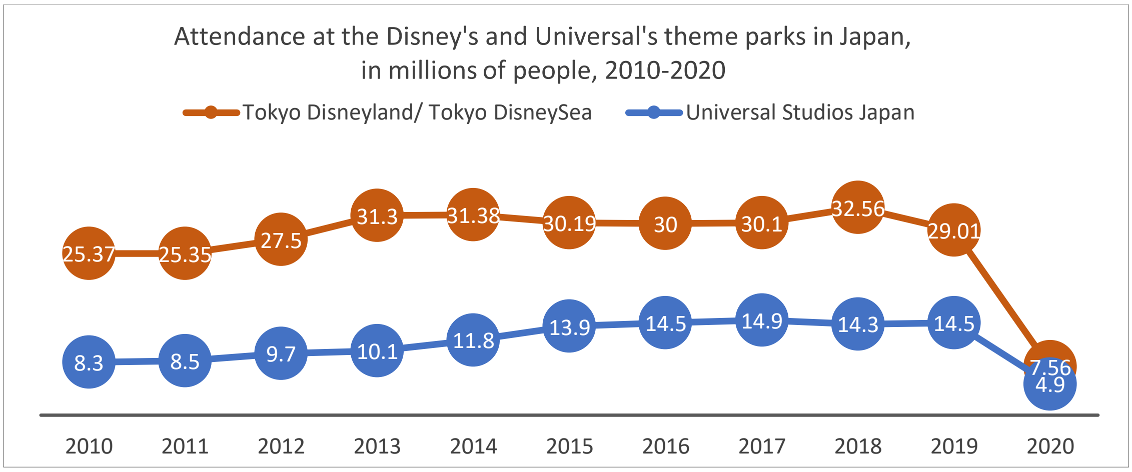
There was no serious damage to the resort as it was designed to be safe in the event of a strong earthquake. However, Tokyo Disneyland was closed for inspection and restoration until 15 April and Tokyo DisneySea until 28 April. Since the opening of the resort, management has arranged donations from park ticket sales and resort hotel revenues to the Japanese Red Cross to help those affected by the earthquake (Roberts, 2012).

Certainly, the security at the resort, the preparedness of the staff, the facilities for customers during emergencies, and donations only furthered positive image construction for Disney. It succeeded in its response to the earthquake crisis. It should also be noted that TWDC has chosen the right partner to protect and maintain its reputation in Japan.

One of Tokyo Disney Resort's competitors is the Universal Studios Japan amusement park, which is located in Osaka. In 2018, there was a magnitude 6.1 earthquake in Osaka City on the early morning of 18 June (McCurry, 2018). The park was not affected, but it opened later than usual that day, while another park in Osaka, Hirakata Park, was closed for the day (Nikkei Asia, 2018). Afterward, internet users discussed if it was wise and safe to open the park that day, even though there was no significant damage to the park (Ruide, 2018).

Overall, an analysis of attendance at major amusement parks in Japan, a seismically hazardous country, shows that natural disasters do not frighten consumers as much (Figure 2). The annual growth in the number of visitors to Tokyo Disney Resort increased every year until the COVID-19 pandemic (in Japan, the financial year is from 1 April to 31 March) and so in FY2019 we see a significant drop in the indicator. Probably because the country has a lot of experience with earthquakes, tsunamis, typhoons, etc. Therefore, for TWDC to continue licensing the theme park rights with a credible partner is a good prospect that is actually favorable for the company's image and safe in terms of reputational and financial risks.

Figure 2. Tokyo Disney Resort and Universal Studios Japan Annual Attendance, in millions of people, 2010-2020



Source: Own edition based on The Oriental Land Company annual report (2021), Statista (2022)

Cyber crisis (Operational risk)

As mentioned earlier, with increasing digitalization and technological development, the risk of a cyberattack is also increasing. This risk has not escaped TWDC. On the first day of the launch of its streaming platform Disney+ in November 2019, many users reported that they were unable to log into their paid accounts, their credentials had been changed without approval, they were unable to access certain content, use other site features and connect from certain gadgets (Spangler, 2019). The helpdesk was overloaded with appeals from users and social media was full of angry comments from Disney fans. Disney+ decided to refer to unexpectedly high demand. However, it was reported on the internet that cybercriminals may have launched a massive cyber-attack on the new Disney+ streaming service, with hackers obtaining passwords and usernames and then selling them on Dark Web hacking forums for $3-$11 (Lindsey, 2019). The big problem here is that Disney allows one account to be used to log into Disney+, ESPN, Disney resort and Disney Vacation Club, etc. For the victim, losing access to their personal account to one of the Disney sites could threaten to lose access to all other Disney services (Poza, 2019).

