Analysing the Opportunities and Challenges of Multinational Enterprises under Globalisation: A Case Study of the Walt Disney Company

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Abstract
This paper analyses multinational enterprises' (MNEs) opportunities and challenges under the context of globalisation and the methods for them to achieve efficient performances. The Walt Disney Company is taken as an example in this dissertation to generate a detailed analysis. The trend of globalisation is gradually deepened, ineluctably affecting global economic activities, especially the establishment and operation of MNEs. SWOT analysis and DuPont model analysis are used in this article to form propositions from a more comprehensive perspective. The importance of this paper is that it provides practical suggestions first for Disney and then all the other MNEs so that they can best elaborate their potentials under globalisation.

Keywords
Globalisation, MNEs, Walt Disney Company, SWOT analysis, DuPont model

Introduction

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Owing to the numerous benefits of access to new cultures, obviation of borders, economic growth, spread of information and technology and so on, globalisation has been an essential trend in making the world more integrated. Contemporarily, there's a growing number of companies becoming MNEs, hoping to capture globalisation's advantages. As the main producers of cross-border economic activities, MNEs need to accommodate this trend, mastering the law of survival under this condition. Furthermore, obstructions to globalisation have emerged in the past decade. MNEs are also required to counterbalance the reverse of globalisation, namely deglobalisation. The Walt Disney Company is an MNE operating in 30 countries around the globe, producing media through its numerous studios, and setting resorts in 4 different countries overseas. It is an active player in the concentrated media business and is claimed to be the world's largest licensor of intellectual property (Wasko, 2016). Disney has relatively strong brand popularity in most countries, making it one of the most representative enterprises in the MNE industry. Its characteristics of operating in the global market and making integrated products commendably reflect the trend of globalisation. Therefore, it's been chosen as the research object of this case study.

This dissertation provides both microscopic and macroscopic angles to analyse MNEs in general and Disney in detail. From past operation experience of Disney, both opportunities and threats have been observed, some of which are certainly non-unique. The aim of this paper is to form judgement and suggestions for MNEs under globalisation derived from the case study of the Walt Disney Company.

This paper is organized in the following way: Introduction, Literature Review, Discussion and Conclusion. The literature review part answers the question of how globalisation affects MNEs. This part is carried out by discussing globalisation and MNEs separately and then investigating how exactly they interact and influence each other. The discussion part demonstrates a general analysis of MNEs under globalisation based on the previous part of study. Disney's profitability and performance are measured in specific statistics in the discussion part. Suggestions towards Disney and other MNEs are also illustrated.

Literature review

Globalisation

Definition and Timeline

According to Feder (2006), the concept 'globalisation' was first introduced by Levitt (1983) in his Harvard Business Review article, defined as the changes in social behaviors and technology that allowed companies to sell the same products around the world. Nevertheless, the predecessor of globalisation can be traced back to 625 BC when the Romans began their conquest in search of copper, iron and crops, blending unity and diversity across many parts of the world (Passaris, 2006). Global integrations may be dated back to at least 1571, when trans-Pacific trade routes were built to connect the Pacific and Atlantic rims (McKeown, 2007). A legitimate conclusion can be made that human's strong ambition for globalisation existed long before, plainly shown in their military conquest and the exploitation of new lands.

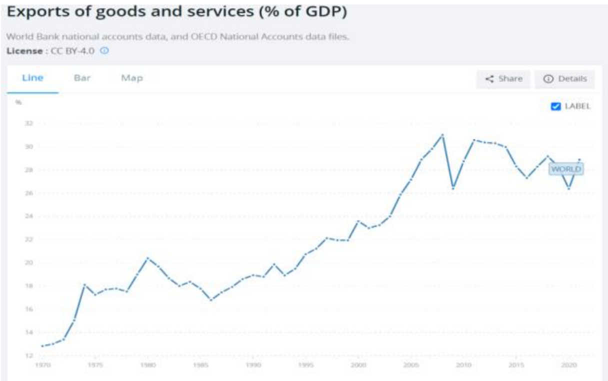
The first phase of globalisation in the real sense started in the 15th century and lasted till the end of the 18th century. European maritime expansion occurred after Vasco's landing in India in 1498. Since then, the Dutch and the English built their first trading stations by the beginning of the 17th century in an effort to seize the lucrative spice trade from the Portuguese, hastening the process of global convergence.

The beginning of the second phase (1900~1989) is marked by the establishment of trading policies. After World War II, each country' intention to boost the economic recovery led to the establishment of the General Agreement on Tariffs and Trade (GATT), signed by 23 countries in 1947. This trade agreement oversaw times when international trade had some of the fastest growth rates from 1948 to 1994 and set the regulations for a significant portion of global trade.

With the acceleration of economic integration after the fall of the Berlin Wall in 1989. Up until that point, only the western countries had engaged actively in the process while with the open-up of the Soviet Union, reforms of China and the change of import policy of Latin America came a wave of globalisation. In 1995, the World Trade Organization (WTO) was created, covering 90% of global trade (Majaski, 2022).
The third phase of globalisation (1990~1999) was filled up with turns and twists. According to Hassan et. al. (2014), the former phases euphoria ended up with Mexico facing a bankruptcy crisis caused by short-term capital, which inevitably affected the United States, Portugal and Spain. Despite this, the process of globalisation was again disrupted in 1997 due to capital flight from emerging markets such as Asia, South Korea and Russia.

Having been given the definition of an extensive network of economic, cultural, social and political interconnections and processes which goes beyond national boundaries (Yeates, 2001), Globalisation in the contemporary world can be broken down into 2 stages. From 2000 to 2018, Globalisation had a general trend of prosperous growth, reaching its peak in 2008. This period has undergone sustained economic growth which was accompanied by a even faster growth in global trade.

Figure 1. Exports of goods and services



The first stage ended with the US-China trade war, a catalyst of deglobalisation. Then came the second phase of globalisation (2018~2022), which contains the reverse of former situations. A series of events like Brexit, COVID-19 and the Russia-Ukraine War happened in succession, amplifying the trend of deglobalisation.

Having gone through all these stages, globalisation had certain influence on each economy and will continue to create impacts in the future.

Globalisation Impact

In 1817, the British economist David Ricardo mentioned the comparative advantage theory with respect to globalisation in his book for the first time. Comparative advantage occurs when a country can produce a good or service at a lower opportunity cost than another country (Ricardo, 1817). Based on this, globalisation enables countries with different comparative advantages to achieve their maximum potential productivity in the international market, forming a production and exchange system. Each individual becomes better off after being involved in this specific process as the gross products and services available have increased.

Notwithstanding, throughout time, specialists found out that it's not always practical to analyse globalisation's impact by investigating the performance of a country as a whole. They have the inclination to focus more on the international competitiveness obtained by firms, judging from both productivity and labour costs. With distinctive features like the growth of foreign investment, the acceleration of export activity, and the formation of strategic alliances at the global level, globalisation shall be considered as an ongoing process aimed at expanding and reorienting the business activities of the companies to new markets (Ionescu & Dumitru, 2012).

