

Exploring Business Negotiation Strategies for Achieving Win-Win Situation: A Case Study on Disney-Pixar Acquisition

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Abstract. This paper analyzes the merger between Disney and Pixar, specifically investigating the strategic reasons, difficulties, and results of the transaction. Disney aims to enhance its animation capabilities by utilizing advanced technologies. Consequently, it closely examines the intricate negotiating process involved in incorporating Pixar's distinctive creative culture into Disney's corporate framework. The methodology employs a case study approach to analyze various aspects of cultural integration, communication tactics, and long-term strategic planning. The results indicate that the acquisition was extremely successful, not just in terms of enhancing the animation quality and achieving significant monetary prosperity, but also in maintaining Pixar's creative independence through a seamless merger. The research asserts that successful cultural integration and communication are essential for optimizing the value of a merger or acquisition. Furthermore, this research improves M&A strategy comprehension by emphasizing the importance of preserving the distinct capabilities and cultures of both M&A parties throughout business discussions in order to achieve a mutually beneficial outcome. Further investigation could enhance these discoveries by examining numerous case studies in various sectors to authenticate the knowledge acquired from the analysis.

Keywords: Mergers and Acquisitions; Value Identification and Creation; Culture Integration and Communication; Long-term Strategic Planning.

1. Introduction

The film industry underwent considerable transformation between the end of the twentieth century and the beginning of the twenty-first century. Electronic technology advancements have opened up new opportunities for the film industry. The fast development of computer-generated imagery (CGI) gave animation cinema the ability to create increasingly realistic and intricate motion films. Meanwhile, digital cinema has spread across the globe, allowing consumers to enjoy high-resolution viewing on a variety of media platforms. As burgeoning businesses, animated films continue to thrive at the box office and are progressively taking over the film industry. Specifically, the premiere of Pixar's *Toy Story* resulted in an exponential increase in the number of companies investing in the development of feature-length computer-animated films, which had an impact on the box office [1]. According to the figures, box office receipts in the United States and Canada increased by around 9% every year after 1995, climbing from \$5.2 billion to nearly double that amount [2]. The success of Pixar's debut film sparked a rapid expansion of the animation business, with several firms attempting to replicate Pixar's style and methods [3]. In the 1990s, the Walt Disney Company dominated the entertainment industry. They expanded beyond animation to include theme parks, resorts, a cruise line store, a publishing business, and video gaming divisions, as well as the \$19 billion acquisition of ABC [4]. To become more competitive and solidify its position, Disney wanted to create fresh and irreplaceable films to set itself apart from rival film production firms. According to Iger, acquisitions allow Disney to acquire new technology and expand globally, perhaps contributing to future growth [5]. Since then, Disney has embarked on a lengthy acquisition process.

Scholars have conducted substantial research on Disney's purchases of firms, exploring the rationale and impact from numerous angles. For example, Calandro et al. analyze the deal's strategy and finances to determine why Disney's choice to acquire Marvel was not solely for financial benefit but



also to predict Marvel's long-term value [6]. They not only examine strategic and financial considerations, but they also go into detail about decision-making and negotiation procedures. Alcacer et al., concentrating on Disney's acquisition of Pixar, use frameworks such as strategic decision-making, financial analysis, and negotiation theory to explain how businesses face problems and make transactions [7]. Many researchers have examined the reasonableness evaluation as a critical component of the business negotiation case. Korenkova uses the mergers and acquisitions (M&A) paradigm to critically assess Disney's strategic and financial reasons for acquiring 21st Century Fox [8].

Prior research has investigated the reasons behind Disney's acquisition of firms, the deal process, and the transaction's logicity. There is a lack of studies that have explored the viewpoints of both parties involved in the acquisition, resulting in a research gap. As a result, this study aims to fill this gap by specifically examining the development of efficient communication tactics in the context of mergers and acquisitions. This study attempts to analyze the significance of corporate negotiation techniques and provide organizations with the necessary skills to develop communication plans that promote mutually beneficial outcomes. Efficient communication is a manageable element that holds substantial theoretical and practical importance. Through the deliberate development of communication strategies, firms can effectively manage the inherent hurdles of M&A discussions and attain higher levels of success by deliberately developing communication strategies.

