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**Master Programme in Economic Growth,
Innovation and Spatial Dynamics**

Mickey Mouse goes to Shanghai

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Abstract: This thesis reports on the present situation of the five existing Disney theme parks and the performance of Shanghai — the city where the next Disney resort will be located is. The ownership and management of Disney Resorts is seen in relation to the financial result. An overview of all Disney resorts to causes on some problems Disney has had and the characteristics of the company. Together with analyzes of the present financial, theme parks, labor market and child entertainment market situation in Shanghai, the author forecasts the coming Disney resort in Shanghai, elements of failure and success, and the effects they could bring to Shanghai, China and the Walt Disney Company. At the end, the author gives some suggestions for the cooperation between Disneyland and the Shanghai government.

Key words: Disney, Economic growth and labour market in Shanghai

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1 Executive Summary

The purpose of this thesis is to analyze how the Walt Disney Company runs its business and forecast what Disneyland could bring to the Chinese people and company itself by setting up its sixth Disney Resort in Shanghai. Furthermore, the thesis also investigates into the important factors for the failure or success of Shanghai Disney Resort.

The project of Disney Resort in Shanghai was first suggested in July 2002 by the Walt Disney Company, but the Shanghai government refuted this project after three months. There was no more news about the Disneyland project in Shanghai until February 2006, when the Walt Disney Company finally confirmed that intended to set up its next Disneyland resort in Shanghai. This time, the project application report of Disneyland was approved by both the local and central government of China.

In China, the comments concerning this coming Disneyland resort are quite different. Most government officers show a positive point of view; against many independent economists have show relatively negative reactions. The most discussed topic is: is this large foreign investment going to be a success or a disaster? What will Disney bring to Shanghai?

The answer is not going to be clear until the theme park opens for its guests, and have been running a few months, but there are some elements which have significant effects for the further success or failure. Park and resort is only one out of five business units which the Walt Disney Company has, and the experiences show that all business units are supporting and are relevant to each other. Thus, the Disneyland Resort might be only an entry point for all business units by the Walt Disney Company; therefore this thesis will start from a brief introduction of the Walt Disney Company.

The debate for and against a Disneyland in Shanghai is reasonable, because of the effect on the labor market in Shanghai since this is one of the most discussed problems of the government. The unemployment among graduate has been increasing seriously year, not least during the latest financial crisis, and especially, in cities like Shanghai with a high migrant labor percent. The unstable economic situation and growing unemployment in Shanghai became the main reason for setting up such a big project.

The Disney resort in Shanghai will be the sixth resort of the Walt Disney Company; the company has two resorts in the domestic market, one in Europe, and two in Asia. All the resorts have different histories and meet different problems; it is therefore necessary to review what has happened in the existing Disneyland resorts, to see if there is any need for caution regarding the coming Disney Resort in Shanghai.

2 Problem Formulation

In this thesis, the author would like to forecast the effects which Disney could bring to Shanghai, and make some suggestion for this project. The overall research questions are:

- *Question 1 What are the ownerships arrangements of Disney Resorts? Who is responsible for the Disneyland project in Shanghai?*
- *Question 2 What are the important factors which could lead Shanghai Disney Resort to failure or success?*
- *Question 3 What could the failure or success of the coming Disney Resort bring to China, Shanghai and the Walt Disney Company?*
- *Question 4 Are there any actions the company and government should be aware of regarding the coming Disney resort in Shanghai?*

3 Delimitation

The name of the coming Disneyland in Shanghai has not been finally confirmed yet¹. Thus, the author uses the name “Shanghai Disney Resort” for the whole project in Shanghai, which includes Disneyland parks, hotels and other resort facilities. When the discussion concerns only the theme park of Disney in Shanghai, it is called Shanghai Disneyland or Disney theme park.

During the work on the thesis, the author has discovered that the history of Disney is widely discussed. The history is very interesting and very well recorded, but because of limitations of time and space, there will only be a discussion of relevant stories during the analysis of the company’s life cycle and some less important stories will be ignored.

¹ Until 24th May, 2010

The description and analysis of the labor market in Shanghai include a lot of macro-data. My first choice is data from official administrative sources, but since not all data are available for the public, some data are collected through other papers and articles.

There are five existing Disney Resorts over the world. Two well running resorts in the US, which both are among the top visited theme parks in the world. Since these two resorts are located in the domestic market with a very different cultural background compare to Asia and China, there will only be a short introduction of these two resorts. The Disney Resort in Europe also has a different culture compare to the Asian, but it has been showed deficit in almost eighteen years, and a short discussion is therefore important to find out if this raises some need for caution. Based on the reasons above, the main analysis of this thesis will focus on the theme parks in Hong Kong and Tokyo, because Hong Kong and Tokyo have a similar cultural background as Shanghai; however Hong Kong Disney resort is not running as good as Tokyo Disney resort.

The Walt Disney Company has five main business units: Media networks, Parks and resorts, Studio entertainment, Consumer products and Interactive Media. Most of the analysis is focused on parks and resorts, since this is the most discussed and researched business unit among the five; besides, it has the highest level of investment and most direct effect on the labor market in Shanghai. Other business units will only be mentioned briefly when necessary.

4 Theory and Methodology

4.1 Theory

Innovation and institution will be two important concepts in this thesis. A discussion related to innovation will be brought into the analysis of the coming Disneyland Shanghai. The most used types of innovation are product innovation and process innovation (Fagerberg, 2005). Disneyland could be a product innovation for Shanghai, and the entry into the Shanghai market could be a process innovation for Disney. Is “innovation” an answer as to why it is important to set up a new Disneyland, why in Shanghai, and why now?

Institutions consist of both informal constraints and formal rules (North, 1991). The informal constraints include customs, traditions and culture. As we shall see, many of the problems

Disney have experienced in Paris and Hong Kong occurred because they did not adhere to or misunderstood the local informal constraints. Compared to informal constraints, formal rules have more direct effects on the situation. For example, the seven policies² promulgated by China's central government successfully reduced the high unemployment among graduates. Also, there have been many institutional changes since the "Opening Policy" started in 1979. China has become one of the countries which have the highest foreign direct investment, and the Disneyland project in Shanghai is the largest foreign direct investment project since 1979.

The "life-cycle" model (Smallbone, 2006) is used in order to analyze company growth. This model explains the development processes of a growing company, and it describes the growth of the Walt Disney Company quite well. The model shows the five periods that a company normally would experience, and the author of this thesis also explains why the Walt Disney Company has a longer life cycle than normal.

4.2 Data

Both primary data and secondary data will be used in this thesis. The primary data will involve interviews, and financial reports from the Walt Disney Company. The secondary data, papers and other public articles provide a lot of useful information from different perspectives. However, the quality of this information is a common problem. Thus, in order to ensure that the information is useful and representative, material from the internet will be retrieved from official websites. For example, the most used numbers of visitor to theme parks over the world is from the report made by Themed Entertainment Association/Economics Research Associates.

This thesis represents qualitative research through description, analysis and conclusion, and the most used data will be qualitative. There are a few quantities data which will be used during the comparison of theme parks and the description of the labor market in Shanghai.

4.3 Methodology

This thesis has the characteristic of exploratory research. As Mark Saunders explains that a valuable means of finding out what is happening; to seek new insights; to ask questions and to

² Seven policies will be explained on page 20

assess phenomena in a new light. (Mark & Philip, 2009) Through micro and macro data collection, what has happened within the current Disneyland will be found out; based on these data and information, some insights will be sought, such as why Disneyland in Tokyo makes a great profit but Disneyland in Hong Kong does not. Furthermore, factors important for the establishment of Disneyland Shanghai and how to make it a great business in China will be questioned and discussed.