For MNE itself, it's possible for an MNE to lower its cost of production when setting up a firm in another country whose labour costs, transportation costs or tax rate are relatively low, mostly in developing countries. One compelling example would be Apple Inc. In a report made by Brock (2022), the iPhone is primarily assembled in China by Taiwanese companies whose average salary for a worker is $10 an hour. Apple has been accused of using temporary workers that make up as much 50% of the workforce so as to minimize its labour costs. In addition, owning 7 of the world's largest 10 ports, China is an appropriate place for shipping products around the world. Constructing firms overseas enable Apple to increase the number of iPhones built each year with significantly lower costs. Under this circumstance, the enterprise will achieve Economies of scale, which refers to a reduction in costs of generating one unit of output when the company increases its productivity and becomes more efficient. However, MNEs need to be vigilant against local companies duplicating their technologies or attracting away key workers.

Contending from the perspective of local firms, they may gain benefits from absorbing the transfer of knowledge and technologies materialized by MNEs, enabling domestic firms to be more productive. In addition, they can hire workers who have had experience operating in an MNE. It's stated by Balsvik (2006) that in Norway, workers with prior experience in MNEs were contributing 20 to 25% more to productivity than workers without such experience. By 2000, 45% of non-MNEs employed workers with experience from MNEs who has then received a wage premium of 3%. Despite the benefits, shortcomings also exist such that local corporations are faced with a competition environment that is more intense and complicated for the MNEs can be of influential status. Ionescu and Dumitru (2012) put forward that 50 major global market leaders have lost their dominance and ceded it to national firms that have a faster pace of development than their Western counterparts.

For the source economy, developing countries can achieve significant advantages through outward FDI (OFDI) by obtaining technologies that are more advanced. According to Herzer (2012), international competitiveness of firms which are located in developing countries can be spurred by employing OFDI due to its function of acquiring intermediate inputs from foreign affiliates and producing a greater volume of final goods and services abroad at lower costs. On the contrary, OFDI may negatively affect the source economy since it's an outflow of capitals whose repatriation, reinvestment and distribution of profits cannot be controlled by the host country. For the recipient economy, inward FDI (IFDI) is an important factor of its economic growth due to the fact that investment is one of the primordial components of gross domestic product (GDP). In this case, the advent of MNEs inevitably boosts the local economy. Furthermore, the establishment of MNEs will create job opportunities for the local residents, abating the unemployment rate. Almost three times as many people were employed in overseas affiliates of MNEs in 2006 as there were in 1990, reaching an estimated 73 million people, which stands for 3% of the world's employment, illustrated in a report by Arnal and Hijzen (2008). By contrast, FDI may hinder domestic investment. A one percentage point increase in FDI outflows leads to a reduction in domestic investment by about 97% (Al-Sadig, 2013).

Considering the consumers, the existence of MNEs have undoubtedly furnished them with a larger variety of choices. In order to outcompete others, MNEs, along with domestic firms, will unavoidably enter the state of either price competition or non-price competition which works on the design, packaging, aftersales and other related services of their products. Obviously, consumers are the beneficiaries. Nevertheless, it shouldn't be ignored that if local firms fail in the competition against MNEs and some of the MNEs are gaining monopoly or oligopoly status, consumers will have to endure the high price set by MNEs.

Future Trend

Hassan et. al. (2014) once demonstrated that globalisation is a complex and dynamic process. This indicates that there are different stages of globalisation that may affect the international market in dissimilar ways. Insofar as the past experiences, increased socioeconomic and technical integration has resulted in the strengthening of regional and international alliances, high labour and data mobility, as well as the spread of innovation in products and services, as explained in a paper published by the World Economic Forum. Countries mostly tend to invest particularly in better assistance for local workers, preparing them to compete in the global market. With a goal of balancing varied local, regional, and international supply networks, supply chains in majority countries have been more robust. Quoted by Ionescu & Dumitru (2012), wide trade will grow at an average annual rate of 6.1% between 2011 and 2030 and an average annual rate of 4.4% between 2030 and 2050. Moreover, trade would grow in real terms from 37 billion dollars to 287 billion dollars in 2050. Hence, it's highly possible that globalisation keep flourishing over the next decade.

Meanwhile, the possibility of deglobalisation coming into existence also exists. Policymakers are finding it increasingly challenging to strike the right balance between global and local remedies. Owing to the unstable global political situation, some economies have been undergoing severe external shocks. Two compelling examples can be used to depict the circumstance. Firstly, Brexit is one representative of deglobalisation. The EU itself was originally designed to remove customs tariffs and promote trade between countries, yet U.K left it to change its pattern of trade with the bloc. As a result, the capital and commodity flow weakened, serving as a reversal of globalisation. Furthermore, the Russian-Ukraine war has brought both countries traumatic economic distress, with millions of

citizens fleeing away to find shelter and capitals being destructed. Ukraine and Russia typically account for 29% of global wheat exports and 75% of sunflower oil exports (Cerullo, 2022). Virtually all countries are struggling with the issue of rising commodity costs that are crushing their planned budgets, pushing global inflation to as high as 7.9% (Barrabi, 2022). Despite the rising inflation, this conflict has inevitably compounded the trend of deglobalisation.
Above are the two possible situations of globalisation, which will both be covered in the later part of the paper.

Multinational Enterprises

General Situation

A 'multinational enterprise', whose abbreviation is MNE, is an enterprise that engages in foreign direct investment (FDI) and owns or controls value-added activities in more than one country (Verbeke et al., 2008). According to Verbeke, there are two distinctive features of an MNE, which are the access and coordination with several value-added activities across national boundaries and the internalization of intermediate products.

The decline of costs of transportation and communication together with the progressive technology have been giving permission to the vigorous development of MNEs. Contessi and El-Ghazaly (2010) have illustrated that a decade ago, only 20 Fortune Global 500 businesses were situated in developing markets; 70 companies were on the list 3 years ago; yet there are now an estimated 21,500 multinational corporations operating in emerging markets. He also concluded the percentage of multinational enterprises out of the general emerging economies based on the statistics offered by the United Nations Conference on Trade and Development (UNCTAD). Accounted for barely 0.4% of global outbound FDI in 1970, the percentage of MNEs in emerging economies has risen to 15.8% in 2008. A dramatic growth of numbers of MNEs has taken place in the international market.

Examples of representative MNEs around the globe currently are Amazon, Google, Apple and Walmart. Take Google for example, it originated in the US with its headquarters in Mountain View, California, but it now operates in more than 50 countries throughout the world, serving entirely as an MNE. Owing to its function of transferring technology and knowledge and bringing foreign direct investment, MNEs are closely linked to the concept of globalisation. In 1990 to 2004, the global stock of external direct investment surged by an average of 12 percent each year, from $1.8 trillion to $9.7 trillion (Landefeld & Kozlow, 2004). It's also mentioned in the paper of Passaris (2006) that by and large, multinational companies have been dominating international trade contemporarily, accounting for more than two-thirds of the world trade.