A couple of days later, Disney+ management responded that only a small percentage of the service's 10 million-plus users had seen their usernames and passwords compromised and denied the evidence of a security breach (Spangler, 2019). This case can be classified as a cyber crisis, as it refers to a serious incident that has the potential to cause significant financial loss or reputational damage. According to the categories of crisis response strategy identified by Coombs, the Disney+ response fits into the 'Denial' category. In this strategy, managers assert that there's no crisis. Coombs in his theory indicated that for rumors, crisis managers are recommended to add the denial crisis response strategy and it's going to be the most defensive strategy (Coombs, 2007). Disney+ actions may have been correct in this situation, as not only companies but also users themselves may be responsible for leaks of personal information.

According to experts, small businesses are easy targets for hackers because they have weak data protection (Segal, 2022). According to most risk management experts surveyed by Allianz Global Corporate & Specialty, the biggest business risk in 2022 will be cybercrime (Zandt, 2022). That is, any business can be exposed to such a risk, and the smaller it is, the greater the likelihood of such a risk. For Disney, which has already entered the streaming business with confidence, it remains to accept this risk as fact. However, the recurrence of such a case threatens the company with more serious consequences, as after this case there was a lot of criticism of TWDC with advice to improve the security system, implement the use of 2FA and make it possible for a user to view all other devices connected to Disney accounts (Malwarebytes Labs, 2019).

Brexit (Strategic risk)

Announced on January 31, 2020, the divorce process between the United Kingdom and the EC was finally completed on December 31, 2020. Brexit, once a political risk, has now become a reality, and we, therefore, view its consequences as a strategic risk. Of course, it is not entirely clear what to expect from this event, but companies need to be prepared for the risks.

Disneyland Paris, one of TWDC's resorts and the only one in Europe, can experience the effects of Brexit. The park is the most visited tourist destination in Europe. Not surprisingly, the percentage of British nationals among the resort's guests has increased year after year. In 2016, it was revealed that in the 25 years of the park's existence, French citizens accounted for 44% of visitors, making them the most frequent visitors to the park. However, after the French, the British were the most frequent visitors, accounting for 28% (Powell, 2017). Although Britons do not need a visa to visit France, British citizens will need to apply for an ETIAS to travel to the EU from May 2023. In addition, the picture for the UK economy is unclear, with possible scenarios of rising food and transport prices and the devaluation of the sterling. Furthermore, during the last coronavirus outbreak in December 2021, the French government announced that travelers from the United Kingdom would have to meet new criteria to enter the country - i.e., the trip must be deemed essential, which meant that leisure trips to Disneyland Paris were not possible for British guests. These rules have been in effect for about two months. All of these circumstances could ultimately have an impact on the decline in visitor numbers from the UK. Therefore, TWDC is advised to focus on the domestic market, i.e. visitors from France and the EU.

COVID-19 pandemic (Strategic and operational risk)

One of the most unexpected crises for business and society turned out to be COVID-19. E&M industry executives identify the pandemic's continuing impact as the greatest external risk to their business growth (Harrison, 2021). Aside from diminished profits, the impact of COVID-19 and the pandemic has been sufficient. Organizations for the most part may face a variety of strategic and operational risks, such as delays in the supply chain of finished products and raw materials, changes in demand, increased costs, inadequate logistics, increasing delivery times and service delivery, health and safety concerns of employees, resource shortages and problems with logistics and import and export settlements (Kudryashov, 2021).

TWDC is known to have products and services that can be delivered physically and through telecommunication networks. Due to the pandemic, everything related to physically delivered goods (Parks, Experiences, and Products) went downhill, as it could not operate at all or in the usual way due to restrictions. However, everything related to goods delivered by telecommunications (Media and Entertainment Distribution) has developed significantly (Table 7). Being a conglomerate and operating in several segments, the coronavirus crisis proved to be manageable for the company.

Table 7. Revenues of TWDC, 2019-2021(in millions of USD)

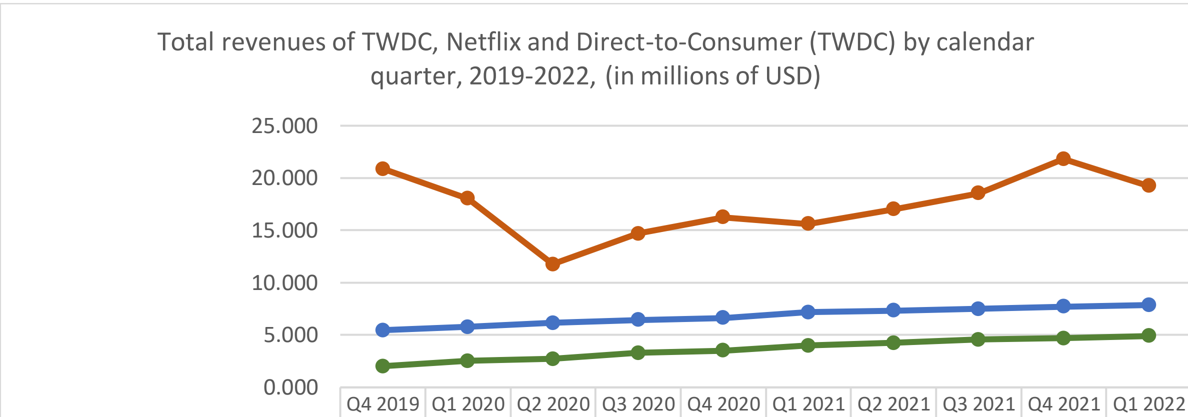
		2021	2020	2019
DMED	Total revenues of DMED	50,866	48,350	42,821
	% change compared with the previous year	5,2%	12,9%	-
DPEP	Total revenues of DPEP	16,552	17,038	26,786
	% change compared with the previous year	-2,9%	-36,4%	-

