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DISNEYLAND IN HONG KONG – GREEN CHALLENGE (A)

You’ve probably heard people talk about conservation. Well, conservation isn’t just the business of a few people. It’s a matter that concerns all of us. It’s a science whose principles are written in the oldest code in the world, the laws of nature. The natural resources of our vast continent are not inexhaustible. But if we will use our riches wisely, if we will protect our wildlife and preserve our lakes and streams, these things will last us for generations to come.

– Walt Disney, 1950

First announced to the public in 1997, the Disneyland theme park in Hong Kong was viewed as one of the most important government projects undertaken to boost the regional economy after the Asian financial crisis. Disney was initially welcomed by a public impressed with the government’s announcement of the benefits that increased tourism earnings and employment opportunities would bring. However, as time went by, hidden problems emerged. The actual revenue and employment gain may have been less than estimated, and an unfair distribution of gain and risk between the government and Disney was perceived. Moreover, although the Walt Disney Company expressed a strong commitment and responsibility to the conservation of natural resources, the theme park development had enormous environmental costs, which drew intense public criticism. After its launch, the theme park’s work practices caused further outrage. In the face of public opposition and disappointing below-target tourist numbers, Disney had to take immediate action to improve its operations and safeguard its “green” reputation.

Hong Kong Disney Background

After nine months of intense and detailed negotiations, the Hong Kong Special Administrative Region (HKSAR) government and the Walt Disney Company reached preliminary agreement on the proposed Hong Kong Disneyland theme park and
destination resort. The theme park, to be erected at Penny’s Bay on Lantau Island, would cost the Hong Kong government HK$22.45 billion, create 36,000 jobs and inject upwards of HK$148 billion directly into the local economy over 40 years. Confident that the benefits would outweigh the costs, the government gave its approval to commence construction in November 2001.

**Disney’s Theme Park Strategy**

In 1998, Mr. Michael Eisner, the Walt Disney Chairman and Chief Executive, stated: “the Chinese people love Mickey no less than Big Mac”1 after his trip to China. Looking at the success of McDonald’s in most populous country in the world, Mr. Eisner was confident that Disneyland would be welcome with a huge bear hug by Chinese.

Before Disney’s Hong Kong theme park plan, Disney theme parks had a long history of aggressive market expansion. In July 1955, Disneyland opened in Anaheim in Southern California. Just over 15 years later in 1971, the company opened a second park, Disney World in Florida. With two large theme parks in the United States, Disney then began to look for opportunities elsewhere. In 1983, the first overseas Disney theme park opened in Tokyo, and in 1992, Disneyland Paris, then called Euro Disney, opened in France.

The company relies on this formulated strategy to derive continuous profits. By opening Disneyland in California in 1955, Disney effectively attracted patrons from the western part of North America. After saturating that market, it looked eastward to Florida. Concurrently, Disney expanded its existing facilities at Anaheim. This two-pronged approach—expanding existing parks while simultaneously entering new territories—was Disney’s trademark tactic in attaining global profitability. In other words, repeat visitors were attracted to the former by the new park upgrades, and first-time visitors were attracted to the latter simply because of their availability in a previously untapped market.

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1 Iritani, E., “Middle Kingdom or Magic Kingdom?,” Los Angeles Times, 13 June, 1999.
Feeding on the success of its two flagship American parks, Disney took its theme parks abroad. In recognition of Japanese affinity and fascination with American culture and animation in general, it established Tokyo Disneyland in 1983. The timing of the launch was impeccable, as the Japanese economy was undergoing a boom in the 1980s. The result was phenomenal profits, which furthered Disney’s hunger for global expansion.

With the anticipated formation of the European Union, Disney turned toward Europe for its next theme park, with Euro Disney opening its doors just outside of Paris in 1989. Unfortunately for the company, it had overlooked critical social, financial, and managerial issues in its European operation. The result was financial fiasco. So severe was the situation that Michael Eisner, Disney’s then CEO, threatened to shut down the park in March 1994. Just days before the stated deadline, a rescue plan emerged, and all parties, with the exception of minority shareholders, benefited.

This blunder did not deter Disney from its global expansion efforts. In fact, the company continued to approach governments throughout the world, including those at home. To fulfill its desire for a presence on the Eastern Seaboard, it approached the state of Virginia with a proposal. In the face of strong public opposition, however, Disney eventually withdrew its bid. The company then attempted to woo the Australian government with its proposal for a theme park in Sydney. Once again, the public objected, and negotiations quickly came to an end.

After Mr. Eisner’s visit to China, Walt Disney representatives approached the Hong Kong government and initiated talks regarding the construction of a Disney theme park in Hong Kong. The natural reaction of the Hong Kong people at the time was unanimous acceptance. However, neither Disney nor the HKSAR government disclosed all pertinent information about the deal. Notably absent were details of the ecological and social impacts of the proposed theme park (see Appendix A).
Closer investigation revealed that Disney had received a substantial subsidy: by avoiding majority ownership, it effectively reduced its investment risk. Disney’s aim was to capitalize on management and franchise fees extracted from first-cut profits.

**Should Disneyland Choose Hong Kong?**

**Hong Kong’s tourism industry**

Hong Kong’s recent reinstatement as the world’s freest economy\(^1\) reconfirmed its claim as a central hub for international business travelers. Its exceptional shopping and fine dining opportunities also make it a major tourist Mecca. Hong Kong was especially a unique shopping experience for visitors from China mainland and the world. From glitzy malls to funky street markets, and trendy boutiques to traditional Chinese products stores and themed shopping districts, tourists could find everything to satisfy their shopping fantasies.

The HKSAR government had continued to invest in a number of strategic initiatives to boost travel and tourism, further securing its ranking by the World Tourism Association as the second most popular city in Asia.

Projects put forward (or currently under consideration) to enhance Hong Kong’s attractiveness as an international tourist destination include the following.