Forms of MNEs

Illustrated by Zekos (2003), There are three major entry strategies for an MNE entering a foreign market: FDI, JV and Licensing. Foreign direct investment (FDI) is an ownership stake in a foreign company or project made by an investor, company, or government from another country (Hayes, 2022). Being a crucial component of global economic integration, FDI forges strong and long-lasting ties between nations' economies. According to the Global FDI Annual Report 2022, US-based logistics behemoth Amazon continued to be the leading parent company for FDI in 2021 for the second year in a row.

As stated in Zeko's paper, a joint venture is any agreement or undertaking between two independent firms and involves the cooperation of two or more otherwise independent parent undertakings, which are linked in the pursuit of a common commercial, financial or technical activity. One primary advantage of joint ventures is shared resources and responsibilities. When a joint venture is formed, technologies and capitals are used in conjunction by both of the members. Likewise, the risks of companies making a loss or even shutting down are burdens to both. Bharti Walmart Private Limited, a joint venture between Bharti Enterprises and Walmart, is currently creating wholesale cash-and-carry and back-end supply chain management activities.

Lastly, licensing. It can be defined as a contract or agreement between two companies, where one company permits another company to manufacture its products under specified conditions and for a specified payment (Bahsin, 2022). It provides entrepreneurs with an easier method to expand into foreign markets as they don't need to personally operate in the markets abroad. One acquainted example would be Mcdonald's franchisee. It offers its licensing in the form of franchisees which can only be purchased by the businesses that use its brand marketing materials, serving as an effective way of enhancing brand popularity.

Relationship between MNEs and Globalisation

It is said by Narula and Dunning (2012) that globalization has brought about a lot of changes throughout the last ten years. In fact, MNEs in the developing world own and control an increasing amount of economic activity. In recent years, mergers and acquisitions have accounted for an ever-larger portion of FDI flows, most of which are oriented to the tertiary sector. A country's vision for sustainable development is also becoming increasingly affected by MNEs as a result of the increase in foreign investment (Zekos, 2003). Global capital flows have been prompted by the increasing competition in the international markets. Pursuing higher productivity, deregulation and structural reform are being put into operation by governments in each country. Many policies are aimed at attracting FDI for that it is the catalyst of economic growth and that it's the most direct link to the blending of global culture and technologies.

Moreover, MNEs are the means of reaching the basic alignment of consumption patterns and income levels worldwide under the general background of globalisation. Globalisation has been ushering the MNEs to have creative products with standardized elements that adapt to global tastes, but meanwhile getting specifically accustomed to different local markets. Coca-cola, for instance, produces unified soft drinks whose classic configuration is the white-and-red logo. However, consumers will be finding differentiated coca-colas in different countries with diversified local cultural elements. In China, the coca-colas are sometimes decorated with Chinese mascots and characters, while the ones in Japan have cherry blossoms on the bottles.

Research Gaps and Opportunities

Currently, research gaps between globalisation and MNEs still exist. Due to the fact that the development tendency of globalisation is quite uncertain, few papers have been published to provide MNEs with practical suggestions under different situations of globalisation. Particularly, there's a lack of research focusing on the opportunities and challenges of globalisation faced by the MNEs and practical approaches that should be adopted. This dissertation focuses on elaborating MNEs' advantages and shortcomings in the context of globalisation, finding out ways for them to adapt to the global economic trend and gain influence on the international market.

Discussion

Analysis of the Development of MNEs under Globalisation

The Tool of SWOT Analysis

A strengths, weaknesses, opportunities, and threats analysis has become a prevailing method for enterprises to thoroughly assess their position in the market and examine the internal and external environments of organizations during periods of indecision (Rozmi et al., 2018). The internal factors refer to strengths and weaknesses while the external factors are represented by opportunities and threats. The SWOT analysis is a convenient but valuable tool at the evaluation stage in order to gain an initial idea of possible future consequences.

Table 1 summarizes the SWOT analysis of the situations of MNEs under globalisation.

Table 1. SWOT Analysis of MNEs under Globalisation

	Internal Factors	**External Factors**
Positive	***Strengths*** ·Lower cost of production ·Increased business competitiveness	***Opportunities*** ·Broader markets ·Development of high-tech ·Media propaganda

	·Limited liabilities ·Economies of Scale ·More financing channels	·Supportive policies
Negative	***Weaknesses*** ·High thresholds ·Cross-culture difficulties ·Operational hardship ·Corruption	***Threats*** ·Increased competition ·Regulatory challenges & legal disputes ·Changing customer expectations ·Currency risks ·Deglobalisation

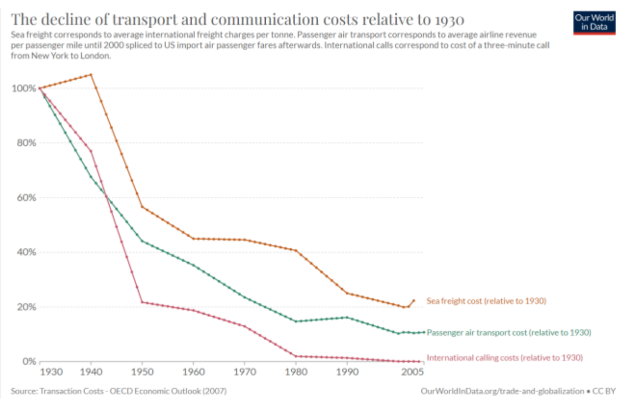
Internal Factors: Strengths and Weaknesses

Strengths:

1) Lower cost of production

MNEs are able to exploit descending costs of transportation, communication and raw materials, labour forces. The progression of mega-ships and containerization unwind the barriers of inter-regional connections and the flow of information. Figure 1 demonstrates that the international calling costs have been erased till 2005 and both sea freight costs and air transport costs dropped sharply, from 100% to less than 40%.

Figure 2. The Decline in transport and communication costs.



Note. Figure from OECD Economic Outlook, 2007.

Meanwhile, the gap in raw material and labour costs between emerging economies and developed economies is also an advantage of MNEs. It's common for the emerging markets to provide cheap labour forces and access to inexpensive raw materials. It's explained by Vestring et. al. (2005) that companies' migration of costs into emerging economies are netting manufacturers in Europe and North America cost savings of 20% to 60%.

2) Increased business competitiveness

Henricsson et al. (2004) believe that firm competitiveness is related to market performance, with high productivity and low costs being the keys to success. Comparing to local suppliers in the same industry, MNEs have the dominant advantage of lowering their cost of production as been explained before. Besides, there are currently 80000 MNEs globally, with around 60000 MNEs that are large-scaled. When an enterprise has a scale of more than 500 hundred workers, it's considered to be a company with a large scale. In this way, the corporation inclines to implement the method of specialisation which requires each worker to focus on doing mainly one task. Gradually, as the cooperation between different departments is established, forming a complete industrial chain that promotes the overall productivity in the firm.