This paper is divided into three sections to address the gaps: a case description, an analysis of the problems, and suggestions. These sections provide a general overview of the Disney and Pixar acquisitions, identify potential issues, examine the issues with the assistance theory, and provide specific comments.

2. Case Description

Disney in the early twentieth century had a strong foundation and a powerful competitive advantage as a global leader in the media and entertainment industry. Initially driven by humor and gags, Disney's creative trajectory shifted towards complex storylines and innovative exploits of technology [9]. The convergence of sound, color, and complex character development marked a milestone in Disney's pursuit of narrative excellence. Disney continued to push narrative boundaries while embracing technological advances with the groundbreaking feature film *Snow White and the Seven Dwarfs*, as well as later adventures in hybrid production and CGI. The expansion of storytelling into Disney's wide multimedia approach, ranging from comics to theme parks, demonstrates a commitment to engaging audiences across a variety of platforms.

As Disney entered a new period of animation production, it faced increased demands and problems. Disney and Pixar developed the Computer Animation Production System (CAPS) as an operating system. Madej and Lee stated that all of Disney's animation work at the time used CAPS, and that the firm would only use CGI as a technical aid when a director desired something exceptional [9]. Despite the fact that Disney had been employing the CAPS operating system for animation, the fundamental functionality of the CAPS application appeared to be fairly unsophisticated and insufficient to suit the needs of Disney's long-term animation production. Meanwhile, Disney acknowledged Pixar's global reputation for breakthrough technology and original animation. Pixar has a relatively established CGI technique that focuses on math rather than hand animation, allowing animators to create realistic results [10]. Pixar has become a brand that mothers identify as "good for their family" because of CGI technology, which has resulted in numerous artistic and commercial achievements [5]. Disney understands that as technology advances and audience expectations rise, the corporation must continue to maximize the technology and quality of its animation projects in order to remain competitive and satisfy its audience. The acquisition procedure lasted around eight months. Pixar, a company that uses cutting-edge technology and produces outstanding animations, shares Disney's values and goals. In October 2005, at Iger's first board meeting since becoming CEO, he believed that purchasing Pixar was the best profitable answer to Disney's dilemma. In the summer of 2006, Disney

paid \$7.4 billion for Pixar, and Pixar became a completely owned subsidiary of Disney, collaborating on additional popular animated films.

The acquisition process was challenging and divided into multiple stages to finalize. First, Iger expressed an interest in Pixar and sought approval from Steve Jobs to visit and explore Pixar initially. The parties engaged in initial contacts and negotiations as Iger learned more about Pixar's projects, culture, and technology. Iger then engaged in detailed financial discussions with the Disney Board of Directors and Steve Jobs, respectively, including the negotiation of a stock structure and price. The parties then engaged in a "social contract" negotiation to discuss cultural preservation and brand usage. Pixar made clear its aspirations to maintain its unique culture after the acquisition. In the end, Disney completed the acquisition by exchanging 2.3 Disney shares for each Pixar share, resulting in a total value of \$7.4 billion. Pixar has been a subsidiary of Disney ever since, and although it still maintains a degree of management independence, Pixar and Disney work closely together to develop and generate animated films.

By merging with Pixar, Disney is able to use its advanced CGI technology and extensive creative resources to increase the quality and efficiency of its animation productions, resulting in greater economic success and meeting the family audience's need for "premium content." By combining Pixar's creative talent and technological competence, Disney extended its animated film portfolio and produced a streak of critically acclaimed films. Pixar's inventive culture and creative mindset injected Disney with new ideas, encouraging innovation and laying a solid foundation for future growth. In its 2007 annual report, Disney stated that "Ratatouille," the first picture released following Pixar's takeover by Disney, earned more than \$600 million at the box office. Disney's "Finding Nemo Submarine Voyage" promoted a new immersive experience for guests, leading to significant growth in operating profits [11].