In the earlier parts of data collection and analysis, similarities and differences have been listed, gives an overview of the market and children entertainment industries. In the later parts, based on the earlier overview, cautions and suggestions will be given for the coming Disney resort in Shanghai. Thus, the whole thesis implies an induction process.

5 Disney Dictionary

5.1 Disneyland Resort

Disneyland resort includes all the Disney's theme parks, hotels, and other resorts facilities over the world, such as Spa.

5.2 The Cast Member

The cast member refers to employees who work in the Disney resorts. Typically, they are dressed like characters from a Disney Cartoon. They usually work in the theme park to be photographed with guests and amuse them.

5.3 The Walt Disney Company

The name of the whole company that founded by the Disney brothers in 1923. The company has five business units:

- Media networks -- a domestic broadcast television network, television production and distribution, domestic television station, international and domestic cable networks, domestic broadcast radio networks and stations, and publishing and digital operations.

- Parks and resorts – sale of admissions to the theme park; room nights at hotels, merchandise, food and beverage sales, sales and rentals of vacation club properties, and cruise vacation packages.
- Studio entertainment – live-action and animated motion pictures, direct-to-video content, musical recordings and live stage plays.
- Consumer products – licensees, manufacturers, publisher and retailers throughout the world who design, develop, publish and promote products based on Disney characters and sell other intellectual company property.
- Interactive Media – production of video games for global distribution, web sites and online virtual worlds. Managing of the Company’s Disney-branded mobile phone.

Table 1 the revenues and segment operating income of 2009 and 2008

In million (Dollar)	Revenues 09	Revenues 08	Operating income 09	Operating income 08
Media Networks	16,209	15,875	4,765	4,981
Parks and Resorts	10,667	11,504	1,418	1,897
Studio Entertainment	6,136	7,348	175	1,086
Consumer Products	2,425	2,415	609	778
Interactive Media	712	719	-295	-258

Source: Annual Report 2009 of the Walt Disney Company

5.4 The Disney theme park/Disneyland

The Disney theme park is well known as Disneyland; it is the general name of all different parks in the Disney Resorts. All five resorts which the Walt Disney Company has set up have their own parks in it. When the company planning expands the park is normally by building up some new parks.

Table 2 Existing Disney Resort and parks inside

Name	Location	Park
Walt Disney World Resort	Orlando, Florida, USA	Magic Kingdom Epcot

		Disney's Hollywood Studios Disney's Animal Kingdom
Disneyland Resort	Anaheim, Californian, USA	Disneyland Disney's California Adventure
Tokyo Disneyland	Tokyo, Japan	Tokyo Disneyland Tokyo DisneySea
Disneyland Resort Paris	Paris, France	Disneyland park Walt Disney Studio Park
Hong Kong Disneyland	Lantau Island, Hong Kong	Hong Kong Disneyland

Source: Annual Report 2009 of the Walt Disney Company

6 The Walt Disney Company

6.1 The story of Disney: the entrepreneur and the company

The story of Disneyland starts from a lovely mouse: Mickey, who was created by Walt Disney in the early 1930s. Walt is a person with a childhood full of adventures and mischief. His family influenced his life a lot and helped him succeed, especially his brother: Roy Disney. Roy not only helped Walt with his financial problems but also took part in running the Disney business. Disneyland theme park is a part of Walt's dream to bring people happiness and make kids enjoy a wonderful life.

In 1919, Walt Disney got a job at the Pesmen-Rubin Art Studio through a bank colleague of his brother to create ads for newspapers, magazines, and movie theaters. It was here that he met a cartoonist named Ubbe Iwerks, with whom Walt Disney decided to start his own commercial company. Walt and Ubbe formed a short-lived company called "Iwerks-Disney Commercial Artists". However the company went down since Walt became interested in the cutout animation³ at the Kansas City Film Ad Company. Though the company did not run well, Walt Disney had had a try on being an entrepreneur of a small firm. He needed more time to find out what were his real interests.

³ Cutout animation is a technique for producing animations using flat characters, props and backgrounds cut from materials such as paper, card, stiff fabric or even photographs.

In the 1920s, by using a borrowed camera from work and reading some related books, Walt found cel animation⁴ much more promising than the cutout animation, and he eventually decided to open his own animation business. This time Walt was better prepared and his cartoons became widely popular in the local city area. Through the success Disney was able to acquire his own studio, but because of high employee salaries, the studio became loaded with debt and went bankrupt.

The story of Walt Disney's success is a growing process, which includes two aborted small firms because of the uncertainty and the inexperience of management. The real growth started with the birth of Mickey Mouse. Mickey's voice and personality was provided by Disney. The golden age of animation is from 1937 to 1941, when Walt Disney had another success, Snow White, which allowed him to build a new campus for the Walt Disney Studio. Many other cartoon series such as Donald Duck, Goofy, and Pluto brought the studio many successes.

After visiting Children's fairyland in California in the 1940s, Walt set up his idea for a children's theme park where he envisioned his employees spending time with their children. The idea was then expanded into a Disneyland. From then on, Disney studio is not only a cartoon studio anymore but a group company with different units. At the same time as the Disneyland was erected, the company also began to expand other entertainment operations. The first TV special was produced, the Disney music was published, and Walt also created a company-owned record production and distribution entity called Disneyland Records.

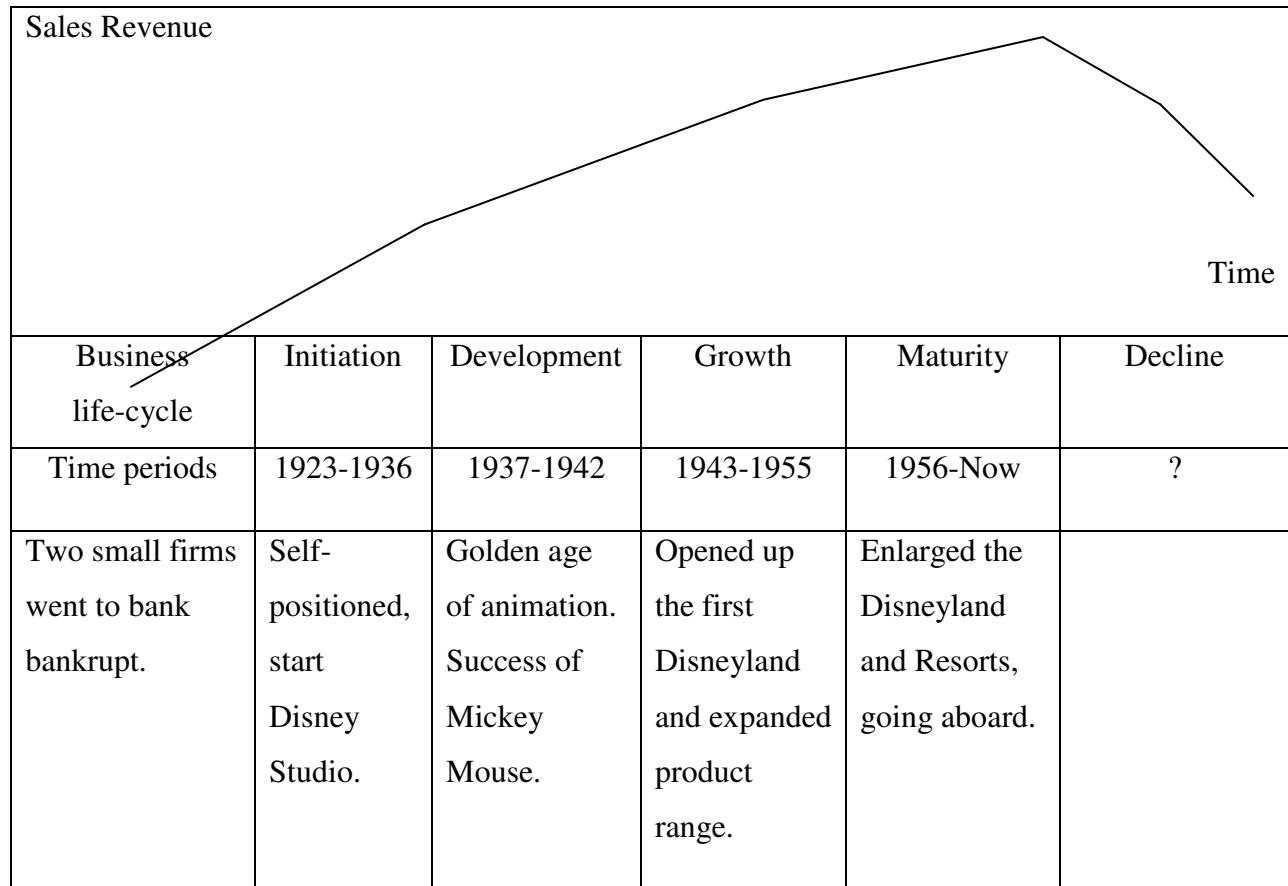
6.2 The life-cycle of the Walt Disney Company