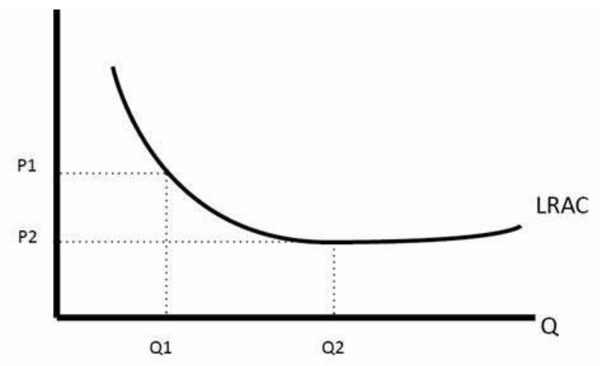
3) Limited Liabilities

Limited liability is a type of legal structure for an organization where a corporate loss will not exceed the amount invested in a partnership (Hayes, 2022). This indicates that when an MNE is in debts or even at risk of shutting down, the individual assets of the members in the firm won't be risked to pay for the debts and obligations. This, in return, has greatly reduced the shareholders' pressure of running an MNE.

4) Economies of scale

The term 'Economies of scale' can be described as the increase in output achieved at the same time when the cost of production decreases. It's shown in Figure 3 that as P1 moves down to P2, the quantity produced increases from Q1 to Q2. This situation is acquired due to many possible factors like division of labour, technology and financial economies. These benefits can basically be achieved by MNEs for that they are on big scales and they bring with them the key workers and technology.

Figure 3. Economies of scale



5) More financing channels

Firstly, banks are more willing to lend money to well-established large firms compared to the small ones operating at a start as the transaction will be less risky. Therefore, when a company expands its subsidiaries overseas and becomes an MNE, its scale grows larger which endows it with higher credits at the bank. Secondly, in order to meet the needs of their own business development, MNEs may use debt raising, stock issuance, and bond issuance to gather funds in the international financial market. Due to the distinctions of the international capital market such as market segmentation and government regulation, the financing costs of different markets may vary. This allows multinational companies to take advantage of the differences in financing costs in different markets to obtain lower financing costs. One valid example would be MNEs reduce financing costs by reducing tax burdens. Thirdly, MNEs also have the preponderance in internal funding owing to the greater profits gained from the huger scales.

Weaknesses:

1) High thresholds

It's explicated by Chen (2022) that becoming an MNE requires a company to have high turnovers and a huge amount of assets, both physical and financial. Some even possess budgets that exceed some of the small countries for that by some definition, MNEs are requested to engender 25% of their revenue outside their home country. Apart from this, MNEs also need to own a relatively large market share and complicated business models. Accordingly, the preconditions of becoming an MNE are austere.

2) Cross-culture differences

One of the weaknesses of being an MNE is the confrontation against cross-culture differences. Creating a product that is welcomed by domestic customers is far from developing one that can be prevalent in the international market on account of varied needs and tastes. It is crucial for the operators to authentically take time to understand a different culture and bend it into the R&D of the products. Culture is consisted of languages, arts, traditions, history and even some consensus made by a country's citizens but isn't literally written. If not dealt with properly, MNEs may get themselves into trouble which impedes the sales volume from increasing. However, many companies choose to focus on finances, market situation and product structure before looking at cultural issues in the integration process.

3) Operational hardship

Difficulties also exist in the operational process where diverse business philosophy meet their conflicts. According to Garrison (2019), between 70% and 90% of mergers and acquisitions fail. One valid example would be the merger and acquisition of Mercedes-Benz and Chrysler in the late 1990s. In their cooperation, the Americans' way of running a business is to first set a general direction and resolve problems after encountering them in the execution, while the German side prefers detailed plans. From product creation and market development to sales methods, the two parties are incompatible with each other, ultimately leading to a decline in the company's stock price and profits. This merger is worth \$36 billion but was only sold for \$17 billion in the end.

4) Corruption

Sampath and Rahman (2018) illustrated that MNEs face corruption vulnerabilities in different home and host country environments, especially in some countries that tolerate and encourage corruption. The negligent action of some subsidiaries can be detrimental to the parent company's prestige and may weaken its brand loyalty. The case of Eli Lilly's medicine product being sold to state government institutions for \$1.2 million was attributed to a Lilly subsidiary in Brazil allowing one of its pharmaceutical distributors to bribe government health authorities. As a result, not only did the parent company of Eli Lilly assist its subsidiaries to pay for the penalties, but also it suffered from the accusation from authorities and disclosure of scandals.

External Factors: Opportunities and Threats

Opportunities:

1) Broader markets

One unique opportunity given to the MNEs is the enlargement of markets. Unlike listed companies, MNEs turn to overseas markets to seek new chances, which may generate much higher profits for the firms. Through expanding market overseas, more potential consumers are found and more transactions will be made consequently. Once brand awareness and brand loyalty have been set up, more demand for MNEs' products will appear.

2) Development of high-tech

Through M&A (mergers and acquisitions), licensing or other ways of widening the market, MNEs may obtain advanced technology support from their partners while generating creative ideas during the discussion. For instance, JP Morgan Chase is currently cooperating with ByteDance, the developer of Tiktok, to help ByteDance consummate its payment technology. JP Morgan has built a real-time payment infrastructure that allows users to make immediate direct payments to their bank account at any time. This function has become available in U.S. and Europe, covering about one-fifth of TikTok's 1 billion active users worldwide.

3) Media propaganda

Digital media use for both personal and professional communication has been accelerating at breakneck speed in recent years. It's vital for MNEs' development by reason of their need in propagating the products as widely as possible. Therefore, media promotion is the best way for big firms to give publicity to their newly developed products to the public beforehand, giving rise to their public reputation.

4) Supportive policies

Government-backed insurance policies are now available in many investor nations to cover the main categories of overseas investment risks, encouraging domestic firms to make outward FDI. Such initiatives are especially helpful in motivating businesses to make investments in nations that are politically unstable. In addition, governments are increasingly encouraging foreign companies to invest in their nations by providing financial incentives such as tax concessions, low interest rates or subsidies. Tax credits are commonly used by countries in attracting inward FDI. For instance, for foreign enterprises investing in France, if they continue to make profits for the first three years, they will be exempt from all taxes and get a 50% tax exemption for the 4th to 5th years. Moreover, according to a report made by the World Bank (2017), there are incentive programmes that offer discounts on the general corporate income tax (CIT) rate for all or most industries in 40% of the world's developing nations.