3. Analysis on Problems

3.1. Value Identification and Creation

Although organizations may have unique organizational cultures and ideals, the real opportunity resides in maximizing value by strategically integrating their activities [12]. Accurately recognizing and generating value is critical to the success of corporate discussions related to mergers and acquisitions. Disney's acquisition of Pixar in 2006 demonstrates a skillful implementation of this approach.

Disney recognized the immense value proposition that Pixar offered. This included Pixar's unique creative culture and its unparalleled animation team. Throughout negotiations, Disney prioritized preserving and nurturing this very essence—Pixar's creative autonomy. The resulting partnership stands as a testament to the power of mutually beneficial collaboration. Disney gained access to a world-class animation team and ownership of valuable intellectual property (IP). In turn, Pixar's talented workforce received global exposure through Disney's extensive marketing and distribution network.

Research by Colman and Lunnan confirms the success of this integration, highlighting a smooth transition process with minimal conflict and high employee satisfaction [13]. Firms have had great success with acquisitions, partly due to their ability to learn from acquired firms and to absorb and integrate value to create [14]. M&A transactions can transform from risky ventures into catalysts for sustainable competitive advantage by acknowledging and addressing cultural differences, prioritizing value creation, and fostering a collaborative environment.

3.2. Culture Integration and Communication

Cultural integration and communication play a critical role in the success of an acquisition. Effective cultural integration and communication create a cohesive and productive workforce, drive acquisition success, and maximize merger value.

Disney's acquisition of Pixar is a prime example of a successful M&A transaction that prioritized cultural integration and effective communication. Recognizing Pixar's unique creative culture and exceptional talent, Disney took a strategic approach that emphasized maintaining Pixar's uniqueness while fostering a cohesive and collaborative environment. Disney understands that Pixar's creative autonomy and unique culture are integral to its success. Rather than imposing its own corporate culture, Disney is committed to preserving Pixar's creative freedom and allowing its teams to operate independently as subsidiaries. Unless companies integrate their cultures post-merger, they do not face the risk of the merger falling short of expectations [15].

Disney's strategy guarantees the safeguarding of Pixar's distinct storytelling and animation techniques, which greatly enhances the partnership's worth and reduces potential risks for the company. The evaluation of cultural fit measures the level of compatibility between the acquiring company and the acquired company [16]. Furthermore, Disney placed great importance on cultivating a culture of unrestricted communication and clarity with Pixar employees during the acquisition procedure. Disney had monthly meetings to resolve problems, deliver updates, and cultivate trust and involvement among team members. By promoting transparency in information exchange, Disney sought to reduce pushback from Pixar employees and foster a favorable perception of the merger. Disney successfully achieved a smooth merger process by prioritizing cultural integration and excellent communication. This approach made employees feel appreciated, engaged, and hopeful for the future. The favorable ambiance significantly contributed to the successful outcome of the discussions and the harmonious blending of the two firms' cultures.

3.3. Long-term Strategy Planning

In a globalized and fast-paced business environment where long-term strategic planning is crucial to the success and sustainability of any organization, Disney's acquisition of Pixar proves the importance of strategic fit in acquisition planning. Analyzing the synergies from an acquisition, such as increased market share, cost efficiencies, or enhanced capabilities, helps achieve strategic fit [17]. Disney recognized the enormous potential of Pixar's unique creative capabilities and cutting-edge animation technology to shape not only the present but also the future of the entertainment industry.

Unlike many acquisitions that focus only on immediate financial gain, Disney's vision extended beyond the box office success of Pixar films. Disney envisioned a future where digital entertainment would transform the storytelling and consumption of stories. Disney saw Pixar's expertise in computer animation as a key asset in this emerging field, perfectly aligning with its long-term strategic goals. By acquiring Pixar, Disney not only gained a world-class animation studio but also a strategic partner poised to shape the future of digital entertainment.