To review and analyze the Walt Disney Company from the beginning as a small business can help to understand the reasons for and method of its growing. One of the approaches used to explain the growth of small-business, named by Gibb and Davies (Smallbone, 2006), is the "organizational" approach, which emphasizes the development sequence of a firm as it passes through a series of stages at different points in a "life cycle". There are many kinds of "life-cycle" or "stages of growth" models to describe and summarize the growth process of a company. The following five-stage model is applied to explain the growth of the Walt Disney Company; it is

⁴ Traditional animation, also referred to as classical animation, cel animation, or hand-drawn animation, is the oldest and historically the most popular form of animation.

propounded by Churchill and Lewis (Smallbone, 2006), and is combined with a sales revenue time line. There are five Disneyland theme parks over the world, and each theme park is important for the Walt Disney Company's sales.

Figure1 An indicative "stage of growth"/life cycle



Source: Summarized by the author

6.3 Factors behind the success of the Walt Disney Company

Every company's life cycle is not the same, but growing companies show similar sales revenue lines. They all experience the process through initiation, development, growth, maturity and decline. The reason why large and successful companies have a long life cycle is normally that they expanded the maturity period by innovation and this can even start a new growth period for the company.

A few factors have a great influence on the development of a company: the entrepreneurial orientation, the entrepreneur's attitude and a dynamic environment/industry are factors influencing "growth" (Smallbone, 2006). For the Walt Disney Company, the Disney brothers had a clear action orientation when they started the cartoon business. Later on, when they got the success of the present business, they were willing to take the risk and make innovation. They started to expand the business units into hotels, resorts, entertainment and so on. The company was growing quickly through the expansion. The Disney brothers had an attitude geared towards growth. They focused on strategic issues, and always showed creativity and profitability, especially regarding cartoon products. The cartoon entertainment industry has been a relatively secure environment, since almost all children loves to watch and experience cartoon entertainment, and since the living standard is increasing over the world, more and more parents have the possibility and willingness to pay more for their kids. Especially in a country like China, both the one-child policy and strong economic growth, accelerates the demand for entertainment for children.

7 The coming Disneyland in Shanghai

Around 14 percent of Disney's total revenue comes from its international operations, which amounted to \$9.73 billion in the first quarter of 2010.⁵ China has the fastest growing economy in the world with more and more demand for foreign goods and culture. Through six years of negotiations, the Walt Disney Company has finally won approval from Shanghai local government in November 2009 to build its second Disneyland in China, Shanghai – it is planned for opening no later than 2015.

The ownership of Shanghai Disney Resort has not been officially publicized yet, but many local newspapers reported the information that a joint-venture holding company under the control of the Shanghai government owns 57 percent of the park, which means that the Walt Disney Company holds 43 percent and manages the park. The first phase of Disneyland will occupy around 290 acres, and will be finished at the latest in 2015. Approximately 4,000 residents have to move, but it will still be the smallest Disneyland in the world during the first phase. The

⁵ "Disney to add Chinese flavor in Shanghai" -- "China Daily Information", Company Industry Updates, April 2010

further expansion agreed between the company and the government, Shanghai Disney Resort, is expected to occupy approximately 25,000 acres when completed.

7.1 Why Shanghai?

The most important reasons for locating the theme park in Shanghai are Shanghai's preferred location of travelling, the diverse multi-cultural background of its population and not least the high purchasing power. Moreover, the Shanghai provincial government has also shown its welcoming attitude by approving 25 billion Yuan (\$3.66 billion) for the construction of Disneyland project in Chuan Sha -- the east part of Shanghai.

The economic indices of Shanghai tourist industry project 310 billion Yuan (\$45 billion) for 2010, which includes domestic travel income: 245 billion Yuan (\$35. billion) through 120 million visitors. The government is also expecting the travel income to constitute nine percent of the GDP of Shanghai, and it will then be able to force around 5.2 percent employment through the traveling sector.⁶

Shanghai is not only one of the most visited cities for Chinese people, but also for foreigners. Data from the National Statistic Database⁷ show that there have been 66.56 million foreign visitors entering China through Shanghai in 2008, and 52.65 million of them have stayed overnight in Shanghai; this number has increased 11.9 percent from the year before.

The average income level in Shanghai is very high compared to the rest of China, and the consumer expenditure of Shanghai people is also higher than in other cities. For instance, the expenditure on food in Shanghai is three times higher than the average level in China, while the capital city Beijing is only two times higher. Besides, Shanghai people are known as people who willing to pay for wonderful experiences and memory. Moreover, high expenditure has also a long history in this city; most of the foreign goods have arrived through the port of Shanghai since the early 1900s.

⁶ "Analysis and Forecast Report on Investment in Shanghai tourism"
www.ocn.com.cn/reports/2008522shanghailvyou.htm

⁷ "Analysis and Forecast Report on Investment in Shanghai tourism"
www.ocn.com.cn/reports/2008522shanghailvyou.htm

Analysts estimate that the initial park (not including hotels and resort infrastructure) will cost 3.5 billion Dollars, making it one of the largest-ever foreign investments in China. Disneyland intends to create more than 90,000 jobs directly and indirectly according to estimates by some Chinese economists. Besides, Disneyland is forecasted to stimulate the travel industry and be a new trade market for Shanghai.

7.2 Competitor: the present park

In China, there are 30 percent of theme parks are losing money now. Shanghai has had many theme parks in the 1990s, but only two percent of them are profitable; three percent of them are able to make a break-even, and the rest 95 percent of the parks has gone bankrupt.⁸ The most successful theme park in Shanghai is called Jinjiang Action Park.