- An international wetland park at the Mai Po Marshes
- A new world-class performing arts venue in West Kowloon
- A cable car system on Lantau Island linking Tung Chung to the “Big Buddha”
- A HK$500 million “Adventure Bay” attraction at Ocean Park.
- A Fisherman’s Wharf-style development in Aberdeen
- New waterfront promenades on both sides of the harbor

\(^1\) [http://www.hdcmr.com/article/yjbg/13/03/19691.html?gclid=CNKz3Mj7sqACFckvpAodQG_8TA](http://www.hdcmr.com/article/yjbg/13/03/19691.html?gclid=CNKz3Mj7sqACFckvpAodQG_8TA)
**The market:** Hong Kong Disney’s target market consists mainly of family-oriented Asian tourists, primarily those from mainland China, Taiwan, and Southeast Asia. In 1999, mainland China accounted for 29% of incoming visitors, and Taiwan and Southeast Asia for 59%.1 At the time of Hong Kong Disneyland’s establishment, Hong Kong already enjoyed booming business and tourism sectors, but the government believed that the latter would be invigorated by the creation of a then absent “family tourist” niche.

Hong Kong Disney’s target market can be further segmented as follows.

- **Tourists from mainland China.** Residents from the mainland (which had a population of nearly 1.25 billion in 1998) formerly experienced difficulties traveling abroad under stringent People’s Republic of China (PRC) travel policies. Hong Kong was the exception, welcoming more than 3 million mainlanders in 1999. The number of those entering Hong Kong was, and remains, controlled by a quota system, which is expected to continue to increase regardless of Hong Kong Disneyland.

- **Tourists from Taiwan and Southeast Asia.** The Hong Kong government bet that Taiwanese and Southeast Asian tourists who were interested in visiting Disneyland would be more likely to travel to Hong Kong because of its proximity and lower costs relative to Tokyo. In addition, for certain tourist groups such as the Taiwanese, Hong Kong represents a less formidable language barrier that the U.S., Japan, or France.

- **Tourists from Other Countries.** As noted, Hong Kong was, and remains, a world-class tourist destination. As one of the world’s busiest cities, it would offer numerous side-trip opportunities to those attracted by Disneyland.

**Mainland China’s purchasing power and relaxation of travel regulations to Hong Kong**

At the time of Hong Kong Disneyland’s establishment, the mainland Chinese economy was booming, and its citizens were gaining formidable purchasing power. China’s GDP

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was increasing at an unprecedented rate of 9% per year, reaching upwards of RMB 3.9 billion in the first half of 2000 alone, making it the newest member of the world’s seven largest economies. In addition, China’s purchasing power parity (PPP) was ranked second in the world, behind only that of the U.S., leading to an escalation in outbound tourism. In recognition of this phenomenon, the Chinese government relaxed some of its travel restrictions *(Appendix B).*

**Alternative choices**

Besides Hong Kong, Walt Disney had other choices for building a new theme park. While Hong Kong was the most serious contender, there were other Asian cities that courted the world-class brand name.

**Shanghai**

Shanghai was one of the most international and largest cities in China. It had been a key entrance point for international investment. As Shanghai was one of China’s major travel hubs, both domestic and international airlines maintained active services there. Domestic flights landed at Hongqiao Airport, located about 18 km from the centre of Shanghai, while international flights were served by Pudong Airport, about 40 km east of the city. Shanghai was located in the centre of Yangtze River Delta, with a vast hinterland market and a population of 400 million. Labor costs were low and business opportunities were abound. The Shanghai Government claimed its advantage of fewer travel restrictions on mainland relative to Hong Kong and a larger catchment area. Shanghai government had also drawn up a plan on developing Pudong New Area which could provide Disneyland a much bigger site for its new theme park and potentially more visitors would visit it for its better price/performance ratio\(^1\).

Another benefit Shanghai could bring to Disneyland was its cost advantage. Compared with other regions in the world, mainland China had firmly established its position as the

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\(^1\) The **price/performance ratio** refers to a product's ability or a service to deliver performance, of any sort. [http://wiki.ebusinessreview.cn/Priceperformance_ratio](http://wiki.ebusinessreview.cn/Priceperformance_ratio)
“world factory” with its dominant low-cost competitive advantage, abundant labor resources, ability to swiftly expand production capacity and proximity to raw material sources. Areas around Shanghai, such as Wenzhou, Suzhou and Yiwu, could supply both the materials and the labor for manufacturing Disney store products such as toys, souvenirs, and DVDs/CDs with much lower prices.

**Singapore**

Equally important issue Disneyland perhaps needed to be concern with was that Hong Kong’s air quality led to unfavorable comparisons with its regional archrival Singapore which had long benefited from its reputation as the cleanest and safest metropolis in Southeast Asia. Some may refer to Singapore as the “little red dot”, but Singapore’s bustling cosmopolitan characteristic, world-class living environment and landscape populated by high-rise buildings and gardens made its presence in the world larger than its moniker.

Located in Southeast Asia, Singapore had a land area of about 710 square kilometers and with population of about five million people. Although small in size, Singapore commended an enormous presence in the world with its free trade economy and highly efficient workforce. Singapore’s strategic location in the region had also enabled it to become a central sea port along major shipping routes.¹

Moreover, Singapore’s conference, convention and exhibition industry attracted over 4,000 events and more than 400,000 foreign participants annually. Since 1982, Singapore had been the top convention destination in Asia and today ranked among the top ten in the world.² In addition, the Singapore government was effective in improving its travel industry and had planned to exert a big push by hosting the Formula One race and allowing casinos to open their doors in early 2010. Though smaller than Hong Kong, Singapore’s proximity to Indonesia, Malaysia and Thailand could render it an advantage over Hong Kong.