Source: Own edition based on TWDC annual reports of 2020-2021

Of course, the DPEP segment has suffered significant losses, but TWDC has been able to compensate for the losses with increased revenues from DMED. As mentioned earlier, in October 2020, TWDC introduced a strategic reorganization, the main idea of which was to separate physically delivered goods and goods delivered by telecommunications to further accelerate its Direct-to-Consumer business, which is actually streaming services. These two segments can offset each other or complement each other for the success of a particular project. Strategically it is a good decision, as Disney, which has a large library of its own content from Walt Disney Pictures, and other major studios like Twentieth Century Studios, Marvel, Lucasfilm, Pixar and Searchlight Pictures, as well as several domestic and international channels, can focus even more on streaming and get ahead of the competition.

TWDC's strongest competitor in the streaming service market is Netflix. However, during the COVID-19 pandemic, TWDC could not operate in the DPEP segment, which made it more vulnerable compared to Netflix as Netflix, as a pure-play streaming service, does not have services delivered physically like Parks or Cruises. In Figure 3, we show TWDC and Netflix's revenues as a whole and also separately the Direct-to-Consumer line, which is actually TWDC's all streaming services (Disney+, Disney+ Hotstar, ESPN+, Hulu and Star+). As we can see, over the period from October 2019 to March 2022, TWDC's revenues fluctuated, while Netflix and TWDC's Direct-to-Consumer revenues rose steadily. Assuming TWDC had only one streaming service, the COVID crisis would not have led to a decline in revenue.

Figure 3. Total revenues of TWDC, Netflix and Direct-to-Consumer (TWDC) by calendar quarters, 2019-2022 (in millions of USD)



	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
TWDC	20.877	18.025	11.779	14.707	16.249	15.613	17.022	18.534	21.819	19.249
Netflix	5.467	5.768	6.148	6.436	6.644	7.163	7.342	7.483	7.709	7.868
Direct-to-Consumer, TWDC	2.025	2.515	2.712	3.300	3.504	3.999	4.256	4.560	4.690	4.903

Source: Own edition based on TWDC and Netflix quarterly reports of 2019-2022

As stated earlier, COVID-19 has significantly influenced consumer behavior by accustoming consumers to various online activities and online entertainment. The consumer has an increasingly positive attitude towards them. This has also contributed to TWDC's success in dealing with the effects of the new COVID crisis. Bob Iger said that the pandemic helped Disney's streaming platforms as cinemas closed and more people signed up to streaming platforms because of it. He also said that the success of streaming services has had a huge impact on cinemas, which will now struggle to recover (Palmer, 2022). Streaming platforms are becoming an increasingly popular way of watching new films. Even now that cinemas are reopening and comfort levels are increasing, more and more people are choosing to stream new films at home. According to an April 2022 CivicScience survey of Americans, if a new movie is released simultaneously in cinemas and on streaming platforms, 39.6% of people will prefer to stream it at home, 22.8% prefer to watch it at the movie theater and 37.6% have no preferences (Collins, 2022). The popularity of streaming platforms will probably continue to grow.

In addition, streaming platforms were a lifesaver for a company like Disney, allowing it to be independent of the availability of theaters and overcome the operational risks associated with product releases. Whereas previously movie content was traditionally distributed first to the theatrical market, then to the home entertainment market, and finally to the TV/SVOD market, today TWDC has significantly increased its focus on distributing content through its own streaming services while continuing to monetize a significant portion of its content in traditional ways. Disney's updated strategy includes producing exclusive content for its streaming services; instead of selling its content on the TV/SVOD market, the company prefers to distribute it through its streaming services; making a new movie available on the streaming services at the same time as its theatrical release and offering its content in pay-per-view format on its own streaming services (TWDC, 2021).

Filming in Xinjiang (Compliance risk)

There are various political events and geopolitical conflicts in the world, which any company, regardless of its industry, must take into account. For several years, the public has been actively discussing political education camps in the Xinjiang region where, according to some sources, Turkic Muslims, who are mainly ethnic Uyghurs and Kazakhs, are being held for the purpose of oppression and genocide (Magnus, 2019). Major global manufacturers such as Nike, Apple, Adidas, BMW, Gap, Huawei, Samsung, Sony, and Volkswagen have been criticized for their cooperation with the Xinjiang region (Su, 2020).