This forward-looking approach was evident throughout the acquisition negotiations. Disney's commitment to preserving Pixar's unique creative culture and autonomy, recognizing that this is the foundation of Pixar's success, ensured a strong strategic fit. This commitment to Pixar's creative freedom ensures that the studio can continue to generate groundbreaking films that resonate with audiences around the world. Acquisitions are more likely to succeed when there is a strong strategic fit between the companies [17]. The acquisition of Pixar proved to be a smart move for Disney. Not only did it revitalize their animation studio, but it also pushed them to the forefront of the digital entertainment revolution. Disney is a global leader in the entertainment industry today, and Pixar's innovative storytelling and animation techniques have played a central role in their success.

4. Suggestions

Currently, a small number of prominent studios exert significant control over the volatile and potentially lucrative film industry. Technological advancements persistently transform the process of producing and watching films, although the importance of content remains paramount. Studios use M&A as a strategic tool to navigate the dynamic industry, driven by the growing influence of social media and the need for control over content and distribution [18]. As a result, there is a heightened

emphasis on acquiring content and technology firms in the film industry to improve their products and adjust to industry changes. Furthermore, the globalization of mergers and acquisitions in the film business has enabled other studios to enter new areas and expand their audience base.

4.1. Market-oriented Due Diligence

A market-oriented approach to due diligence can help organizations secure the successful execution of a merger or acquisition. Due diligence is an approach that emphasizes the identification and creation of value beyond the traditional financial assessment, not only to comprehensively assess the target company's position in the changing market landscape, taking into account the dynamic nature of competitive forces as outlined in Porter's Five Forces analysis, but also to determine whether the target company is strategically positioned to adapt and thrive in the future changing marketplace [19]. Due diligence in acquisitions should prioritize examining the target company's alignment with future market trends and ability to harness technological improvements for successful value generation, as such data is critical in maintaining a competitive advantage [20]. Furthermore, determining the compatibility of the target company's customer base with the acquirer's target audience is crucial for maximizing merger benefits. Companies can better meet market expectations by fully understanding client demographics and preferences.

Furthermore, the innovation potential of the target company should be a focal point during due diligence. Companies need to determine whether the target's culture of innovation can be harnessed to drive future growth [21]. This involves not only assessing current innovative capabilities but also understanding how these can be integrated and expanded within the acquiring company's framework [22].

By adopting a market-oriented due diligence approach, companies gain a comprehensive understanding of the target's market position and future potential. This strategic insight provides a significant advantage in commercial negotiations and enhances the likelihood of long-term success for the M&A transaction. This approach not only identifies value but also creates and sustains it, turning the acquisition into a catalyst for sustainable competitive advantage [20].

4.2. Building Synergistic Talent Strategy

Developing a synergistic talent strategy that promotes cultural integration and good communication during the M&A transaction can reduce brain drain and help close the deal [23]. To attract and retain important talent, companies should develop a comprehensive talent strategy that fosters a cohesive and inclusive workplace culture. Mismanagement could result in the loss of critical talent in an M&A transaction. As a result, creating a synergistic talent strategy that prioritizes cultural integration and communication can help reduce the risk of talent loss in M&A transactions and ensure a seamless transition. According to statistics, 70–90 percent of M&A transactions result in the departure of key people from the target organization [23]. To avoid this danger, organizations can take a planned approach to cultural integration, such as Disney's acquisition of Pixar. Disney understood the necessity of preserving Pixar's distinct creative culture while encouraging collaboration. This method emphasizes the need to retain the acquired company's cultural qualities, which can greatly contribute to the combined entity's success.

Effective communication is essential in acquisitions. By prioritizing open communication and transparency, companies can build trust and engagement among employees. Regular meetings, updates, and problem-solving can minimize resistance and foster a positive view of the merger. This strategy ensures that employees feel valued, engaged, and optimistic about the future, which reduces the likelihood of brain drain. To further improve employee retention, companies can develop an integration plan that maps out clear career paths and development opportunities for employees of both organizations. In addition, creating a collaborative environment that respects and integrates the cultural strengths of both organizations can increase employee satisfaction and loyalty.