1 [http://www.yoursingapore.com/content/traveller/en/browse/aboutsingapore/key-facts.html](http://www.yoursingapore.com/content/traveller/en/browse/aboutsingapore/key-facts.html)
2 [http://www.informaworld.com/smpp/content~content=a904319835&db=all](http://www.informaworld.com/smpp/content~content=a904319835&db=all)
Market Barriers

Pricing
The issue of pricing was a major concern. Asians (particularly the Chinese) are extremely price-sensitive and efficient in seeking out bargains. In the case of Euro Disney, the admission, rides and hotel prices were set beyond the affordable range of the target middle-class French audience. Hong Kong Disney had planned to charge an admission fee of HK$680, but given China’s highly fragmented market, it was suggested that this would be too expensive for the average visitor. Ignorance of strategic pricing factors had a drastic effect on Euro Disney’s profitability, and the Hong Kong Disney planners seemed to be heading in the same direction.

Competition
In 2000, Ocean Park was the only amusement park in Hong Kong. It was much smaller and less extensive than the anticipated Disneyland, and local theme park competition was thus thought to be limited. The large amusement theme parks just across the border in Shenzhen, which could pose a threat to Hong Kong Disney, appear to have been ignored, although if these different establishments were to co-market their offerings then they could comfortably co-exist as regional tourist attraction points. Competition from other Disney sites was of little concern because of the great distances and costs involved in visiting them.

However, after several years’ development, Ocean Park had become an “all rounder”. The combination of high octane, thrills and spills rides, with superb and educational state of the art marine shows and exhibitions was unbeatable. Ocean Park had a pair of superb roller coasters, a log flume and rapids ride. There were also a number of mid range action rides, meaning there was plenty to keep the family going all day. Disneyland on the other hand had only one rollercoaster and almost no mid range action rides in its plan, meaning anyone over the age of ten would be bored easily. On the other hand, Disney would have a slightly better selection of toddler and youth rides, although Ocean Park was also no
slouch in this department. The marine shows of Ocean Park were also first class. This included shark aquariums, dolphin shows and the superb, sci-fi styled Jellyfish exhibit. Disneyland would have nothing to compete with these excellent family friendly shows.

One area in which Disneyland would perform better than Ocean Park would be in dining. The dining options at Ocean Park were limited, while the full-scale hotel restaurants at Disneyland would accord a distinct advantage. Ocean Park also had no accommodation options, although it was far closer to the city than Disneyland.

**Culture**

The motto of Disneyland was “the happiest place on earth”. Hong Kong was situated on the southeastern coast of China and covered an area of 1,104 square kilometers with a population of more than 7 million. The island had won its reputation as one of the most crowded and busiest place in the world. Hong Kong was a shopping heaven and most of the tourists visited Hong Kong mainly for shopping. A tourist commented on his stay in Hong Kong: “I visited Hong Kong once in 1996, and have zero desire to ever return. I found Hong Kongers pushy, loud, abrasive and extremely rude.”\(^1\) Although this comment was extreme, it reflected that HK was foremost a business venue and a shopping paradise, the culture in HK was vastly different from Disneyland’s happiness ideology.

**Public Opposition**

Hong Kong’s natural environment has always yielded to human urban development. However, the scale of the desecration in the past decade has surpassed that in any other 10-year span in Hong Kong’s history. Such mega projects as the new airport at Chep Lap Kok and the Cyberport at Telegraph Bay were popular topics in the media at the time, but with Disney’s proposal to reclaim and develop Penny’s Bay, Hong Kong seemed set to lose yet another part of its sensitive and dwindling ecosystem. Only this time, the footprint that was left would affect not only the natural environment, but also society at large and the political reliability of the Hong Kong government.

Environmental costs
The development of Penny’s Bay involved not only the actual building of the theme park, but also many ancillary works projects (Appendix C). These developments were accompanied by a long list of environmental issues (Appendix D).

1) Cheoy Lee Shipyard
Cheoy Lee Shipyard was an abandoned ship dismantling site adjacent to Penny’s Bay. Embedded in the oceanic sediment directly below the shipyard was an accumulation of extremely high levels of toxic chemicals. If construction were to go ahead without decontamination, then these toxins would undoubtedly percolate through the water table and eradicate nearby marine ecosystems, ultimately affecting such higher-end predators as the Chinese White Dolphin or even human beings.

The Hong Kong government consciously omitted the cost of site remediation from the cost-benefit analysis it presented to the Hong Kong Legislative Council (LegCo). Legislators were simply told that the project could generate a net economic benefit of HK$148 billion over 40 years. At the time that LegCo approved funding, the government had so far been unable to enter the site to test the land for pollutants because compensation discussions with the yard operator were ongoing. Hence, the clean-up costs that would be required for this 19-hectare section of the proposed park were never properly determined. Local green groups publicly denounced the Disney proposal, calling it a “scam” and a “raping of Hong Kong’s environment.” Friends of the Earth claimed that the decontamination costs for the site would be astronomical, citing the example of the Puget Sound naval shipyard in the U.S., which cost US$55.8 million (HK$431 million) to decontaminate.

2) Reclamation at Penny’s Bay
Useable land is a scarce and precious commodity in Hong Kong. To create adequate space for the establishment of the Disneyland theme park, the government planned to take up its usual practice of reclamation. In short, marine land reclamation is the process
of mining substantial amounts of marine sand and earth from nearby areas with cutter and/or trailing suction hopper dredgers. This fill is then transported and discharged in the area to be reclaimed. In Hong Kong Disney’s case, the reclamation process would last 16 months, and the amount of land gained at Penny’s Bay would equate to 290 hectares (enough to fill five racecourses). That land would be used for the development and construction of a theme park, a water recreation center, resort hotels, government/institutional/community facilities, roads, railways, ferry piers, and associated infrastructure. About 3,500 meters of seawall would also be erected.