Disney has also been publicly criticized for collaborating with Xinjiang government entities in the production of the Mulan movie (Faughnder & Su, 2020). A major scandal erupted on social media because the film's credits mentioned the advertising department of the Chinese Communist Party of the Xinjiang Uyghur Autonomous Region and the Public Security Bureau of Turpan city in Xinjiang. Disgruntled viewers called on social media to boycott the film and cancel Disney+ subscriptions because the company was "hypocritical" and "worships autocratic China" (Kuo, 2021). The official response from Disney's president of film production, Sean Bailey, mentioned that the film was indeed partially shot there, that the decision to shoot in the region was made for authenticity, and that it is common practice in the film industry worldwide to acknowledge in the film credits the cooperation, approval, and assistance provided by various entities and individuals during the production of the film, and that production company Beijing Shadow Times provided the Mulan production team with a list of acknowledgments to include in the credits (Davis, 2020). Such a response has, of course, called into question the company's image in terms of human rights protection. By the way, some sources claim that the film did not recoup the $200 million spent on its production and that it earned about $70 million at the box office (Vary, 2020). However, such performance may have been affected by the delayed premiere of the film, scandals surrounding the lead actress, and fan dissatisfaction over the distortion of a national legend and Chinese culture. Considering the criticism other global companies have received for working with this region of China, perhaps TWDC should have considered the risks when choosing a location for the film.

Florida's 'Don't Say Gay' bill (Political, operational and strategic risk)

With the growing access to all types of media around the world, the representation of minorities has become an increasingly large issue (Georgiou, 2013). This has started with the representation of race and multiculturalism, and in the last years has evolved to include the representation of gender and LGBTQI+ identities (Benhamou, 2014; Brooks & Hébert, 2006). This issue has become more and more a part of public discourse and discussion. Although this issue has become progressively more present in society, companies in the E&M industry struggle to grasp this challenge (Merskin, 2017).

In February 2022, Florida's House of Representatives passed a controversial bill limiting when and how teachers and school staff can discuss gender and sexual orientation in the classroom. The so-called "Don't Say Gay" law in Florida implies that LGBTQI+ discussions cannot occur with children from kindergarten until 3rd grade (Lavietes, 2022). TWDC, as one of the largest companies in the world also operating in Florida, received criticism for its lack of representation in this issue (Laman, 2021; Learoyd, 2021). In addition, as a consequence, Disney has been criticized for cutting the LGBT scenes or not releasing some movies at all.

‘Out’, a computer-animated movie was banned from showing in Russia due to the gay protagonist (Baska, 2021), 6 seconds of a supposed ‘gay moment’ in the ‘Beauty and the Beast’ were cut in Malaysia (Mumford,2017), and ‘Eternals’ wasn’t released in China, Saudi Arabia, Kuwait, Qatar because of LGBT content (Xi, 2021; Ritman, 2021). The suffering and unsatisfied stakeholders in this situation are society, customers, employees, and subsidiaries with a modern mindset that expects firm support from Disney. Subsidiary company ‘Pixar’ has a conflict with Disney due to this editing and cutting of LGBTQI+ content. Around 80000 Disney employees in Florida vehemently opposed this law. And since Disney did not react to this law until it received criticism from the public and its employees, many employees from the company staged walkouts to make the company take a sharp position (Whitten, 2022). There appear to be two main aspects to the challenge of representation in the E&M industry, and specifically for TWDC. First, whether or not, and how, to include representation of minorities and gender identities, so as to serve as many (potential) customers as possible and not alienate people. And secondly, how to balance this representation with laws prohibiting the representation of LGBTQI+ identities, both in US-states and countries such as Saudi Arabia, Russia, and China (Vary, 2022).

In response to all the criticism, Disney had to clearly reply. After initially remaining silent, Bob Chapek, the CEO of the company, had to take a position with regard to the LGBTQI+ movement (Stelter and Darcy, 2022). The principal result of this public stance took Chapek to openly apologize for his “painful silence” on this limiting bill. Furthermore, Disney decided to donate $5 million to the Human Rights Campaign (HRC) for the LGBTQI+ advocacy group, but this was turned down by the association. Moreover, HRC declared that Disney must take “meaningful action” against this new bill in Florida (BBC, 2022). This clearly shows how, initially, Disney wanted to stay out of the conflict, to not have any consequences on its profit. But, with such a huge exposure in the market, it did not have that luxury: the pressure of its lacking response became too high, and it forced the company to explicitly manifest its point of view. As reported by Smith (2022), CEO Chapek was mainly pilloried by its employees. The push-back from the Florida state government was frightfully immediate, as Disney became the target of what some perceived to be vengeful tax-preference removals from the Florida legislature.