Threats:

1) Increased competition

Competitors of an MNE are not only domestic firms selling identical products but also many other local firms in the recipient country. It has to out-compete others on the quality of products, creative designs, advertisement and everything that is related to the company operations. The most common competition method is the price competition where companies lower down the actual price to attract consumers. This requires the company to have strong capital reserves to remain competitive and not be forced out of the market.

2) Regulatory challenges & legal disputes

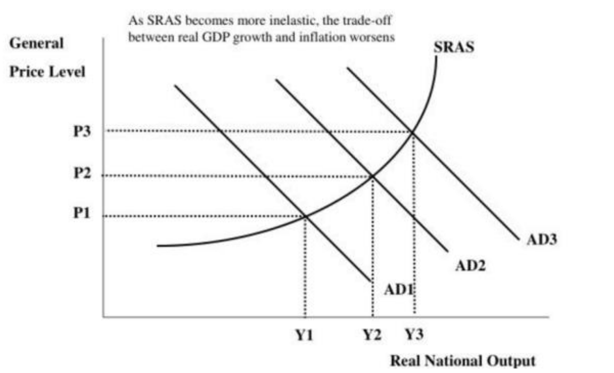
Companies operating in another country are subject to stringent regulations on the treatment of employees, minimum wages, antitrust, anti-bribery, discrimination, and environmental stewardship. Despite the international contracts set to regulate the behaviors of MNEs, such as the Global Compact by the UN and Tripartite Declaration on Multinational Enterprises and Social Policy by the International Labor Organization (ILO), MNEs are precipitated to adopt their own codes due to the spotlight effect.

Once MNEs operate in violation of labor and environmental standards, majority of customers will suspend their consumption of MNEs' products and knowledgeable staff with rich experience will no longer make their applications. The MNEs' immortality, wealth, and size make them attractive defendants (Matach, 2005). Sometimes a parent company is sued for the foreign subsidiary's actions merely because the foreign subsidiary has shut down and there is no other way to track it down. In most cases, the court overrides the Corporate Veil rule, which is a legal concept that separates the identity of the company from its members, to make parent companies responsible for the acts of their subsidiaries.

3) Changing customer expectations
Contemporary consumers have high expectations on their interaction with MNEs. These anticipations mainly involve access to the brand via preferred channels, personalized services and data protection. Consumers' expectations have risen especially in recent years as they gain a close connection to social media, technology and E-commerce. This is very challenging for MNEs since they need to quickly adapt to the swift changes in customer preferences after they learn about the market they intend to expand into.

4) Currency risks
Currency fluctuations have spawned the unpredictable profits and losses made by MNEs. If an MNE buys shares of an oversea company at an exchange rate where the home country's currencies are more valuable but sells it at a non-favorable exchange rate, it makes a loss. MNEs incline to invest in the countries which have relatively low interest rates in order to raise funds more easily. By contrast, a low interest encourages households to consume more products instead of making savings, therefore pushing the aggregate demand to rise. As is shown in Figure 4, the AD curve shifts to the right, from AD1 to AD3, meanwhile increasing the price level. This may lead to a demand-pull inflation. Under this circumstance, the value of the recipient country's currencies depreciates, indicating that the MNEs are being negatively affected.

Figure 4. Demand-pull Inflation



The BMW Group made calculations in its annual reports suggesting that the negative effect of exchange rates reached €2.4bn between 2005 and 2009 (Bin & Ying, 2012).

5) Deglobalisation
Deglobalisation, the exact process opposite to globalisation, manifests itself through erosion of cross-border interdependencies, integration processes, and interactions among the societies (Kim et al., 2020). It creates obstacles for MNEs to acquire global open resources and impedes exports normally entering the borders of their targeted markets. One representative amplifier of deglobalisation is COVID-19 pandemic, lowering down the companies' productivity and even leading to close down of firms in the short run. MNEs have to formulate their own strategies against this detrimental impediment.

Analysis of the Development of Disney Company under Globalisation
History and Present
On October 16th, 1923, the Disney Brothers Cartoon Studio is founded in Hollywood, California by Walt Disney and his brother Roy. This prototype of the Disney Company has paved way for hundreds of fascinating cartoon figures becoming prevailing among billions of people of all ages from all over the world. After several classic characters such as Mickey Mouse, Donald Duck and Snow White have come into sight, Walt Disney was determined to build an amusement park based on the films his studio has made. It was not until the late 40s did Walt Disney's design for Disneyland took shape. He

asked his friend Herb Ryman to assist him in creating a comprehensive illustration of what Disneyland would look like. They both sketched throughout the entire weekend and finally completed the stunning sketch of the park, which is shown below. On July 17th, 1955, the gates of Disneyland were opened for the first time to visitors after a full year of demanding building requirements and a total investment of $17 million.

Figure 5. The Construction of Disneyland

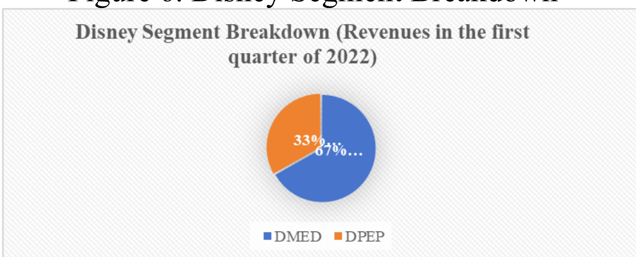
During the first several years of opening, Disneyland received warm praise from both domestic and overseas, reflected in the continually increasing passenger flow. Having observed the vast number of Japanese tourists to Disneyland each year, Disney Company began its international operation. According to Raven (2018), Tokyo Disneyland has been going strong since the 1980s, and this joyful success prompted Disney to open the other three overseas theme parks.

Apart from the parks and resorts, Disney also expands other cultural and creative products overseas. The most representative one would be Disney's movies, which have also undergone several important processes to achieve the current situation. One momentous turning point for the Disney company is in 2005, when a new CEO Bob Iger took up an official post. He recognized the defects of Disney movies at that time, pointing out that there were only hand-drawn specialists in Disney Studio and that the company lack computer technologies and 3D technologies to build more attractive characters. In the hope of making the Disney model a hit again, Disney completed 3 significant acquisitions with Pixar, Marvel and Lucasfilm successively.

Market Analysis

Disney's main source of revenues consist of its film works, parks and resorts, peripheral products and media networks. The company itself claimed that its operations are disassembled into 2 segments: Disney Media and Entertainment Distribution (DMED) and Disney Parks, Experiences and Products (DPEP) segments. According to Figure 5, DMED generates 67% of the company's revenue while DPEP generates 33%. The market structures of Disney's products mentioned above are basically all considered as oligopoly, with Disney owning 38% of the market share in the film market, 52% market share in the global amusement park market and 28% market share in the media network industry.