Apart from the localized habitat destruction that would be caused by gouging and dumping during the reclamation process, the next chief detrimental effect would be the stirring up of fine oceanic sediments. The net result of this activity would be a sudden and substantial rise in suspended solid levels, with three major consequences. First, turbidity would be increased, thus causing a reduction in water clarity, leading to a decrease in sunlight penetration and, ultimately, a reduction in photosynthetic primary biomass production—in other words, severe disruption at the foundation of the marine food chain. Second, the increased silt concentration in the water would disturb filter-feeding invertebrate species that require clean water for survival, thus resulting in the death of the surrounding coral reefs and ever-sensitive intertidal zone. Third, as the suspended solid concentration increased, fine particles would become entrapped in the gills of fish, mixing with the surface mucus. The resultant film would render breathing impossible, and the result for many of the surrounding fish species would be a slow and painful death by suffocation. These developments would be far more consequential than the mere destruction of indigenous habitat, as fine particles can be carried over vast distances by currents and tidal forces.

3) Disturbance of locally endemic and endangered species
The White-bellied Sea Eagle is a rare bird species that nested in the woodlands of Lantau Island. Scientists and environmentalists argued that the noise created by the park’s construction process and proposed firework displays would disturb and ultimately drive away this natural resident. A report compiled by the government’s Civil Engineering
Department claimed that disturbance to these birds could be minimized by controlling construction practices and maximizing the distance between nesting sites and the theme park. It also suggested that the firework displays be at least 800 meters from the nesting sites and that laser-producing devices not exceed a 30-watt limit. The park developers thus believed they could prevent any disturbance to the birds. Moreover, the aforementioned report recommended the establishment of a 10-hectare open-water buffer zone surrounding the woodland that the birds inhabited. Environmental protection groups criticized this suggestion as impractical and ineffective.

A small colony of endangered pitcher plants was also discovered in the vicinity of the Disney site. The park developers proposed the construction of a protective fence around these plants, thus preventing the further encroachment of the development works, a recommendation criticized by the environmental group Green Power as “superficial and over-simplified.”

Besides public objection to the possible impact on the environment from Disney’s construction project, there had been voices of dissent and doubts about the project from the Hong Kong community. Some believed that Walt Disney would take advantage of the Government’s eagerness to acquire the famed Disney brand. However, the bargaining power of Hong Kong was not as weak as the community considered it to be. The government had rejected Walt Disney’s demand for free land. In addition, although the Hong Kong Government was prepared to take a majority stake in the theme park, it was very reluctant to yield ground on certain terms demanded by Walt Disney. These included the granting of tax concessions and tax grants that were enjoyed by Disney in Paris.

Although the talks between Disney and Hong Kong Government had moved from casual dating to serious courting and the Hong Kong Disneyland Theme Park Project was making progress, there were a number of risk factors that had to be considered by Walt Disney in order to get the best possible deal from the Hong Kong Government. The
challenges for Walt Disney were both to evaluate the feasibility of the project and to alleviate its negative environmental impacts.

“Is coming into Hong Kong a wise decision?”
The Completion of Hong Kong Disneyland

The Hong Kong Disneyland project took almost six years to realize from conception to opening, and the construction was completed in phases. Building of the park and resort began in January 2003, and Disneyland Hong Kong opened on September 12, 2005.

During the construction of Disneyland Hong Kong, environmental problems resurfaced: for example, almost immediately following the commencement of reclamation of Penny’s Bay, the aforementioned consequences were felt in the waters surrounding Lantau Island. Fish farmers in the Ma Wan Fish Culture Zone (North of Lantau Island) noticed a substantial decrease in water clarity, from 10 feet prior to reclamation to a mere 2 feet. More importantly, they reported a significant increase in the fish mortality rate. In the first three months of reclamation, local fish farmers recorded a historic number of fish deaths (more than 4000 of these mortalities were caused by the accumulation of fine sedimentary particles on fish gills). This was a serious concern, not only for the marine farmers who depended on the ocean for their livelihood, but also for the people of Hong Kong, as more than 70% of the marine seafood they consume was farmed in areas very close to Ma Wan.

However, facing objections from environmentalists and public communities, Hong Kong Disney’s response to the aforementioned environmental issues was “simple and sometimes naive” during its construction of new theme park. A Hong Kong Disney management representative (who wished to remain anonymous) claimed that, because the Hong Kong government had provided the land for the site, Disney itself had no responsibility for ensuring that environmental regulations were met. The company also claimed that reclamation occurred on a regular basis in Hong Kong, and that the fishermen claiming ichthyologic deaths were merely seeking unwarranted financial
compensation. When questioned about whether the proposed site would be below, at par, or above other Disney parks with regard to environmental sensitivity, Disney declined to comment, although it did state that the best practices of its overseas locations would be applied to the Hong Kong site.

New problems

The Disney management style came in for substantial public criticism as early as the pre-opening stage. The fact that the park was operated as a private company—by the Hong Kong International Theme Parks Ltd.—using public funding from Hong Kong’s coffers furnished further grounds for public dissent. Several incidents occurred within the two months prior to the September opening, attracting criticism from local artists, journalists, and legislators and paving the way for the park’s first public apology. First, a Financial Times journalist criticized Hong Kong Disneyland’s management style, calling Disney’s first theme park in China “the scariest place after North Korea.” Then, a month before the official opening, local artist Daniel Wu, who was filming on site at the park, complained to the media of the arrogant and disrespectful attitude of Disney’s U.S. staff and vowed never to return.

After the theme park opened, some of Hong Kong Disney’s work practices incurred further protests from the Hong Kong people. For example, the park’s character performers complained that they were overworked and underpaid. A spokesperson for the newly formed staff union stated that workdays of more than 12 hours and inadequate rest breaks had overwhelmed many workers, causing work-related injuries, such as joint and muscle strain. In response, Vice-President of Entertainment Lauren Jordan claimed that “there are a few cast members who have found this work to be less rewarding than others and perhaps more physically challenging than they anticipated.”