This situation posed not only a political risk to the company because the new law was passed in a particular region, but also an operational risk because it threatened interaction with employees and subsidiaries, and a strategic risk because it threatened interaction with consumers. To some extent, Disney was exposed to these risks because its image is highly associated with the state of Florida and it enjoys all the privileges of being one of the largest companies in the state (e.g., the state has allowed Disney to regulate things like emergency services, infrastructure, and construction without interference from the county for more than 50 years) (Lodewick, 2022). Perhaps the company should think about distancing itself from its dominant image in Florida, being more authentic, and evaluating any financial risks. Since this situation is a losing proposition for Disney anyway, the company needs to understand in which scenario the company would incur fewer losses. Perhaps Disney can save more money by being more assertive in its confrontation with the Florida state government than by confronting modern-minded thinking consumers, employees, and subsidiaries. It is a tricky balance, fraught with conflicting risks.

Russian invasion of Ukraine (Political, operational and compliance risk)

On 24 February, the whole world was shocked by the invasion of Ukraine by Russian troops, which started a war. Any war brings great damage to the economies of all those who are involved: lower GDP, lower exports, higher product prices, disruptions in the supply chain, an alienation of investors, etc.

Disney, like many global companies, tries to foster global-awareness and minimize its risks. In March 2022, Disney announced that it was suspending business in the Russian market. This applies to the following activities as content and product licensing, Disney Cruise Line activities in St. Petersburg, National Geographic magazine and tours, local content productions, and linear channels (Rubin, 2022). TWDC's CFO Christine McCarthy said the entertainment giant's total exposure to Russia and Ukraine combined is about 2% of its total operating income, within which Ukraine is 10%. Despite the suspension of business in one region, Disney does not consider possible losses significant for the conglomerate (Goldsmith, 2022). In addition, at the end of the second quarter of FY2022, Disney recorded a charge totaling $195 million related to the impairment of an intangible asset related to the Disney Channel in Russia.

Since, the war is not over yet (as of June 23, 2022), we cannot assess all the consequences of these military actions and assess their short-term and long-term effects. Such an event carries political, operational, and compliance risks for a company. Political risks may arise from changes in government policy in either the parent country or the host country. Operational risks may arise from the fact that it is difficult to continue to operate physically and technically in a place where there is a war, and this in itself makes it difficult to continue to do business with all parties to the war. Compliance risks have to be considered with the need to bring the company's operations in line with legal, corporate, social, and ethical requirements.

Legal victory for J. Depp over A. Heard (Reputational risk)

Just as the image of a film studio is important to actors and audiences, so too is the image of its actors important to film studios. After all, it concerns the reputation of an entire company. The studios create the image of a particular actor in a film, invest in it, and try to control it. In other words, if the actor starred in a family franchise like "Pirates of the Caribbean", his behavior has to be close to flawless. It's no longer easy to hush up a scandal now because of the developed mass media. Therefore, studios try to protect themselves if any scandal appears about their actors. After all, the company produces intangible goods first and foremost, and can very well be exposed to reputational risks.

One of the iconic Disney Studios films is "Pirates of the Caribbean", where actor Johnny Depp has played the lead role in five series of films across 14 years, which have accumulated box office takings of over $4.5 billion, making it the twelfth biggest franchise of all time (Stolworthy, 2018). The collaboration between the actor and the studio has been very successful, as it has brought more fame and high commercial success to both parties (Shamsian, 2022). The studio is now working on a sixth series of the film, but possibly with a revamped cast.

"Pirates of the Caribbean" movie's lead actor Depp was caught up in a scandal in 2018, due to his ex-wife Amber Heard indirectly accused him of abuse (Maddaus, 2022). This of course affected actor Depp's reputation and career. After which, Disney Studios announced that Depp would not continue to play the lead role in the Pirates of the Caribbean franchise. While the company never credited Depp's family scandals as the reason for its decision, the announcement was made shortly after Heard indirectly accused Depp. After which, rival studio Warner Bros. asked Depp to resign from the "Fantastic Beasts" movie (Shamsian, 2022). The reactions of the studios were similar.