Jinjiang Action Park was founded in 1985. The action park is owned by the Shanghai Jinjiang Group which runs hotels and travelling agencies as well. As the first action park in Shanghai, it is located in the west part of Shanghai and with convenient transportation. There is one metro station close to the front door and 20 bus lines have a stop nearby. The park occupies almost 25 acres and includes 30 types of middle and large items, of which 18 are imported from foreign countries.⁹ The restaurants offer not only Chinese food and drinks, but also many other kinds from other countries. During the summer, the park is also open at nights, and both foreign and traditional Chinese entertainments are available.¹⁰ Jinjiang Action Park has welcomed more than 250 million guests until now, and the park has a high reputation around the country. The price for two item is 50 Yuan (\$7.3), and 80 Yuan (\$11.7) for six items, and individual items cost between 5 and 30 Yuan. Besides, guests over 70 years old and kids under 1.2 meter height can buy the discount ticket for 10 Yuan (\$1.4) but without any entertainment items.¹¹

To summarize the competitive advantage that Jinjiang Action Park has: first of all, it is owned by a local company with a long history, having many other business units on the side. Secondly, the park has a very good location with a main metro line and many bus lines right beside. Last but

⁸ The numbers are reported in "China Theme Attractions Summit (CTAS)2006"

⁹ About Jinjiang Action Park -- www.jjlysh.com/zh/about.php

¹⁰ Jinjiang Park by night -- www.jjlysh.com/zh/night.php

¹¹ FAQ -- www.jjlysh.com/zh/faq.php#4

not least, the price is much cheaper compared to the estimated ticket price of Disneyland (350 Yuan/\$51). Jinjiang Action Park has some disadvantages as well. The park does not have its own characteristic or unique feature. It did import its attractions from other countries and it does offer a variety of foods, but the park does not have its own concept. Disney Resorts did not damage the Ocean Park in Hong Kong; on the contrary, the Ocean Park runs better than before. The numbers of visitors to the Ocean Park have increased from 3.7 million in the year ending June 2004 to 5.0 million in 2007. This is not only because the foundation of the Ocean Park is strong, but also because the park keeps its unique feature which differs from Disneyland.

7.3 Meet the cultural impact

China is a country with more than five thousand years of history. The Chinese culture and customers are not only a promise for the Walt Disney Company, but also a challenge. The Hong Kong Disneyland has been tested out by the rapid increasing number of visitors during the Chinese New Year, and the Paris Disneyland has suffered from the restaurant diet being not always being appreciated by French or European visitors.

Regarding the culture conflict, the executive vice-president and managing director of the Walt Disney Co's Greater China division Stanley Cheung stated that his main business thrust was to "lift our customers' entertainment experience by blending Disney's quality standards and technology with Chinese cultural elements".¹² In order to achieve this purpose, Cheung's team has already begun cooperating with local partners and media. Separately, Disney's Asia-Pacific channel is now airing Chinese animated movies to make Disney more familiar to their new viewers.

7.4 The innovation way

Disneyland in Shanghai needs new combinations, an economic innovation for both company and country, even for the city. Innovation can extend a firm's life-cycle and give it a new start. Schumpeter (Fagerberg, 2005) distinguished between economics innovation by "type": 1) new

¹² "Disney to add Chinese flavor in Shanghai"--"China Daily Information", Company Industry Updates, April 2010

products 2) new methods of production 3) new sources of supply 4) the exploitation of new markets 5) new ways to organize business.

Among these five types, new products and new methods of production are the most discussed innovations. For people in Shanghai, Disneyland is a new product, because there is no theme park of this kind before; the biggest play land is Jinjiang Action Park which has a different concept from Disneyland. People from Shanghai will have a better chance to know more about foreign fairytales and culture. Thus, Disneyland Shanghai is definitely a new product for the Chinese market. Disney is not a new brand for Chinese people, since there are many existing goods from the Disney Company around, such as food, clothes and toys. But the entry of Disneyland will be able to put emphasis on production methods. The appearance of the real master can help standardize the market.

Charles (Edquist, 2005) explains process innovation as new ways of producing goods and services, and he suggests dividing the category of process innovation into technological and organizational. Fagerberg argues that organizational innovations are not limited to new ways of organizing the process of production within a given firms. He agrees with Schumpeter that organizational innovation also includes arrangements across firms. For instance, Disney Resorts in Japan and Paris are cooperated with some other companies.

To establish a new theme park is a big project for both the Walt Disney Company and the city. The success of building this theme park is also a process innovation. According to Mario (Piata, 2005) when the competitive strategy is price, it implies mainly process innovation. Analysts estimate that building this initial park in Shanghai will cost around \$3.5 billion, which makes it one of the largest-ever foreign investments in China. The investment for the Walt Disney Company is a strategy to compete within the cartoon entertainment in the market of one of the fastest growing countries in the world.

Disney is well known for its concept of offering their guests happiness, so the first thing is to train employees to “be happy” and bring their happiness to others. Thus, the organization of the company is another innovation by training the employees of the Disney theme park.

Piata (2005) also did a study on the relationship between innovation and employment. Based on Schumpeter's work, he argued that product innovation increases the quality and variety of goods and may open up new markets, leading to greater production and employment. During the expansion of Disney's international market, the Walt Disney Company is willing to make innovation; they produce different themes for different parks so that guests can always experience something new. Regarding the Disney theme park in Shanghai, it is still unknown how many parks or resorts there will be. How many employees does Disneyland need to run the theme park? How many different types of job categories and professionals should there be? It will not be the same as in other Disney theme parks; it depends on the situation in Shanghai.

8 Labor market in Shanghai

Shanghai is one of the most modern cities in China with millions of labor migrating in and out each year. Statistics show that there were 64.2 million migrants in Shanghai in 2008.¹³ Half of them belong to the skilled labor, which is the potential human capital for the development of Shanghai. Five percent of the labor migrants are unskilled, and most of the physical work in Shanghai is done by them.

However, the labor market in Shanghai has some problems. The most discussed one is the unemployment among undergraduates, typically those who have just graduated from universities. Most of them do not have any work experience or volunteer job, but they do have a high expectation about their first job, which should offer good payment and good welfare. There were 61.1 million undergraduates in China in need of a job after their education in 2009.¹⁴ In the universities and colleges in Shanghai, there were 1.58 million graduates last year and the numbers are estimated to increase to 1.68 million this year.¹⁵ Thus, to offer these undergraduates a job is a significant task for both government and universities.

¹³ The migrates labor in Shanghai -- news.sina.com.cn/c/2009-03-13/211517403732.shtml

¹⁴ Promote the work of Employment of college graduates in 2009 Shanghai -- www.huaue.com/jy/2009716100302.htm

¹⁵ Find numbers from earlier years in the appendix

8.1 Improvement of institutions and results

The central government has introduced some new institutions in 2009 to help solve the unemployment problems for the graduates. The seven main policies are¹⁶:

- I. Encourage and lead graduates to suburb and rural areas. The graduates can get allowance if they move to urban and rural areas, where well educated people are absent or not many enough. Besides, enlarge the current central government projects and give bonuses to graduates who are moving further to western China or other less developed rural areas.
- II. Encourage middle and small size enterprises, and also private enterprises, to employ graduates. Enterprises which employ registered graduates can benefit from government institutions.
- III. Encourage outstanding enterprises and school projects to use graduates. There will be economic support for those enterprises and schools.
- IV. Encourage and support graduates to become self-employed. Universities should promote and educate students to be self-employed. The government will offer many other preferential treatments regarding loans, interest subsidies and taxes.
- V. Improve the service for graduates. Both universities and Labor and Social Security Department should help graduates multiply through for instance free guide and information.
- VI. Improve the graduates' employability. Guarantee that every graduate has participated in practical activities. The graduates should have degrees for both their education and job qualification.
- VII. Create and improve aid systems for graduates. Highlight those rural graduates who went back to their hometown, they should be registered in the local unemployment list and get more assistance.

Besides the pass system, the workers right is also a problem. In many private and small firms, worker unions or organizations are not able to speak out or negotiate for the employees. Even some of the existing unions are not really doing the negotiating job but as a formality. It is

¹⁶ Policy Updates -- www.gov.cn

difficult to judge and monitor how the unions are doing since there is no institution to support neither workers nor unions.

Even though there are problems regarding institutions, the economic development in Shanghai is powerful, and it attracts foreign direct investment and international trade, which brings growth, building projects and upgrading of the urban infrastructure. Foreign direct investment means a lot for China and Shanghai. The turning point was in 1979 when Xiaoping Deng launched the opening-up policy. More and more private ownerships were founded and Chinese enterprises were encouraged to cooperate with foreign enterprises, which mean the market was much more free than ever in Chinese history. Thus, foreign direct investment has increased a lot, and China is today the world's largest recipient of foreign direct investment. From the 1960s to the 1980s, foreign direct investment in China has increased from 0 to 5 percent of GDP.