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1 Financial Times (July 29, 2005) “Mickey Mouse Marches into China.”
2 Hong Kong Disneyland: Where is the magic? Asia Case Research Centre.
3 Hong Kong Disneyland: Where is the magic? Asia Case Research Centre.
These character performers—who performed in the daily parade and met visitors—also petitioned for the same salaries as the stage performers. The entry salaries for the former averaged about HK$9,000 (US$1,153) per month, compared to about HK$11,000 (US$1,409) per month for the latter.\(^1\) In response, the theme park’s management announced extended breaks of 40 minutes for every 20-minute session with guests during the hot and humid summer season. Cooling vests were also tested for the character performers.

Around the same time, Hong Kong’s *Standard* newspaper reported that a newly formed Hong Kong Disneyland staff union was airing grievances about staff treatment at the theme park. The union accused Disneyland management of not affording the union full recognition, further suggesting that the Hong Kong management did not have the same level of industrial relations awareness and conflict resolution skills as its U.S. counterparts.\(^2\)

Finally, in June 2005 the park began a trial of its nightly fireworks display, drawing complaints from residents in nearby Discovery Bay about the smoke and noise created. In the meantime, local district councilors and environmental watchdogs opened fire on management’s refusal to install the cleaner and less noisy air-launch system adopted by Disneyland in California for its nightly fireworks.\(^3\)

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\(^1\) Dennis Eng, “Mickey and Friends Call for a Better Work Environment,” South China Morning Post, April 10, 2006, p. CITY3.


Appendix A: Characteristics of the HKSAR Government and the Hong Kong People at the time of Disneyland Hong Kong’s establishment

**Highly centralized decision-making process**

Hong Kong is a former British colony built on trade. Under the colonial system (pre-1997), the government appointed trusted personnel to advise through an Executive Council (ExCo). Membership of the Legislative Council (LegCo), in contrast, was decided in three separate elections. Although this governance system appeared to be democratic, only 24 of the 60 LegCo seats were determined by the general public. The remaining 36 were decided by an 800-member election committee and a series of functional constituencies totaling 175,000 members. These functional constituencies mainly comprised business leaders, a group that therefore constituted 50% of LegCo’s representatives. This defunct governance model naturally gave high priority to business interests. In addition, the decision-making process was centralized, with limited local representation. Much of this colonial model was preserved by the post-1997 constitution, known as the Basic Law. Strong executive leadership, continuous co-option of the business and community elite, and a relatively weak and marginalized legislature became—and remain—the major features of Hong Kong’s governance system.

**“Executive-led” government**

In the new HKSAR government, executive authority fell into the hands of the first Chief Executive, Tung Chee-hwa. The Chief Executive was, and is, the lynchpin of Hong Kong’s political system because of his appointment of ExCo members to assist in policymaking.

ExCo primarily functions as an advisory board. It is concerned with the approval of policies made by the secretariat and of draft legislation prior to its submission to the legislature. Under normal circumstances, the Chief Executive consults ExCo, but does not need to accept its advice. In addition to the Chief Executive, Chief Secretary for Administration, Financial Secretary, and Secretary for Justice, ExCo has an additional 10 part-time members. These councilors work not as a team, but as individual advisers to the Chief Executive. In short, ExCo did not at the time of the Disney negotiations, and still does not, function as a key policy driver in comparison to Cabinets in other jurisdictions.

As is the case today, LegCo had limited influence over the proposal of legislation and expenditure. Legislators cannot propose substantive legislation with financial or policy implications without the approval of the Chief Executive. LegCo had—and has—no institutionalized role within the powerful executive-led system, and its responsibilities were limited to supervisory functions. Concisely put, the Chief Executive and his secretariat had overwhelming authority.

**Civil servants as key decision makers**

Policy execution was handled by the Administration, i.e., the Secretariat and departments, as it is today. The Secretariat formulated policies and initiated legislative proposals, whereas the departments implemented laws and policies. Most Secretariat and department heads were civil servants rather than political appointees, which is not always
the case today. These individuals had a superior policymaking role. At the same time, they also acted as ministers, combining both administrative and political roles. The Chief Executive exercised authority through various bureau and department heads. Chief Secretary Anson Chan exerted day-to-day direct control on behalf of the Chief Executive and was responsible for policy formulation and implementation. The then Financial Secretary, Donald Tsang (who is currently the Chief Executive), played the dominant role in setting economic policy. He was responsible for all policies related to finance, monetary affairs, treasury functions, commerce and industry, economic services, information technology and broadcasting, public works, and the government’s annual budget.

**Popularity of the Chief Executive**

Because of the executive-led nature of the government, the Chief Executive had near total authority over the policy-making process. Consequently, the level of public support he received reflected Hong Kong’s overall economic performance. The Disney project was presented to the public in 1997, amid the Asian economic crisis when the Chief Executive’s popularity was at an all-time low. It would thus be natural to ask whether Tung Chee-hwa strategically timed the Hong Kong Disney project announcement. Studies conducted by Hong Kong University have investigated the popularity of the Chief Executive and the HKSAR government at the time (Appendices E and F). Comparison of the public ratings before and after the first public announcement of the Disney project showed the popularity of both to increase. However, this upward trend did not continue, with the ratings falling after the “unfair contract terms” were disclosed. In fact, the popularity of both the Chief Executive and the government eventually declined to pre-project announcement levels. In other words, the Hong Kong public did not value the project to the extent the government had expected.