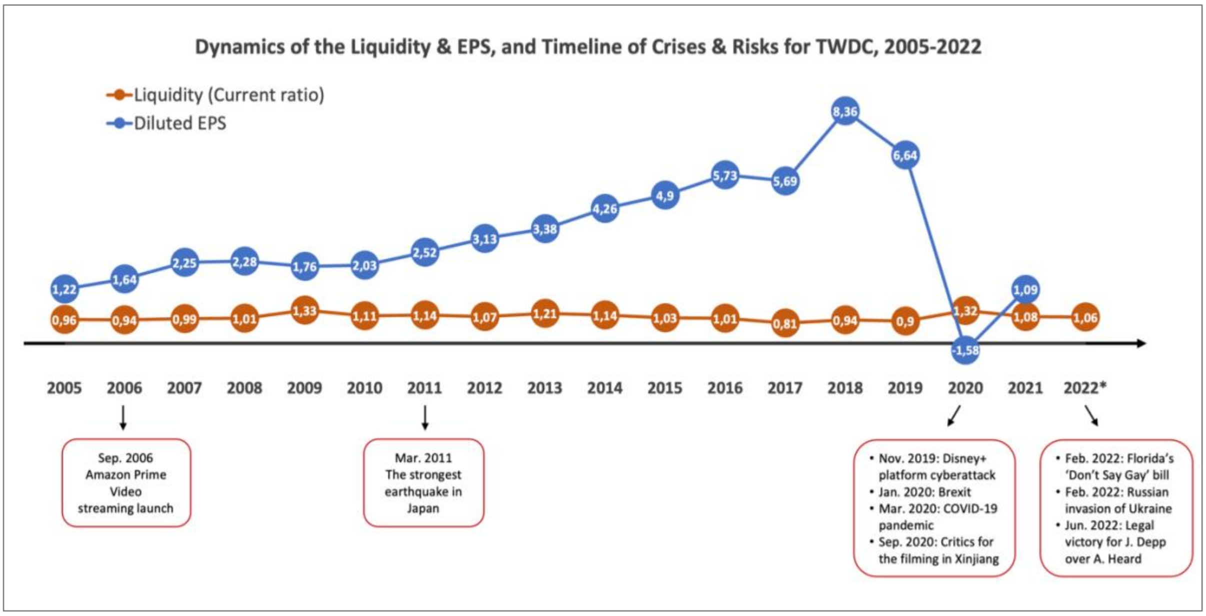
Recently, in June 2022, the whole world witnessed the conclusion of a multi-year trial between Johnny Depp and Amber Heard in defamation about domestic violence. A jury found Heard guilty of defaming Depp (Richwine, 2022). Depp's fans have criticized Disney for firing Depp, and expect him to rejoin Disney by appearing in the sixth series of "Pirates of the Caribbean". Moreover, Depp is expected to become more desirable and even get the title "the highest-paid actor ever". In that case, Disney's investment in this actor's image might just evaporate into thin air, unless it starts working together again. TWDC should be concerned about this issue as this situation can affect the company's reputation and particularly the success of the mentioned film.

Dynamics of the Liquidity & EPS, and Timeline of Crises & Risks for TWDC

Although TWDC has experienced various crises and risks over the past 15 years, as described above, the company had EPS growth until 2019 and maintained a relatively stable liquidity level, i.e. current ratio (Figure 4). However, due to large acquisitions, the company has not always managed to have a current ratio higher than 1, which threatened the company's inability to pay its current liabilities and called into question its financial stability. In the eyes of investors and shareholders, the company increased its attractiveness, as its EPS was rising and indicated the financial performance of the company.

The fiscal year 2020 was a challenging one for the company as it faced various risks and crises, the most influential being COVID-19. Although EPS has declined, liquidity has risen. It can be suggested that the company is operating its assets efficiently, benefits enough to cover its liabilities, and knows how to be risk resilient in the long term.

Figure 4. Dynamics of the Liquidity & EPS, and Timeline of Crises & Risks for TWDC, 2005-2022



Source: Own edition based on TWDC annual and quarterly reports of 2005-2022
** The data shown is based on availability as of June 2022*

4.3 Permanent risks within Porter's 5 Forces

The TWDC conglomerate operates in a very dynamic industry where new risks may arise or there are always ongoing risks. In this chapter they will be considered under Porter's 5 forces, which are Competition in the industry, Potential of new entrants into the industry, Power of suppliers, Power of customers, and Threat of substitute products.

When assessing Competition in the industry and everything previously mentioned about the Disney conglomerate experience, it can be said that its position is quite solid and resilient. The risks could be medium, for example, with the upcoming merger of the two incumbent streaming companies Discovery+ and HBO Max into one platform as well as other potential mergers (Maas, 2022). Netflix and Spotify are now teaming up on a new partnership where the music-streaming service will provide its subscribers with a "full audio-streaming experience" from the video streaming company and the streaming platform will provide the music featured in their shows/videos. If the two companies merge, they will have great control over video and music streaming.

Regarding the Potential of new entrants into the industry, it should be noted again the position of Disney and the fact that this company is sometimes seen as a monopoly (Heinz, 2019). The company is actively buying out other companies and through this has enormous power in the media market. Therefore, the risks associated with new players in the market are quite low.

The bargaining Power of suppliers may not bother TWDC too much either, as content creators are eager to sell their products to Disney for further promotion and distribution, as Disney is considered an experienced and large company in the market. Nevertheless, Disney does actively pursue vertical integration as a conglomerate, which does give power to its suppliers, who are involved in several stages of production. Also, Amazon's cloud server, i.e. AWS, has considerable power as Disney uses this platform for machine learning, database, storage, content delivery, serverless technologies, and analytics (Moss, 2021). Suspension of this collaboration may result in difficulties in operating the Disney+ platform. Therefore, the risks associated with suppliers are medium.