At the same time, Shanghai obtained a big "piece of the cake", because of its location and background. Originally a fishing and textiles town, Shanghai grew in importance in the 19th century due to its favorable port location and as one of the cities opened to foreign trade by the 1842 Treaty of Nan Jin. The city flourished as a center of commerce between east and west, and became a multinational hub of finance and business by the 1930s.

For the city to meet the challenges, complex planning processes and policy support by the central government is required. The Project Application Report of Shanghai Disneyland is not available for the public, but the long negotiation process implies that there has been a lot of work and discussion on planning and policies.

8.2 Some problems of the current institution

There are still problems regarding labor market institutions. Douglass North defined institution as "the rule of the game" (North, 1990). It is hard to make "rules" for such a big country as China, but without good institutions, the "game" will be hard to play. Compared to other developed countries, institutions in China have ensured economic growth so far, but there are still some institutions which are not beneficial for sustained economic growth.

”Hu Kou” is the pass system in China, and it is the first obstacle graduates would meet after graduation. Primarily students have the local residential pass, which is divided two types: city residential pass and rural residential pass. This pass system limits labor mobility in China and creates unfair competition for local and migrant graduates. Anita Chan criticizes the pass system in “China Society” (Chan, 2003). She claims this system is one of the worst institutions in China. She argues that the main reason is that this pass system is made to avoid urbanization so that the labor cost can be more competitive compared to other countries. The less labor mobility the less chance of improving the wage level.

Furthermore, the difference between a city “Hu Kou” and a rural “Hu Kou” will be more obvious for the next generation. Around 50 percent of labor migrants in Shanghai are skilled. They have a residence permit from the local government, their life seems to get better, but there are still problems for their children. These skilled workers are paying their income tax to the Shanghai government but their children are allowed to study in schools with local students. However, when these children come to the most important examinations, the college and university entering exam, they are not allowed to take them in Shanghai-the city where they used to study. This policy is not fair for the children and it seriously damages the chance these skilled people and limits their mobility.

9 Disney Resort over the world

9.1 History of Disney Resorts

Walt Disney Parks and Resorts is the segment of The Walt Disney Company that conceives, builds, and manages the company's theme parks and holiday resorts, as well as a variety of additional family-oriented leisure enterprises. It is one out of four major business segments of the company, the other three being Consumer Products, Media Networks, and Studio Entertainment. Its first park, Disneyland, opened in Anaheim, California, in 1955. Its theme song, "It's a Small World After All," promoted an idealized vision of America spiced with reassuring glimpses of exotic cultures all calculated to promote heartwarming feelings about living together as one happy family. The Parks and Resorts division was founded in 1971 as Walt Disney Attractions when Disney's second theme park, the Magic Kingdom at the Walt Disney World Resort in

Florida, opened, joining the original Disneyland in California. In 2009, all company's theme parks hosted approximately 118 million guests, making Disney Parks the world's most-visited theme park. The Walt Disney Company has the wholly ownership of these two domestic theme parks.

Table 3 Existing Disney Theme parks

Name	Location	Opening Date
Disneyland	Anaheim, California, USA	17 th July 1955
Walt Disney World	Orlando, Florida, USA	1 st October 1971
Tokyo Disneyland	Tokyo, Japan	15 th April 1983
Disneyland Resort Paris	Paris, France	12 th April 1992
Disney's Animal Kingdom	Orlando, Florida, USA	1998
The Walt Disney Studios	Paris, France	March 2002
Hong Kong Disneyland	Lantau Island, Hong Kong	12 th September 2005

Source: "Disney Ambassador" Tina Berg Hargård, 2006

9.2 Walt Disney World Resort (in Orlando, Florida)

The Walt Disney World Resort which opened in 1971, with the Magic Kingdom and three resort hotels, is the largest vacation resort and most popular tourist destination in the world today. It includes four theme parks, two water parks, a shopping and entertainment complex, twenty resort hotels, eight golf courses, and miles of recreational activities. Even though the population is only 1.8 million in Orlando, the Walt Disney World Resort created 0.66 million jobs. Among the scenic spots, Disney World Resort opened up busses and trains. Besides the Disney theme hotel, visitors can choose among other 10 hotels. Thus, both transportation and accommodation conditions are very well developed in Orlando. The attendance was 17 million guests in 2008.¹⁷

9.3 Disneyland Resort (in Anaheim, California)

Disneyland Resort of Disney's California Adventure Park occupies 494 acres. It includes two new resort hotels and the Downtown Disney retail, dining and entertainment district. The park

¹⁷ "TEA/ERA attendance report ", TEA and Economics Research Associates (ERA)

needs 2,500 employees to maintain the daily entertainment. In 2008, 14 million guests visited the park. (REA, 2009)

Both original Disney Resorts have always been listed on the top of the attendance report of the world theme parks with the highest visitor numbers since the TEA¹⁸ and Economics Research Associates was founded in 1991.

9.4 Disneyland Paris (Marne-la-Vallée, France)

Disneyland Paris, Disney's second resort complex outside of the United States, opened on April 12, 1992 as the Euro Disney Resort. Its properties sit on 4,940 acres, and feature two theme parks, a golf course, an entertainment complex and six Disney resort hotels. The park is owned, maintained and managed by Euro Disney S.C.A.¹⁹ The attendance increased by 5.7 percent in 2008 to 13 million guests which makes it the most visited theme park in the Europe.

Disneyland Paris hires 12,000 new Cast Members (employees) and about 6,000 are working in Euro Disneyland's Magic Kingdom; 5,200 in hotels on the property, and the remainder in recreation and support facilities, which from the beginning was a great antidote against the high unemployment at the time. (Lyn Burgoyne, 1995) However the Disney Resort in Paris has met many problems since the beginning; the park had its first break-even result last year.

9.4.1 Cultural conflicts in Europe

One of the most discussed problems concerns a few cultural misunderstandings, for instance the approach to vacation time of Europeans. In the U.S, it is usual that parents take their children from school for a vacation in mid-session, but Europeans do not. At the same time, people in Europe would rather have a few long holidays than several short breaks.²⁰ The Walt Disney Company was convinced that it would be able to "Americanize" the European habits. Unfortunately for the Walt Disney Company, this was not the case.

¹⁸ TEA (Themed Entertainment Association) is an international nonprofit alliance based in Burbank

¹⁹ Euro Disney S.C.A. is the company that owns and operates Disneyland Paris in Marne-la-Vallée, France. 39.78% of shares are held by The Walt Disney Company, 10% by the Saudi Prince Alwaleed and 50.22% by other shareholders.
²⁰ "French Fall for the Charms of Disney," Sunday, Telegraph, April 13, 1997. p. 21.

Another example concerns the breakfast. The Walt Disney Company was told Europeans do not eat sit-down breakfasts. Therefore, the restaurant size was cut down and when more than expected guests entered into the restaurants, Disney reacted and sent prepackaged breakfasts delivered to rooms and satellite locations. Moreover, guests in Disney Paris preferred bacon and eggs to just coffee and croissants (Lyn Burgoyne, 1995). The misunderstandings of Europeans' vacation and eating habits reminds us that, during the Disney expansion into Chinese market, the company should be well informed on all aspects of vacation customs and eating habits of people in and nearby that country.