Figure 6. Disney Segment Breakdown



Note. Data from Disney Quarterly Report. Form 10-Q., 2022

The Disney Company expands its market in the form of joint ventures or mergers and acquisitions. In 2009, Disney made a 4.2 billion acquisition with Marvel, aiming to absorb Marvel's affluent intellectual property. As another multinational company, Marvel Entertainment possesses over 5000 characters and numerous appealing story-lines. This action has brought Disney a quick recreation of ripple effect as it attracted mounting new fans around the world. It paved way for the establishment of another essential global product, Disney+, whose subscribers have reached 100 million in 2021. Disney seized its moment under the context of globalisation, fully exploiting its identity as an MNE.

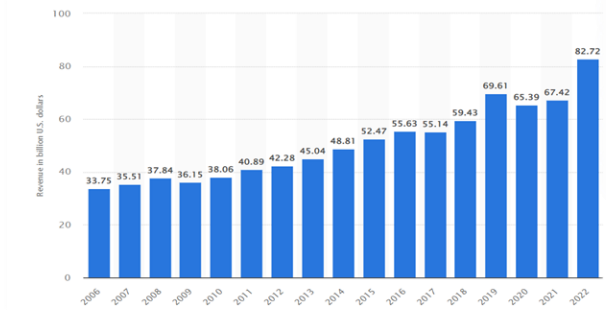
Figure 7. Disney's M&A with Marvel

There are also direct actions of oversea expansion in other segments of Disney. Take the Shanghai Disney Resort for example, it's a joint venture between the Walt Disney Company and Shanghai Shendi Group established in 2010. Shanghai Shendi Group holds 57% of the shares while Disney holds the remaining 43% of shares of the owner companies. Shanghai Shendi is mainly responsible for the management and development of Shanghai Disney projects and Walt Disney Company provided funds for the operation and construction of the resort.

Till now, Disney has six theme park resorts worldwide, four of which are distributed outside U.S.A. Harris (1995) stated in his report that two years after the Tokyo Disneyland has been constructed, sales rose to $6.58 billion from $5.42 billion in 1983. And a net income of $32.19 million for the last quarter was earned, comparing to $8.99 million a year ago. With the gradual establishment of Disneyland in Paris, Hong Kong and Shanghai, the data in recent years is even more impressive.

The yearly revenue of Disney was $33.75 billion in 2006 to $82.72 billion in 2022, as shown in the diagram below. It can be concluded from all these statistics that Disney has been positively influenced by the process of globalisation to certain degrees.

Figure 8. Global Revenue of the Walt Disney Company



Note. Data from Guttmann, 2023.

The Disney Company used marketing strategies of brand strategy and experience strategy. Disney attached great importance to its brand, making efforts to create brand loyalty. One of the key factors in building Disney's brand is storytelling. Disney is capable of creating works that inspire strong emotions in consumers, which mostly involve beautiful and dreamlike characters and scenes. These movies can often reach the softest part of people's hearts for that they depict a world which is so idealized and fantastic that we all long to be engaged. And this creation model runs through all Disney advertisements, direct-to-consumer products and Disneylands.

Furthermore, Disney has kept refining its brand experience to build a connection with its customers. Lots of audiences feel depressed when a movie series has reached its end, yet Disney recognized this and found another way to keep the fantasy from fading. Through producing peripheral products and constructing Disneyland, people can continue their journey in reality, whether adults or children. The parks even provide people with a more genuine and personal contact with the characters in the movie, aiming to enhance Disney's brand popularity.

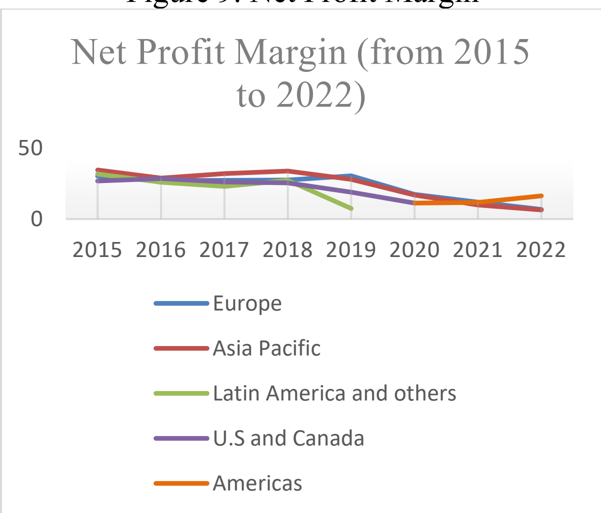
DuPont Model Analysis

Assessing a company's potential state in the future allows it not only to prevent risks in a timely manner but also to maintain competitiveness in the modern market. (Borodin et al., 2021) Using the DuPont model is highly valuable for enterprise owners to break the firm's profitability down into component parts and measure its fundamental performance (Carlson 2019). In order to better analyse the possible opportunities and challenges to future operation of the Walt Disney Company, the DuPont model will be used in this dissertation. The DuPont analysis is a formula used to track a company's financial performance. It allows determining the factors that account for the dynamics of a firm's profitability, enabling us to identify strengths and weaknesses of the company and further forecast the financial condition of an enterprise based on the results of processing a set of time-varying indicators. The 3-step DuPont analysis formula comes as: ROE = NPM * TAT * FL, where ROE refers to return on equity, NPM the net profit margin, TAT the total asset turnover and FL the financial leverage. NPM measures how much net income or profit is generated as a percentage of revenue. The asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets (Hayes, 2022). It can be used as an indicator of the efficiency with which a company is using its assets to generate revenue. Financial Leverage (FL), which is also known as the equity multiplier, is the use of borrowed funds or capital to increase the potential return of an investment. These ratios can be calculated using 4 inputs: sales, net income, total assets and total equity.

$$\text{ROE} = \frac{Net\ income}{Revenue} \times \frac{Revenue}{Total\ assets} \times \frac{Total\ assets}{Total\ equity} = \frac{Net\ income}{Total\ equity}$$

The DuPont model is used in the latter part of the article to analyse Disney's profitability, competitiveness and future expectations using the four ratios: NPM, TNT, FL and ROE. A time period from 2015 to 2022 is taken here to measure the alternation of Disney's yearly ratios. The statistics focus on Disney's international operation, separating the data by geographical regions.
The statistics are all obtained using the DuPont Analysis calculator created by Loo W (2020) and Disney's annual report from 2015 to 2022.

Figure 9. Net Profit Margin



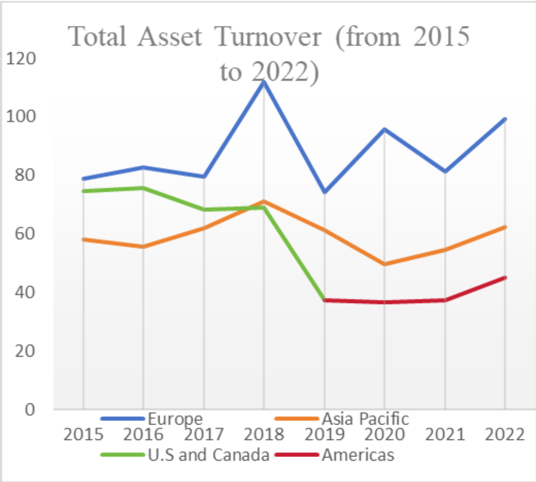
$$\text{Net Profit Margin} = \frac{Net\ income}{Revenue}$$

Note. The 'Americas' here represents all the countries in the North and South America continent.