The Power of customers worries Disney just as much as other companies. Of course, the company must not forget the importance of the shifting generation of consumers, cultural distance, and other important issues.

As for the Threat of substitute products, Disney is trying to cover all sorts of traditional and new, physical and viral types of entertainment and media within the conglomerate business. Right now, the most trending entertainment is streaming, and Disney is providing that. Therefore, it can be said that this risk is low for Disney. However, the emergence of the technological breakthrough could change the company's strategies for both physically delivered goos and goods delivered by telecommunications.

It is recognized that Porter’s Five-forces model is a static tool, reflecting a specific point in time. In in order to be made dynamic, some assumptions about the market and industry need to be developed, going forward. The, the above arguments can be used to develop a company's competitive strategy, with a particular focus on competitors and suppliers.

5. Current findings, future outlook and further research

5.1. Current findings

As it can be seen from this case study about TWDC conglomerate's risk assessment issue based on several anecdotes of crises and risks, the E&M industry has undergone significant changes. The emergence and impact of new technologies, natural disasters, the COVID-19 pandemic, political conflicts and changes, and actor scandals all have an impact on companies' strategies and financial performance.

Companies are required to respond to various crises in a prompt manner. This is especially important when a company like TWDC offers its consumers intangible goods and therefore carefully cares about its image. As a response, companies can change business strategy, use the situation to their advantage to improve profits and image, take sides, and contribute within the framework of global awareness. The critical analysis in this paper compared the actions of the long-standing conglomerate TWDC with other potential solutions, theory, analysis of financial statements, the actions of competitors, and the conglomerate's own strategy alignment.

Since Disney is a conglomerate and has two main segments (dedicated to physically delivered goods and goods delivered by telecommunications), it has to face risks on two 'fronts'. Compared to Netflix for example, which only operates in the segment of goods delivered by telecommunications, Disney has more threats to its company as it's also involved in parks, cruises, and consumer products. But it also has a broader portfolio that may help offset some conflicts and crises.

Some risks TWDC was able to turn into strategic wins and financial successes, such as the emergence of streaming and COVID; and improved reputation because of the company's actions during the earthquake in Japan. However, the negative effects of some risks on the company's reputation could not be avoided, such as the cyber-attack on Disney+, the vindication of Johnny Depp's image from defamation, and criticism for the filming in Xinjiang. Some risks, such as Brexit, and Russia's invasion of Ukraine are not yet fully disclosed or are an ongoing issue, so the full consequences for the company are not yet clear. Also, a ban on LGBTQI+ discussions in Florida would in any case be negative for the company in terms of reputation and profits.

TWDC, as a global conglomerate, manages the company quite effectively in terms of assessing and minimizing risk exposures. Even though the DPEP segment suffered large losses due to the pandemic, the DMED segment increased profits. This is a result of operating within a single conglomerate where there is such a thing as diversification of portfolio and where success can offset failures. This approach enables Disney to remain a conglomerate, grow its assets through M&A and expand its global presence even during significant crises and risks.

Based on these brief statements, it can be said that the hypotheses posed have been confirmed. That is to say, conglomerates have greater exposure to crises and risks than other organizations, and conglomerates that manage crises and risks can not only suffer but also win, and when crises or risks hit conglomerates they can offset the losses of one division with the success of another.

The experience that Disney got while it was dealing with these crises will be useful not only for its own management of other global crises in the future but also for other companies. After all, from these cases, they can understand the successful and unsuccessful strategies and responses of the company. Accordingly, these findings provide an interpretation of suggestions on how to cope with future happenings.

5.2. Future outlook

Disney is likely to continue to be a dominant company in the market. However, the TWDC operates in a very dynamic industry where new risks may arise or it has to manage existing ones, which were considered under Porter's 5 forces, that are related to the competition in the industry, new entrants, suppliers, customers, and substitute products. These could all become topics for further potential risks and crises. For example, what will be the impact of the merger of Discovery+ and HBO Max as well as the Netflix and Spotify collaboration on the E&M industry. This topic could seriously affect all players in the streaming service, so companies need to prepare themselves for increased competition. Or the topic of cloud computing, because so many E&M companies analyze and store their data through Amazon Web Services, Microsoft Azure, Google Cloud Platform, IBM Cloud, Oracle Cloud, etc. The importance of these 'clouds' is growing, which means their power is also growing. In addition, technology is constantly evolving and there will be new types of entertainment that will create competition with the current ones. Therefore, there is risk management and the need to analyze all potential risks.