9.5 Tokyo Disney Resort (Urayasu, Chiba, Japan)

Tokyo Disney Resort has the best result of all three Disney resorts located overseas. It was opened in 1983 and expanded with Tokyo Disney Sea in 2001. Though Tokyo Disney Resort was fully owned and operated by the Oriental Land Company²¹, it was licensed by the Walt Disney Company and Disney maintains a degree of control. But from April 2010, the ownership was sold back to the Walt Disney Company. Within the 502 acres, there are two parks, three resorts, shopping centers called Ikspiari and Bon voyage, and all these units continue to thrive with a combined attendance of more than an estimated 26 million. The first park, Tokyo Disneyland, marked its 25th anniversary in 2008 and attendance that year rose 1.5 percent. The second park, Tokyo Disney Sea, celebrated its fifth anniversary and attendance was up 2.5 percent. All the attendance records placed Tokyo Disney Resort among the top three most visited theme parks in the world in 2008.²²

9.5.1 Local leader and SCSE

The success of Disney in Tokyo cannot be separated from its CEO Toshio Kagami. Because of the low birth rate in Japan during the last 21 years, the children entertainment division meets intense competitions and finicky customers. Many mega resorts were closed but Disney Resort is doing well. Behind this is the SCSE (safety, courtesy, show and efficiency)²³ action rule made by

²¹ Oriental Land Company is a Japanese leisure and tourism corporation headquartered in Urayasu, Chiba, Japan.

²² "Attraction Attendance Report " 2009, made by Themed Entertainment Association/Economics Research Associates

²³ Initiatives for Theme Park Safety -- www.olc.co.jp/en/csr/activity.html

Toshio. All actions have close relationship to each other and affect each other. Every cast member refers back to these principles to provide the highest level of service to the guests. Without the safety after the guests enter the resort, any courtesy, show and efficiency will not make any sense; without professional courtesy, all safety, show and efficiency will be lost by the snub of cast member; without the wonderful show, the safety, courtesy and efficiency will not be necessary; without the efficiency, safety, courtesy and show will not get the expected result.

To keep the employees happy and satisfied with their jobs is the way to keep Disney's guests happy; Toshio did not even ignore the cleaners. It is easy in the beginning when everything is new, but employees normally lose their passion after a few months' work. Thus, Toshio holds an essay competition each quarter, in which employees can write down the small things that affect them during the work. The essays will be printed out as a brochure so that employees can uphold the happiness from their daily work.

9.6 Hong Kong Disneyland Resort (Penny's Bay, Lantau Island)

Hong Kong Disney Resort, Disney's fifth resort and its second in Asia, opened on September 12th, 2005. Currently, the resort sits on 320 acres and consists of one theme park and two hotels, with land reserved for future expansion. However, the expectations were exaggerated since the prime target has not been reached yet. Disney is sticking to its target of 5.6 million guests, but there the average number of guests in the first years has been only 4.5 million. Research done by Michael Schuman²⁴ shows that in order to hit these numbers Disney is running aggressive promotion: they have offered free tickets for 50,000 Hong Kong taxi drivers, expecting they will share the experience of "Disney magic" with their passengers.

Disney invested 316 million dollar for a 43 percent equity stake in this park and the Hong Kong government invested 2.9 billion dollar for a 57 percent equity stake. Although Disney has almost half of the stake in HKITP (the company formed between Disney and the Hong Kong government), it does not have any ownership of the land. (Hills & Welford, 2006)

²⁴ Disney's Hong Kong Headache --
www.time.com/time/magazine/article/0,9171,1191881,00.html#ixzz0gAnrs5rQ

9.6.1 Cultural conflicts in Asia

Furthermore, a lack of understanding of local culture has brought some problems for the Disney theme parks in Asia as well. The story happened in 2005, Disney Resorts neglected to block off the entire week during the Chinese New Year as "special days" for which visitors' required specific tickets.²⁵ Thus, tourists with regular tickets were turned away at the front gates after the park had quickly filled up; the jilted travelers screamed at park employees, while TV cameras filmed one family trying to pass a child over the fence. It quickly became a big mess. John Ap, an associate professor at the university's School of Hotel and Tourism Management in Hong Kong commented once: "Disney knows the theme-park business, but when it comes to understanding the Chinese guest, it's an entirely new ball game." (John, 2001)²⁶

9.6.2 Agreement between the Walt Disney Company and Hong Kong government

The total revenue of Hong Kong Disney Resorts is not available in the Walt Disney Company's annual report. Disney paid 316 million dollars for its 43 percent stake. In return, it gets management fees and royalties on merchandising, food and the nearby hotels.

The bonus agreement between company and government can be found in the financial report 2009. The government confirmed they have received 1.2 billion HK dollar (\$154 million) as interest. The Walt Disney Company and the Hong Kong has agreed for an extension plan for three new parks which, is expected to be finished in 2014. The government estimates after this extension that the net economic benefits will reduce 20 percent. The highest return on investment is 5 percent and the lowest is almost 0 percent. The deal made between them is not beneficial for the government of Hong Kong.

First of all, spending on tickets only represents 50 percent of the total spending of the Disney visitors; the other half is spent on food and souvenirs. According to the agreement between the government and the Walt Disney Company, the bonuses are based on ticket sales, but ticket represents only a small part of total spending, Tickets at Disneyland Hong Kong are sold at a

²⁵ Disney's Hong Kong Headache --
www.time.com/time/magazine/article/0,9171,1191881,00.html#ixzz0gAnrs5rQ

²⁶ John Ap, 2001, "The effect of Hong Kong Disney Theme Park to Pearl River Delta", Tourism Tribune

competitively low price. It costs \$38, against \$53 in California, \$60 in Florida, \$50 in Tokyo and \$49 in Paris.

Secondly, the Walt Disney Company has many other subsidiary operating items, including hotels, studio entertainment, consumer products, and media networks which have a great market in Hong Kong, but they are not included in the contract. When the Walt Disney Company was looking for its location in China, many cities close by also showed alternative features. Thus, it is obvious that under hard competition, the Hong Kong government focused on the benefits of employment in the short run, but ignored the potential problems.

The stories of Disney Resorts in Tokyo and Hong Kong are different, especially when it comes to attendance records. The reason could be the size of the resorts and the supplier of attractive themes, but there are also problems of culture conflicts and market strategy for Disney, even agreements with the government. Although the extension plan for Hong Kong Disney Resort is confirmed, will it generate any profit afterwards? And for both operating and visiting, could it compete with the coming Disney Resort in Shanghai which is newer, bigger and maybe also cheaper?

10 Current situation for the Shanghai Disneyland Resort

An interesting question regarding to the supply of human capital in Shanghai is this: will there be enough “Disney experts”? Statistics show that 1.58 million undergraduates finished their education and were looking for jobs in 2009 in China; and this number is increasing every year²⁷. They are the potential employees for the Walt Disney Company team in Shanghai and China.

10.1 Human Capital -- Cooperation with local universities

Two universities in Shanghai have already started cooperating with the Walt Disney Company with the aim of training the Disney experts. Since 2006 hundreds of students have been sent to Disney Resorts in America under their undergraduate internship, and there will be more and closer cooperation between local schools and the Walt Disney Company over time.

²⁷“Shanghai statistic annual report “

In 2006, when the project of Disney Resort in Shanghai was undecided, the purpose of undergraduate internship at Disney Resort in America was to offer students a chance to go overseas and experience some international exchange, it was an opportunity to share their skills and improve their communicative competence in a multi-cultural environment.

In cooperation before with the Shanghai Normal University, East China Normal University, Montclair State University and the Walt Disney Company, a course designed for training Disney experts is now officially begun, which includes tourism management and a five months paid internship at the Disneyland. This project is transforming more and more inexperienced undergraduates to suitable workers for the Walt Disney Company. All students who have passed examinations and fulfilled a five-month internship will receive a “Disney diploma”.