The net profit margin is an important measure of a company's overall profitability. From figure 10, we can conclude that from 2015 to 2018, the Walt Disney Company remained a relatively stable high NPM in all areas. This indicator faced a significant drop between 2018 to 2020 and was tending to recover in 2021 and 2022. The gray line representing NPM in Latin America and others basically maintained a continuous downward trend.

A conclusion can also be drawn that the profitability of Disney's operations in other regions was comparatively higher than its operation in Americas. It's likely to be achieved due to low operating expenses. Expanding its market to developing economies has largely assisted Disney in lowering down its production costs due to cheap labour forces, lower transportation costs and else. The statistics of Parks, Experiences and Products' segment in 2021 is taken here as an example. The domestic revenue was $9353 million and the resorts overseas earned $1859 million. Operating incomes were $1139 million domestically and $1074 million internationally. Operating income is the amount of profit after all operating expenses such as wages, depreciation and cost of goods sold (COGS) are deducted. The operating income domestically accounted for 12.17% of its total revenue while the international operating income accounted for 57.78% of its total revenue, despite the huge revenue Disney earned domestically. This indicates that the operating expenses deducted must have been much higher in America than in other business locations.

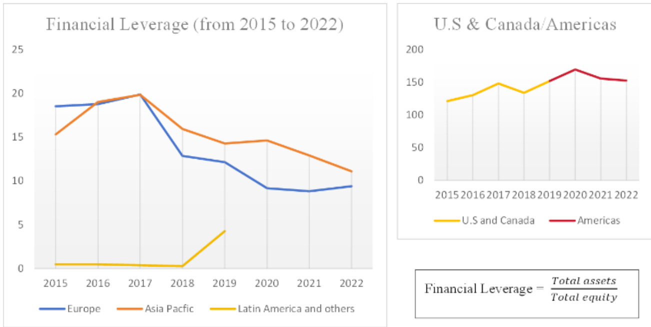
Figure 10. *Total Asset Turnover*



It can be obtained from figure 11 that Disney has a highly appreciable total asset turnover ratio in almost all its segments, with the ones in Europe, Asia Pacific and Latin America exceeding the ones in Americas. Substantially, the indicator was stably high in Europe, topping 111.97%. Asia has also gained a general trend of increasing. The statistic in Latin America is the most stunning one for that it topped 1403.82%. The Walt Disney Company has its assets mostly in Americas, with $53976 million in 2015 to $150786 million in 2022. By contrast, Latin America is the operation location which has the lowest assets, with only $217 million in 2015 to an even lower number of $131 million in 2018, yet it has reached the highest TAT. In conclusion, Disney has a strength in generating great profits using a small amount of assets, utilizing the advantages of globalisation to great extent.

It's also shown on the diagram that there's a sharp decrease in TAT between 2018 and 2019 in Latin America, which is caused by a sudden increase in assets. In fact, all regions have gone through a significant increase in assets, resulting in a dramatic decrease of TAT. The true reason behind it was Disney's prominent transformation: its efforts to jump in on streaming. Disney's assets include its animation studio, live-action film and TV production, theme parks and, most recently, its streaming services. Owing to the non-negligible importance of streaming in the current world, Disney's transformation raised people's expectations and the stock price at the same time. According to Butler, Disney's stock, DIS increased 3% in 2019. This contributed to the financial assets' appreciation in all Disney's business locations.

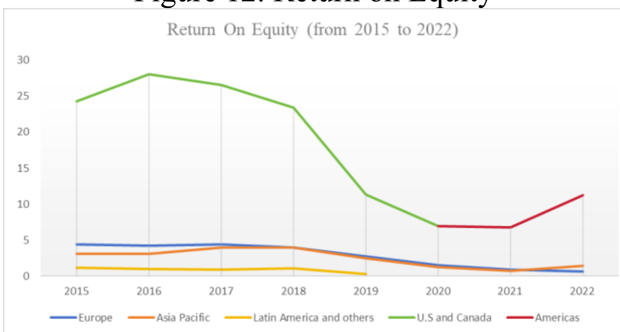
Figure 11. Financial Leverage



There aren't any statistics of shareholder's equities separated by geographical regions for the fact that DIS is the only stock Disney owns. As a consequence, the yearly total equity in all different regions is exactly the same as the total equity of the entire enterprise.

FL represents the percentage of assets financed by equities. The lower the FL, the better financial condition the company has. Walt Disney Company's FLs in other continents were much lower than its FL in Americas between 2015 to 2022. The general trend of FL on the left diagram of figure 11 was decreasing while the right ones even proceeded to have an advancing tendency.

Figure 12. Return on Equity



The region U.S. and Canada have the highest ROE, topping 28.06% in 2016. It's driven by a remarkably high FL which means that the company was acquiring the high ROE by taking on more risks and debts. There is a large float in both the yellow line and the green line, indicating the instability of ROE.

Comparatively, the ROE in Europe, Asia Pacific and Latin America were much lower, with Europe topping 4.41% in 2015, Asia Pacific 3.94% in 2017, Latin America 1.03% in 2018. The driving force behind ROE in these regions was all TAT. This implied that the affiliates of Disney in those regions were high in operational efficiency.

In general, the Walt Disney Company's ability in creating value for the money invested by shareholders is stronger in Americas than in other areas. However, the high data are all caused by high percentages of assets financed by equities, raising the affiliates' operating risks. ROEs in other parts of the world were more stable, though not high, driven by either NPM or TAT.

Practical Suggestions

Suggestions Aimed at Walt Disney Company

As an MNE with presence in 30 countries, the Walt Disney Company possesses its own strengths and weaknesses under the trend of globalisation. It also faces multiple opportunities and challenges. Like Table 1, which is a general SWOT analysis of MNEs, Table 2 is a SWOT analysis particularly about the Walt Disney Company. The parts with black words are the similarities shared by the Walt Disney Company and other MNEs while the parts marked blue are distinct features of Disney. The suggestions will be made based on the analysis in 3.2 and Table 2.