In conclusion, a collaborative personnel strategy that stresses cultural integration and communication goes beyond short-term concerns to create a long-term win-win situation for both parties to the M&A transaction. Companies that prioritize personnel retention and promote a collaborative atmosphere may negotiate the difficulties of M&A and lay the groundwork for long-term growth and success. This strategy is not only sound, but it is also necessary to maximize the value created by M&As and guarantee their success.

4.3. Promoting Open Innovation

Long-term strategic planning is critical to the success and sustainability of any acquisition. This includes a thorough analysis of the synergies that may result from the acquisition, such as increased market share, cost efficiencies, and enhanced capabilities [17]. Companies should prioritize the strategic fit between the acquirer and the acquiree to ensure that their goals, cultures, and processes complement each other. This alignment creates value by increasing revenues, reducing costs, and opening up new growth opportunities. A successful acquisition strategy should focus on long-term goals. For example, Disney acquired Pixar with the hope that digital entertainment would revolutionize storytelling and audience engagement. Disney recognized Pixar's expertise in computer animation as a key element of this transformation, ensuring that the acquisition was in line with their long-term strategic goals.

Maintaining both companies' unique strengths and cultures was critical to the acquisition's success. Disney's commitment to retaining Pixar's creative autonomy and unique culture was an important part of its strategy, allowing Pixar to continue to yield innovative films. This approach emphasizes the importance of respecting and leveraging the unique capabilities and cultures of both entities in an acquisition. Furthermore, promoting open innovation through a collaborative framework can significantly increase the merged organization's innovative capacity. Creating cross-functional teams and knowledge-sharing platforms fosters a culture of continuous learning and innovation. Joint R&D projects can leverage the combined expertise of both companies, accelerating the pace of innovation and generating more value than either company could achieve independently [17, 24].

By focusing on strategic fit, identifying and exploiting synergies, preserving unique company cultures, and fostering open innovation, companies can improve their chances of successful acquisitions. These strategies ensure that acquisitions are not only successful in the short term, but that the combined entity maintains continued growth and leadership in the industry [17].

5. Conclusion

Ultimately, this paper offers a comprehensive analysis of Disney's acquisition of Pixar, elucidating the procedure, incentives, difficulties, and results of the merger. This research offers a thorough depiction of Disney's background, emphasizing its strategic imperative to augment its animation capabilities by leveraging Pixar's cutting-edge CGI technology and creative proficiency. The paper analyzes the acquisition process, focusing on the intricate talks between Disney and Pixar, which encompassed financial, cultural, and operational elements. The negotiations encompassed the preservation of Pixar's creative independence, the incorporation of cutting-edge CGI technology, and the utilization of Disney's massive distribution and marketing infrastructure.

This study finally concluded that the combination was exceedingly successful, enhancing the caliber of animation, augmenting forthcoming revenues, and ensuring sustained commercial triumph for Disney. Furthermore, it underscored the significance of preserving Pixar's distinctive creative culture as a crucial element in the merger's triumph. This strategic approach not only promoted innovation but also guaranteed a seamless merger between the two organizations. The findings indicate that successful cultural integration and strategic alliances are crucial for maximizing the value and potential of mergers and acquisitions. Both variables are essential for achieving a mutually beneficial outcome in business discussions.

This research provides significant advances to the understanding of M&A strategy. To begin, it emphasizes the necessity of cultural integration and excellent communication in order to facilitate a smooth transition and maximize the value of the purchase. This has practical ramifications for organizations looking to engage in similar transactions, implying that keeping both entities' distinct capabilities and cultures is crucial to long-term success. This method to merging Disney's market reach and Pixar's creative genius exemplifies a strategic collaboration that other corporations could follow.

However, the study's shortcoming is that it focuses exclusively on a single case study, which may not be applicable to all M&A scenarios. Future research could build on this finding by investigating additional case studies in various sectors. Furthermore, while this article presents a solid framework for M&A success, more research might be conducted into the long-term impact of such acquisitions on employee happiness and retention, as well as the ongoing evolution of corporate culture post-merger.

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