Although neither the Shanghai Normal University nor East China Normal University belongs to the top universities in Shanghai, the involvement of these universities is not random. On the one hand, these two universities were founded in Shanghai in the 1950s right after “the university entering examination” restart²⁸. Therefore, both universities have long histories and are able to ensure enough applicants, and more than expected students apply for these two universities each year. On the other hand, they are both normal universities, and many students are educated to work as educationists with high communication skills. This is the kind of personalities which Disney will need for its resort in China.

The Vice Director of the School of Human Sciences of the Shanghai Normal University, Min Gang Liu, indicated that Disney wants cheerful students. The concept of Disneyland is to bring happiness to the guests. People who are able to keep guests and themselves happy are people with cheerful and confident personalities. The interviews include two parts, one for testing the English level and one personality test. Only students who fulfill the requirements of both parts will be considered for the Disney course in America. Thus, competition is hard but reasonable.

10.2 Intellectual property rights— war with piracy

To succeed in the Shanghai market, the Walt Disney is in need of human capital as the foundation of its intellectual property. Through cooperation with local universities and graduates,

²⁸ During the Chinese culture revolution from 1949 to 1979, not everybody is allowed to take this examination

this will not be a problem. But a more significant challenge for the Walt Disney Company is how to guarantee its intellectual property in China.

Rodrik (2000) agrees with North and Thomas and North and Weingast, that “the establishment of secure and stable property rights have been a key element in the rise of the West and the onset of modern economic growth.” Rodrik gives property rights the highest priority, which implies its significance as institutions, and he further argues: “property right stands to reason that an entrepreneur would not have the incentive to accumulate and innovate unless s/he has adequate control over the return to the assets that are thereby produced or improved.” (Rodrik, 2000) As it’s well known, China is a developing country without very well developed institutions to support property rights. But the high return of investment and potential shopping power still attracts a lot of foreign direct investment.

The Walt Disney Company annual report (2009) says: “The success of our business is highly dependent on the existence and maintenance of intellectual property rights in the entertainment products and service we create.” The protection of intellectual property rights is more advanced in Japan and Hong Kong than in mainland China. This will create a more acute challenge for the Walt Disney Company than ever before. Until now, not all Disney business units have entered the current market of Shanghai. While the parks and resorts are on their way, the only unit already on the market is the consumer product. However, the piracy goods like toys and clothes are already available in many small privately owned stores. But the author think piracy is also a kind of advertisement for the Walt Disney Company. The company could use the piracy to promote their market presence, like so many software companies have done, if they have the situation under control.

DVD films are another kind of consumer products which could be easily be the victim of piracy especially after the advertising, because the control of piracy of DVDs and films in China is far from the international standard. The supply has an interaction with demand; there are existing consumers who are not willing to pay for the original products. If the original products are five or ten times as expensive as the copies, there will not be a large market for originals. If piracy DVDs can play films as well as original DVDs, this market will grow sharply. In the Chinese Compact Disk market, the technology of DVD with 30 hours EMS memory is available but

illegal. If there is no powerful institution to stop or control these factories from copying the Disney's studio entertainment, the Walt Disney Company will lose the competition before it starts. All in all, it is strongly recommend for the Walt Disney Company to cooperate with the government to improve the institutions and laws regarding intellectual property rights.

11 Forecast of Shanghai Disneyland Resort

The estimated opening time for Disney Resort Shanghai is 2015, and the project will begin after the 2010 Shanghai Expo. Will it be a success as the Tokyo Disney Resort? Or will it turn out as "The Wall Street Journal" says: "the Disneyland will not bring Shanghai any happiness"?

11.1 The Prediction of failure

There are examples of less well run Disney resorts from Hong Kong and Paris. The common problem for these two Disney resorts is the cultural conflict when Disney goes aboard. The forecasted numbers of visitors during different time periods and their habits were common problems. In Paris there were not as many parents willing to take their children for a short vacation as Americans do and in Hong Kong there were extremely many visitors during the Chinese New Year or the period of long vacation. Children in China have a very tight school schedule and there are even lessons during the free time, thus work-days visitors will not be very many. But all students under the college and university level have a semester traveling day every half year and it is suggested to cooperate with these schools to arrange trips to Disneyland. The peak visiting time will be during the summer holidays, winter holidays and a few public holidays. The suggestion for Shanghai is then study the vacation schedule of Shanghai and China and be well prepared for the peak time.

Regarding culture, conflict is not only about difference, but also about how people accept the impact of something new upon the local culture, especially for a country that has a long history. Employees in France refused to accept many rules from the Walt Disney Company, because they are used to work in their own ways. They are averse to make themselves into "Americans", and argue about "cultural invasion". The Walt Disney Company sued employees and lost the lawsuit. Nevertheless, the Disney Paris still exists and its financial situation looks better and better, but they have perhaps learned a lesson: they could have avoided many problems at the beginning,

had they focused more on specific details. How will the Chinese people react towards on the American style Disney brings Shanghai? The labor unions and institutions are not as mature as in France, and the employees will not be able to resist in the same way. Since Disney is a foreign company, there will be a lot of attention on the labor issue, and criticisms will quickly rise if the Chinese also think they are exposed to a “cultural invasion”.

Some old research regarding to the Hong Kong Disneyland resort shows that Disneyland did not have a good reputation there, because of the “unfair” agreement with the government, and because of the bad working conditions cast members have. If the local public gets a bad impression of the Disneyland, it will be hard to attract more visitors. Some new research shows an improvement over the time, but it is harder to change adults’ opinion than children. Good reputation is essential.

11.2 The consequence of failure

All in all, the expectations of Disney Resort Shanghai are high, but if it ends up in another failure as in Hong Kong, there will be economic loss for Shanghai government. For the Walt Disney Company, it will be a bad investment, but it still has five other Disney resorts and other business units. For Shanghai, a failure implies unemployment, social instability, and bad reputation among foreign investors. The worst might be that the local government will lose the confidence from its citizen.

11.3 The prediction of success

A success for Shanghai Disney Resort is what many people hope for, and this requires a lot of work and cooperation. Firstly, it is very important for Disney to define its cultural impact, combining the American culture with the Chinese and making a multi-cultural park visible in Shanghai.

Secondly, the company must develop its sub-businesses to support the Disneyland resort. Disneyland is not an individual business; in fact, it cannot be separated from media networks, studio entertainment, consumer products and interactive media. All the related business units are attracting more guests by sending the stories of Disney out to the consumers, and Disney will

enter into people's daily life through food, clothes and toys, just like a "Disney hot" happened in Japan.

Thirdly, support from the government is necessary. Many institutions in China are not yet perfect, not even in Shanghai. Disney might get into some conflicts where they will need help from the government. Thus, to build a good relationship with the local government can ensure protection in many cases.

Fourthly, the company must take advantage of human capital. The young generation in China of today has a much better chance to study and get work experience in the international environment. But compared to many developed countries, skilled labor is still cheaper, and China, especially the big cities like Shanghai, has thousands of graduates each year. It is a great potential and competitive advantage that Disney can make use of by locating their next theme park to Shanghai.

11.4 The consequence of success

If Disney successfully brings happiness to Shanghai, and makes it into an even better Disney resort than Tokyo Disneyland, the Walt Disney Company, Shanghai government and Chinese people will benefit from it.

First of all, it will bring economic growth. Some economists have calculated that even one Yuan of spending will drive along eight Yuan of economic activities. There will be need for consumer goods production, for restaurants and hotels. Besides, all Disney's business units need labor to make them work.