**Decision-making Culture in Hong Kong**

The Hong Kong government had, and retains, a reputation for making large decisions in an ad hoc manner. Once the Chief Executive, Chief Secretary, or Financial Secretary decides to go ahead with a particular project, such as Hong Kong Disneyland, that project receives the highest priority, with all political hurdles being cleared at lightning speed. Although such a “hurry-up” approach may seem efficient, in practice it has often resulted in the ineffective use of resources. For example, the government grossly overestimated the net benefit of Hong Kong Disneyland by failing to account for the opportunity costs. In addition, alternative plans were never considered. Consequently, the public was misinformed when the magic sum of HK$148 billion was consistently used in support of Disney’s one-sided sales pitch.
Culture of the Hong Kong Public

Hong Kong’s status as a tiger economy has meant that fiscal downturns are intermittent and often short-lived. Historically, the government’s remedy for boosting the local economy has been to inject large sums of money into infrastructure development projects, thus creating jobs and generating revenue and, consequently, instilling a very pro-development ethos in the local population. Given Hong Kong’s historic neglect of the natural environment, the government faced few obstacles in selling its naïve HK$22.45-$148 billion Disney cost-benefit analysis to the populace.

The green movement, however, has more recently raised levels of environmental awareness among the Hong Kong people. Local media and political groups have also contributed by communicating the importance of biodiversity and sustainable development. Slowly but surely, public attitudes are changing. Christine Loh, a former LegCo member who is currently with Civic Exchange, stated that “development is not anti-environmental. The public would accept alternative suggestions if they were offered to them. The concern lies in the fact that these alternatives were never considered in the first place.” (http://paper.wenweipo.com/2007/03/28/PL0703280009.htm)
Appendix B: Recent changes to Chinese immigration/travel policies

~ In 1983, Chinese residents were given permission to visit family members in Hong Kong via travel tours.
~ Similar tours to visit relatives in Macau have been permitted since 1984.
~ In 1991, Chinese residents were awarded permission to join leisure tours organized by the China Travel Service to Hong Kong, Malaysia, Singapore, and Thailand, and a quota system was subsequently put in place.
~ In 1993, the Hong Kong government introduced visa-free entry status for Chinese residents, allowing them to remain in Hong Kong up to seven days in transit.
~ In 1995, the Chinese government introduced a five-day work week commencing the same year.
~ In 1998, the quota for leisure tours to Hong Kong was relaxed. Capacity increased to 1,500 people per day, and further to 2000 in 1999.
~ Beginning in 1998, Chinese residents were permitted to join leisure tours to three additional officially approved destinations: Australia, South Korea, and New Zealand.
~ The HKSAR government is currently considering streamlining the entry requirements for visitors from the mainland.
Appendix C: Proposed Disneyland works

(1) Construction of a 1.8-kilometer two-lane divided highway, the West Resort Road, including the West Resort Bridge over the future Penny’s Bay Rail Link (PBRL).
(2) Construction of a 1.1-kilometer two-lane divided highway, Road P2, including the P2 traffic circle southeast of the water recreation center.
(3) Construction of a 0.85-kilometer central pedestrian walkway leading to the theme park.
(4) Construction of a promenade along the seawall on the southern side of the Penny’s Bay reclamation.
(5) Construction of a pedestrian subway south of the P2 traffic circle between the utility yard and the water recreation center.
(6) Construction of a vehicle access road leading to the existing power station at Penny’s Bay.
(7) Construction of three parking lots, two near the theme park and one at the water recreation center.
(8) Construction of an access road linking Road P2 to the water recreation center.
(9) Construction of a public transport interchange at Penny’s Bay.
(10) Construction of a 3.2-kilometer three-lane expressway, the Chok Ko Wan Link Road, connecting the existing North Lantau Highway at the Yam O Interchange and the future Route 10 at Fa Peng.
(11) Construction of a 1.83-kilometer elevated two-lane highway, Road P2, connecting the proposed public transport interchange at Yam O and the future theme park at Penny’s Bay, including a section of road under the North Lantau Highway and an elevated highway over the Tung Chung Line, Airport Express Line, and future PBRL.
(12) Construction of a traffic circle interchange connecting the Chok Ko Wan Link Road and Road P2 at the Penny’s Bay reclamation site.
(13) Construction of a public transport interchange at Yam O.
(14) A railway scheme for the PBRL, under the Railways Ordinance of July 21, offering a 3.5-minute ride through the 3.5-kilometer-long single-track rail system from the new Yam O station on the existing Tung Chung Line.
Appendix D: Costs of marine reclamation

The costs of the marine reclamation necessary for the Hong Kong Disneyland project can be divided into three categories, as follows.²

1) **Opportunity costs resulting from the loss of sea surface.**
   1. Reduction of marine biological food resources—namely the loss of co-operative fishing and aquaculture rights.
   2. Decrease in marine leisure opportunities (e.g., pleasure boating and sports fishing). The disappearance of the sea surface substantially reduced the choices available to future generations.
   3. Increased likelihood of shipping accidents due to the reduction of sea lanes.
   4. Destruction of the landscape and climatic changes (increased temperatures, alterations in ocean currents, etc.).

2) **Hong Kong Disney’s actual construction process.** The costs here include the actual reclamation costs (including compensation expenditures related to earth and sand gathering), social capital maintenance costs (ports, roads, rail, over- and underground water pipes), as well as the atmospheric, marine pollution, and noise pollution costs.

3) **Cost arising from human activity after land creation.** Included here are the upkeep and administration costs of running Hong Kong Disney, and the cost of waste and drainage administration.
Appendix E Public Satisfaction with the performance of the HKSAR Government

Are you satisfied with the performance of the SAR Government?
(一九九九年一月至零零零年十一月 January 1999 - November 2000)
Appendix F  Ratings of Chief Executive Tung Chee-hwa (Jan 99-Nov 00)

Source:
References:

1  www.info.gov.hk/censtatd/eng/hkstat/hkinf/transport/transport_index.html
Synopsis

In mid-1999, the Walt Disney Company and the Hong Kong Government were engaged in intense discussions about the possibility of building the Hong Kong Disneyland theme park on Lantau Island. This case presents detailed information on the proposed theme park and associated decision-making process, with particular emphasis on new market entry and sustainable development. It also lays out characteristics specific to the Hong Kong government and people that may have played a role in decision-making.