In addition to this, there is now an active discussion about sustainability and a healthy lifestyle. Therefore, ESG risk analysis can be done, i.e. an assessment of environmental, social, and corporate governance factors. Some sources indicate that streaming services are responsible for high CO_2 emissions (Sparks, 2019). Also, the negative impact of digital entertainment on health has long been a concern. In addition, the issue of Digital Service Taxes can be analyzed as a corporate governance factor, which has a different meaning in different countries. For example, some digital services are exempt from taxation according to some legislations, which creates difficulties when operating in another country and causes misunderstandings between countries (Avalara, n.d.; Bloomberg Tax, 2022).

5.3. Limitations and further research

This paper can illustrate, enlighten and suggest certain ideas on how a company with a huge global presence, international pressures, and combination of a physically delivered goods and goods delivered by telecommunications has to pay attention to certain risks to minimize its risk exposures. Even though the results of this research are valuable for TWDC itself and companies operating in the E&M industry, the paper has several limitations. This paper is a single case study about Disney with anecdotal evidence on various crises and risks. Disney as a conglomerate has done reasonably well in managing crises and risks, but it cannot be said that its methods would work for all companies in the industry, or that any of the crises and risks would affect everyone in the same way and make them experience the same conditions.

The case study research method matched to the chosen theme may be inferior in some respects to a quantitative statistical analysis of a few companies, particularly in comparing the financial success of conglomerates such as Disney to more focused or pure-play firms, such as Netflix and Spotify. Therefore, in the future, if sufficient secondary data is available and quantitative primary data from several companies can be collected, a full quantitative study or a comprehensive study can be conducted. In addition, the study can further classify companies according to activity, size, market share, profitability, and other parameters.

6. Conclusion

This paper provides an intensive review and analysis of recent crises and risks in the E&M industry as anecdotes and investigates the reaction of companies of changing industry through the case study of TWDC, a major mass media and entertainment conglomerate. The Walt Disney Company was chosen for a case study because it's a large, well-established, global company, that has extensive available information on the firm. Moreover, the company operates in physically traveling and leisure businesses as well as in the expanded media businesses.

The research is eventually directed at finding the answer to the question "How can entertainment and media companies effectively manage their strategies in different segments during new challenges?" and sub-questions related to the nature of recent crises and risks affecting the E&M industry and the changes that they brought to the E&M industry operations, the changes that they brought to the E&M industry's consumer behavior and management of company strategies to survive and/or bloom in unforeseen crisis times or to avoid and/or mitigate risks in different segments. Moreover, this paper hypothesizes that conglomerates have greater exposure to crises and risks than other organizations, and conglomerates that manage crises and risks can not only suffer but also win, and when crises or risks hit conglomerates they can offset the losses of one division with the success of another. After a thorough review of the literature on the recent crises and risks affecting E&M industry companies, it was concluded that, partly due to the recency and dynamics of various circumstances and the E&M industry itself, there is insufficient research on that topic.

Various events over the last decades, such as technology development and the emergence of streaming, cyber-attacks, earthquakes, Covid-19, Brexit, ongoing geopolitical conflicts in China, the war in Ukraine, LGBTQI+ and famous actors scandal issues have affected E&M companies and entailed strategic, operational, political, compliance and reputational risks.

A critical analysis of the impact of these risks using the example of the TWDC conglomerate which produces intangible goods showed that in some cases the crisis can have a positive effect on the company if it adapts its strategy and reacts in time, in some cases reputational risks are inevitable, and in some cases, the company is high at risk anyway and all it has to do is to act in a way that minimizes financial losses. However, the reason why TWDC faces certain risks, but also the 'way out', lies in being a conglomerate which gives the company more opportunities because it has more resources and divisions. These arguments are confirming the hypotheses of the paper. In general, although the answers to the research questions are what I expected, it was interesting to explore how vulnerable but also powerful conglomerations can be. Disney's ongoing struggle relates to the impacts to its global brand and image as it attempts to please both sides of contentious issues. However, it seems that trying to please one side immediately angers the other; while Disney would like nothing more than the ability to remain neutral, much as Switzerland has done throughout history, it does not appear that it will be able to enjoy such Swiss neutrality.

7. Appendix

Appendix 1. Calculation of the EBITDA of TWDC, 2015-2021 (in millions of USD)

	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Net income (loss)	2507	-2474	11584	13066	9366	9790	8852
Income (loss) from discontinued operations	-29	-32	687	0	0	0	0
Income tax expense from continuing operations	25	699	3026	1663	4422	5078	5016
EBT	2561	-1743	13923	14729	13788	14868	13868
Interest expense, net	-1406	-1491	-978	-574	-385	-260	-117
EBIT	3967	-252	14901	15303	14173	15128	13985
Depreciation and amortization	-5111	-5345	-4160	-3011	-2782	-2527	-2354
EBITDA	9078	5093	19061	18314	16955	17655	16339

Source: Own edition based on TWDC annual reports of 2015-2021

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