Table 2. SWOT Analysis of the Walt Disney Company under Globalisation

	Internal Factors	**External Factors**
Positive	***Strengths*** ·Lower cost of production ·Increased business competitiveness ·More financing channels ·Brand Value	***Opportunities*** ·Broader markets ·Development of high-tech ·Online streaming service ·Strategic acquisitions
Negative	***Weaknesses*** ·Cross-culture difficulties ·Operational hardship ·Over-dependence on American business	***Threats*** ·Increased competition ·Changing customer expectations ·Deglobalisation

Firstly, the brand popularity outside America still need to be improved. Disney may prompt the brand recognition in Asia Pacific as a start since it has the highest average profit margin. Low production costs in emerging economies are providing Disney with an excellent chance to gain a high net income. Disney needs to attract more potential customers in Asia Pacific. One possible solution is to blend cross-culture elements specifically related to Asia Pacific in Disney movies and peripheral products so that the consumers there will feel more engaged and more willing to consume.

Secondly, Disney's technology development highly depends on the several acquisitions. It obtained computer graphic technology from the acquisition of Pixar and special effects technology from Lucasfilm. Disney currently is working on streaming, which allows its film and TV works to be more widespread around the globe. It may consider creating a partnership between itself and another firm which is performing well in the streaming industry, for instance, Netflix. As a global and well-established platform available on practically all electronic devices, Netflix may assist Disney in distributing its copious contents around the world.

Thirdly, with the coming existence of virtual reality (VR) technology, Disney should work on combining its movies with the specific technology. One essential reason for customers to consume is product experience. Majority of consumers will be thrilled if it's made possible for them to interact with Disney characters using VR glasses. The global VR market is vastly increasing and so does the demand for VR products. It's crucial for Disney to place a greater emphasis on shifting trends in the entertainment industry. It's also noteworthy that according to the analysis in 3.2.3, all geographical regions Disney company operates in faced a sharp decline in revenue and net income from 2019 to

2021. All Disney's businesses have been severely affected by COVID-19, especially for the resorts segment. There's no guarantee that crisis similar to COVID-19 which may lead to fully close down of Disneyland won't reappear in the future. Thus, Disney needs to be well-prepared, making sure that there are other ways to make up for the huge loss. In addition, there are mounting countries which don't have a Disneyland, but lots of potential participants do exist. VR technology will definitely revitalize Disney's business by creating veritable experiences that can be received even at home.
Fourthly, the Walt Disney Company should redistribute its funds and resources. It's clearly observed from former figures that the regions outside Americas have high asset turnover rates and generally increasing trends. Nevertheless, Disney has been accumulating assets mainly inside Americas, making the revenue of other areas a small percentage of the total revenue. It's very likely that with more abundant funds available in Europe, Asia Pacific and especially Latin America, Disney can generate an overall higher revenue and net income.

Fifthly, Disney has been taking great risks in its operation inside Americas for that it kept raising the amount of assets at an extremely high rate. This indicates that Disney's operations in Americas are mostly funded by equities. Meanwhile, the NPM isn't always increasing. This makes the ROE unstable and has an inclination of dropping from 2016 to 2021. Disney needs to invest more in R&D to achieve higher productivity and more innovation that match the high rate of assets growth. The company may put more efforts into its derivatives, creating innovative products around its brand. For instance, more exquisite video games involving Disney's brand linkage with its partners may fit customers' preferences.

Lastly, one way for Disney to combat the unfavorable factor of deglobalisation is to focus more on developing its intangible assets instead of fixed assets. Proof by facts, fixed assets such as Disneyland, are the most susceptible and vulnerable towards degloblisation. In 2020, when the epidemic was raging, all six Disneylands had their temporary closure, meaning that no profits were made in the resort segment. On the contrary, the Walt Disney Company's Media and Entertainment Distribution (DMED) was the least affected. This strongly indicates that intangible assets have a preponderance in counteracting deglobalisation and should become Disney's focus.

Suggestions for MNEs

MNEs operating in two or more countries are facing both opportunities and threats under the context of globalisation. This part aims to provide suggestions for MNEs to make best use of their current strengths, bypass the weaknesses, cater to the opportunities and stand firm even in threats.

Firstly, the selection of countries to operate in is crucial for MNEs. The aim of the MNEs should be predicting and minimizing the potential risks. A stable political situation, predictable government policies, tax reliefs, peaceful labour relationships and powerful cooperative partners should all be considered meticulously by MNEs. In order to draw upon low cost of production, MNEs should set up their factories mostly in emerging economies, where operating expenses are relatively low.

Secondly, MNEs are required to obtain up-to-date technologies to either increase their productivity or make innovations. This can be fulfilled by purchasing patents or making acquisitions. Latter enables mutual promotion and development of the two firms. MNEs can then use these technologies to invent products that better meet consumer needs and adapt to changes of the times.

Thirdly, an MNE must develop its own brand popularity so that it can out-compete its competitors. High-quality products and continuous innovation are the basis for the creation of an impressive brand. Apart from that, MNEs with large scales and adequate funding may follow the value effect, which is to lower down the price of the products to attract customers. The halo effect also works since people are more sensitive to products endorsed by celebrities. For the MNEs at the start of their business, mergers and acquisitions shall be made with the enterprises which have certain influence in the industry.

Fourthly, MNEs entail avoiding operational hardship which is caused by weak partner selection or poor subsidiary governance. Choosing a partner with similar business philosophy is vital since disagreement during decision-making can be averted. Meanwhile, an MNE needs to have a clear subsidiary structure to ensure that all its affiliates are working towards the right goals using the standardized company tenet.

Lastly, in the confrontation with the trend of deglobalisation, MNEs need to organize the resource distribution with caution. If some of their targeted markets have been implemented with uncongenial policies that halt the regular operation and sales of products, it'll be necessary for MNEs to mainly develop their business in countries within a trading bloc, where economic activities are promoted. This requires MNEs to have absolute familiarity and mastery of government policies in all of their business locations.

Conclusion

The main focus of this dissertation is MNEs' opportunities and challenges under globalisation. This paper aims to provide suggestions for MNEs to make best use of their strengths to cater to opportunities under globalisation, try to avoid exposure of weaknesses and mitigate threats. Literature review method is used to obtain valid statistics and in-depth understanding of the paper's background. Based on this, SWOT analysis is carried out to illustrate the big picture of MNEs. The DuPont model credits for analysing the statistics systematically. This dissertation comes to a conclusion which is classified into 2 segments. It's elaborated that Disney should enhance its brand popularity outside America, combine its products with VR technology, redistribute its funds and resources and focus more on developing its intangible assets. For MNEs, it's important that they choose appropriate countries to operate in, develop their own brand to gain more popularity, set effective subsidiary governance strategy to avoid operational hardship and finally, lay stress on resource distribution to combat deglobalisation. This paper assists Disney and other MNEs to learn about the current trend of globalisation and formulate future strategies based on the predicted business performance and market situation.

The limitation of this study is that it only provides a general analysis for all MNEs. Comparatively, it has laid more stress on the certain type of MNEs which Disney company belong: MNEs in the cultural and creative industry. Future studies can focus on providing more detailed analysis on other types of MNEs and form targeted judgement from distinctive characteristics of certain types of MNEs.

Conflict of Interests: the author has claimed that no conflict of interests exists.

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