It also summarizes the negotiation process between Disney and the Hong Kong Government, considers the environmental impacts on Hong Kong, and discusses the difficulties faced by the government in making decisions about this highly visible large-scale project. It then turns to the rationale behind the government’s decisions, which illustrates how governmental structures and culture can affect the decision-making process. Finally, an examination of the environmental issues and problems that emerged during the construction and operation of Hong Kong Disneyland is left open-ended for further discussion.

Teaching Objectives

This case is designed for use in MBA and EMBA courses on strategic management (market entry strategy, strategic business decision making) and corporate social responsibility (CSR). It is intended to provoke holistic thinking about strategic management and lead to discussion of business external environment analysis.

The first part of the case permits detailed analysis of the decisions involved in cross-border investment and market entry. The second helps students to comprehend the Hong Kong government’s view of the Disney project and better understand the growing importance of CSR in corporate management. The case provides students and future managers with a real-life example and gives them insight into how business profitability can be balanced with environmental and CSR concerns.

Optional references

Why Good Leaders Make Bad Decisions
Andrew Campbell, Jo Whitehead, and Sydney Finkelstein
Harvard Business Review
February 2009
Assignment Questions and Time Allocation

1. Should Disney invest in Hong Kong? (Case A, 5 minutes)

2. What benefits did Disney and the Hong Kong government gain from the project? (Case A, 15 minutes)

3. What were the adverse effects on the two parties after the terms of the proposal were announced? (Case A, 15 minutes)

4. Did the Hong Kong government make the best decision for Hong Kong? (Case A, 10 minutes)

5. Why did Hong Kong Disneyland draw protests from the public? (Case B, 15 minutes)

6. Should listed companies in Hong Kong and elsewhere take CSR and business ethics into account when making business decisions? Why or why not? (Case B, 15 minutes)

Teaching Plan

1. Case A
Disney’s global theme park strategy and Hong Kong’s business environment

Should Disney decide to invest in Hong Kong?

Students will research the project background and conclude that Disney had a long history of aggressive market expansion before the Hong Kong project, and relied on this formulated strategy to derive continuous profits. From the Hong Kong government’s perspective, the Disney investment promised to help the tourism industry and spark an economic revival following the Asian financial crisis.

Following this background review, students need to conduct a project evaluation of the Disney and Hong Kong government decisions to establish Hong Kong Disneyland.

What benefits did Disney gain from the project?

In their evaluation, students should assess the economic, financial, social, and environmental impacts of the project. Analysis of each of these issues, which may be interrelated, should then be considered together to formulate an overall assessment of the project. Depending on the nature of the organization under consideration in project evaluation, different weights can be placed on the analysis of different issues.

The instructor can suggest that students conduct the following seven-step project evaluation.

1. Identify a set of investment projects for consideration.
2. Establish the planning horizon.
3. Define the objective and establish criteria to measure effectiveness.
4. Perform economic, financial, social, and environmental analyses.
5. Compare each project proposal for preliminary acceptance or rejection.
6. Perform sensitivity analysis.
7. Accept or reject a proposal on the basis of the established criteria.

Students can be provided with the following summary of steps 1-3.

<table>
<thead>
<tr>
<th>Project Evaluation Process</th>
<th>Walt Disney Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Identify a set of investment projects for consideration</td>
<td>Possible sites for a new Disneyland: Hong Kong, Shanghai, Eastern Seaboard.</td>
</tr>
<tr>
<td>2. Establish the planning horizon</td>
<td>Select a timeframe over which the alternatives can be compared, and determine the useful life of each alternative.</td>
</tr>
<tr>
<td>3. Define the objective and establish criteria to measure effectiveness</td>
<td>The objective is to enter the Chinese market and seek revenue growth.</td>
</tr>
</tbody>
</table>
Criteria:

<table>
<thead>
<tr>
<th>a. Technical</th>
<th>Are there any suitable sites for the construction of a new Disneyland? Is there supporting infrastructure?</th>
</tr>
</thead>
<tbody>
<tr>
<td>b. Economic</td>
<td>Do the benefits exceed the costs? Are there any other greater returns?</td>
</tr>
<tr>
<td>c. Financial</td>
<td>How should the project be financed?</td>
</tr>
<tr>
<td>d. Legal</td>
<td>Are there any legal barriers, or is there a less-developed legal system that may affect the investment?</td>
</tr>
<tr>
<td>e. Environmental</td>
<td>Will the project have a negative impact on the surrounding environment?</td>
</tr>
<tr>
<td>f. Social</td>
<td>Will the Disney culture be accepted by the local community?</td>
</tr>
<tr>
<td>g. Risks</td>
<td>What are the internal and external risks?</td>
</tr>
<tr>
<td>h. Sustainability</td>
<td>How long can the project be sustained?</td>
</tr>
<tr>
<td>i. Political</td>
<td>Can approval be obtained from the local government?</td>
</tr>
</tbody>
</table>

By undertaking this project evaluation, students should identify several of the benefits that Disney could have obtained from the project.

**Sound and stable income with a low degree of risk**: strong support from Hong Kong’s tourism industry, well-developed business infrastructure, and the ability to attract tourists from multiple region, including mainland China, Taiwan, Singapore, and other Southeast Asian countries.

**Trial for entry into the China market**: Hong Kong’s special political and geographical location adjacent to the emerging mainland Chinese market, the newest of the world’s seven largest economies. In addition, China’s PPP is second only to that of the U.S.

**Enhance global corporate position**: expand its operations to Asia.

The Hong Kong government also benefited from the project. The instructor can explore the following issues with the students.