When the economic situation is getting better after the 2008-09 global financial crisis, the unemployment problem will slowly recede. But more important than the unemployment rate is the quality of labor and the labor market. The Disney resorts always need many employees to maintain their standards, but the total employment of Shanghai Disney Resort is only a piece of cake regarding unemployment in Shanghai now. A possibility of labor and labor market improvement is foreseeable. The Walt Disney Company has experience from at least three countries and experience of running the world's most famous theme park for more than fifty

years now. The company has had problems with local labor law, but they have worked out the problems and learnt a lot from their mistakes. Thus, labor in Shanghai is most probably looking forward to working and learning from this multi-cultural company.

Thirdly, the graduates are looking forward to know Disney better. The cooperative program between two Chinese universities, one American university and the Walt Disney Company are sending people to the US every year. The students are not just taught in the classrooms of the university; they get practice in the oldest Disneyland and experience the Disney culture and management. The management skills and working habit in a multi-cultural environment are the most valuable lessons they get. When they get the “Disney Diploma”, they are also allowed to work for other companies they might find more attractive. But they learn lessons who those who have not participated could never understand.

Fourthly, Disney will trigger the innovation of Chinese child entertainment industry. Children in China today have very limited space to be a child, they are taught to be more mature and “intelligent” from the very beginning. They have less and less chance to think and play as children since most child entertainment is teaching them the results but not the processes. Wei Ping Pan, an experienced Chinese kindergarten teacher, criticizes that even many story books always draw a final conclusion and teach children what is good or bad. The way in which Disney tells children stories are broader, usually not simplifying bad roles and good roles. Thus, there is room for children to think, ask and discuss in Disneyland entertainments.

Finally, both Shanghai and the Walt Disney Company will earn a higher reputation though successful cooperation. Disney resort offers every Chinese a chance to have a global experience without going overseas. Moreover, building a Disneyland shows China’s openness to the world and will reestablish Shanghai as a true cosmopolitan city.

Mickey Mouse is getting older and older; he needs a “new life” or partner to create a new golden age to maintain his success. Shanghai lost its crown as the “Pearl of the Orient” to Hong Kong and its crown as “Asia’s first cosmopolitan city” to Tokyo. Might Disneyland bring Shanghai a new crown of something?

12 Conclusion

Question 1 What are the ownerships arrangements of Disney Resorts? Who is responsible for the Disneyland project in Shanghai?

The Walt Disneyland Company has the wholly-owned ownership of Walt Disney World Resort and Disneyland Resort. Both of them are located in the US, one in Florida and one in California. This is Disneyland's homeland and the Walt Disney Company is fully responsible for management and operations.

The first Disney Resort outside of the US is Tokyo Disney Resort, located at a suburb of the capital city of Japan since 1983. This Disney resort was owned and operated by the Oriental Land Company until April 2010. The company has just sold the stores back to the Walt Disney Company, which means that this company now has the full ownership of Tokyo Disney Resort.

Disneyland Paris is owned, maintained and managed by Euro Disney S.C.A., with 40 percent of company's shares held by The Walt Disney Company, 10 percent by the Saudi Prince Alwaleed and 50 percent by other shareholders.

Hong Kong Disneyland Resort's 43 percent equity stake is owned by the Walt Disney Company, and Hong Kong government owns 57 percent. The Walt Disney Company does not have any ownership of the land, and it is responsible for the management and operation. Moreover, the Hong Kong government can only get its bonuses from the world's cheapest Disneyland ticket.

The coming ownership of Disney Resort in Shanghai has not been officially announced reported yet, but it is estimated that it will look like the ownership of Hong Kong Disneyland Resort. Many media reports of a joint-venture holding company that under the control of the Shanghai government, which owns 57 percent of the park, while Walt Disney Company is holding 43 percent and is responsible for the management and operation of the resort.

To summarize the ownership and management responsibility: the financial situation is related to the ownership. The more Disney Walt Company owns the higher profit a Disney resort normally earns. There might be other factors influencing the profit, such as the management team or location. But the management team is trained by the Walt Disney Company, and the location is

chosen by the Walt Disney Company as well. So what lies behind bad performance? Couldn't the company find the right personnel or location? Why are government bonuses part only generated from ticket revenue, while all other profit belongs to the Walt Disney Company alone? These are questions left for further research or studies.

Question 2 What are the important factors which could lead Shanghai Disney Resort to the failure and success?

Based on the analysis of the existing Disney Resorts and the situation in Shanghai, a possible failure could be due to the following factors: 1) not enough support from the local and central government; 2) misunderstanding of the habits and culture, such as diet and vacation; 3) bad reputation among employees or local public. If the Walt Disney Company is able to solve these problems, Shanghai Disney Resort will not be a failure.

Important factors for Shanghai Disney Resort to be a successful investment are: 1) define Chinese cultural impact; 2) develop sub-businesses to support the Disney Resort; 3) nurture good relationship with the local government; 4) take advantage of human capital to be competitive and innovative in the market.

Question 3 What could the failure or success of the coming Disney Resort bring to China, Shanghai and the Walt Disney Company?

If Shanghai Disney Resort becomes a failure, it will bring a big economic loss for both the Walt Disney Company and the government. And, even worse, it will cause a reaction against the local government, since it tried so hard to have a meaningful "crown", but failed all the time. The people might lose their confidence in the city one day.

However, if Shanghai Disney Resort becomes a success, the Walt Disney Company will earn an extraordinary profit from the Chinese market, and it can use China as a great example to open up markets in many other Asian countries. For Shanghai, except for certain economic growth, the success will reduce the unemployment rate, especially for graduates. Besides, the success might accelerate the improvement of brand building, intellectual property rights and labor unions. For

China, the success of Shanghai Disney Resort can surely trigger many economic activities directly and indirectly.

When Mickey Mouse goes to Shanghai, innovation is gifts for both of them no matter failure or success. As a product, though there is already one Disney Resort in the southern tip of China - Hong Kong; Shanghai Disney Resort will be 10 times larger, and the good location will offer the new resort more opportunities to be different. Furthermore, through the sub-businesses of Disney, they will bring a product innovation on Child education, and child entertainment in China. For the Walt Disney Company, to enter the mainland market is a process innovation of goods, service and organization, and the innovation may spread through society. Even though Hong Kong is a part of China, there are still differences in many details.

Question 4 Are there any actions the company and government should be aware of regarding the coming Disney resort in Shanghai?

For the Walt Disney Company, it is important to build a stable relationship with the local and central government. China and America has a very special relationship, and one of the most famous American companies, the Walt Disney Company, is not only representing the company self, but also the country. Many developed countries criticize the state of human rights in China, and labor unions and organizations is a sensitive part of it. The Chinese government will not allow any kind of unions or organizations that could disrupt the policy geared towards economic growth and the authority of the Communist Party. Thus, it will be interesting to see what kind of attitude Disney will have towards the development of labor unions within its realm.

The author's opinion is that it is important to support the improvement of institutions regarding labor unions and organizations. Many examples show that the levels of globalization and freedom are under significant transformation in China today. Only satisfied employees can build up a good reputation for Disney quickly, and this will attract more talented employees and thus more guests.

The example from Hong Kong illuminates how significant it is for the government to strike a suitable deal. The Shanghai government spends 25 billion Yuan on the first phase of this project, and thousands of citizens have been moved out of their houses and apartments because of

Shanghai Disney Resorts. In addition to the creation of employment, the attitudes towards Disney will depend upon the profits Shanghai government is able to reap one day, and the size of these profits will be determined by the initial company - government agreement.

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14 Appendix

14.1 The population of graduates in China 2000-2009

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Population	10.7	11.4	14.5	21.2	28	33.8	41.3	49.5	55.9	62.1

14.2 Picture: the perfect combination of Disneyland and Shanghai

The tower in the first pictures is original Oriental Pearl Tower which known as a landmark of Shanghai; the second picture is made by a computer program, which the part of the tower looks like Mickey's head.