**Assessment of Risks and Alternatives**
In addition to the analysis above, there were a number of risk factors that had to be considered by Walt Disney in order to get the best possible deal with the Hong Kong Government, for example:

- The recovery speed of Southeast Asian economies from the Asian financial turmoil;
- The ability of Walt Disney to exit from the deal if the park was not profitable;
- The political stability of Mainland China, Hong Kong and other regions;
- Illegal sales of counterfeit Disney products that might have a negative impact on the sales of merchandise in the theme park;
- Uncertainty as to whether US and Disneyland culture would be welcome on Hong Kong’s and Chinese soil;
- Beijing Government might exercise censorship on Disney films.

**Choice of Location:** Instructors could ask students to voice their choices, perhaps via in-class votes, for Disney and explain.

Example answers:

**Singapore:** Singapore had cleaner environment, more effective government and prospering tourism industry. Singapore’s convention industry could benefit Disneyland. The over 400,000 foreign participants each year and their families could be potential visitors to the theme park. There are additional advantages in Singapore: it was a bustling cosmopolitan city populated with high-rise buildings and landscape gardens. It was brimming with a harmonious blend of culture, cuisine, arts and architecture, which could all attract tourists.

However, if Walt Disney’s primary objective was to gain a foothold in the Chinese market, choosing Singapore appears infeasible as Singapore lacks the proximity that Hong Kong had.

**Shanghai:** one of the largest cities in mainland China and a vital financial centre. Shanghai was also backed up by the abundant Yangtze River Delta with a population of 400 million. Other advantages in Shanghai included: low labor cost and fewer travel restrictions; fast-growing economy and attractive policy advantages given by both the Central and City governments; cheap suppliers for Disney Store products; Pudong New Area could provide bigger site for the theme park. However, Shanghai also had its shortcomings: inferior infrastructure; less-developed legal system; fewer middle-class people; lower accessibility to the rest of Asia.

Instructors could suggest student read update reports on Disneyland Shanghai project: the Shanghai municipal government announced that the Shanghai Disneyland project has been approved by authorities in late October 2009. Ask why Disneyland started its Shanghai Disneyland project and what possible result it could lead to.

Example answers: much bigger theme park; cannibalization, as one third of HK Disneyland’s visitors were from mainland. In addition, tourists from mainland visited
HK mainly for shopping purposes instead of visiting theme park. Shanghai would clearly become big threat to Hong Kong. Disneyland Shanghai will have two significant advantages over its Hong Kong counterpart: although it was still in its early days, Disneyland in Shanghai would probably offer a much better experience for money. Initial plans showed that Shanghai’s Disneyland would be six times bigger relative to the current size of Hong Kong Disneyland, which is the smallest amongst Disney theme parks (only 16 attractions).

Suggestions for HK Disneyland: The open-up of Shanghai Disneyland could push HK Disneyland to upgrade its facilities, accelerate its land development to offer truly memorable experience in addition to the wonderful closing fireworks. However, students may point out that the two theme parks could even cooperate with each other in the future to tap the Chinese market; HK Disneyland with some unique attractions should remain attractive to visitors from nearby. Disneyland could also create a studio in HK for film making. That would have taken up much less space and provided training and bestowed “real” jobs for local people.

In addition, the Shanghai Disneyland plan is under discussion still. The central government of China would consider the potential negative impact to Hong Kong if Disneyland opened in Shanghai and thus restrict the process of the new theme park project.

**Market Barrier:**

Prior to the case discussion, the instructors should lay down the framework for Barriers to Market Entry Analysis (see Exhibit 1). Based on the case facts, students could analyze the market barriers for Disneyland’s entry into Hong Kong in three key aspects: price, competition and culture.

Product fit with competitive price/performance was extremely important for the emerging market, such as China market. It usually meant a quality product with competitive price (not necessarily meaning lowest price). In order to be attractive for customers from China mainland, Disneyland needed to modify its price for customers’ specific needs in a new market.

Disneyland’s main competitor in Hong Kong was Ocean Park. The battle between Ocean Park and Hong Kong Disneyland was a David and Goliath battle, the local favorite against the world champions. Instructors could ask the students to compare the two:

**Ocean Park Pros**
1. Rollercoasters and other action rides
2. Range of rides for teenagers
3. Educational Marine Shows
4. Location
5. Ease of Access
6. Price

Disneyland Pros
1. Accommodation
2. Dining
3. Rides for Small Children
4. Disney Characters

The instructor could further update students’ knowledge by bringing the latest news: Both Ocean Park and Disneyland were expanding; however, Ocean Park had the edge. The park was in the middle of a major expansion which would add a spread of new action rides and new, state-of-the art shows by 2010. They were also revamping the transport infrastructure and adding hotels and new dining options. Disneyland was slowly but steadily adding rides and making itself a more attractive proposition, however it appeared that it had a hard time keeping up with the dynamic Ocean Park.

Projected market size

In the following discussion, students can evaluate the possible market size for market entry assessment. Social factors also played a critical role in determining Hong Kong Disney’s market size and potential. Since the Chinese government’s imposition of the one-child policy, parents have focused their attention—and their resources, monetary and otherwise—on their sole dependent. Due to the heavy infiltration of Western culture, many Chinese children had become familiar with Disney characters by the end of the 1990s. Disney therefore believed that the parents of lone children would definitely visit Disneyland if they could afford to do so.

The foregoing factors led Disney to project that a phenomenal 5.2 million people would visit the theme park in its first year of operation, including 1.8 million locals and 3.4 million incoming tourists. It further estimated that park attendance would increase to 10 million in the 15-year period with local and mainland visitors accounting for 7.3 million and additional tourists for 2.9 million.

What benefits did the Hong Kong government expect from the project?

Students should be able to give the following answers.

1. Improved tourism industry: Disneyland promised to attract more tourists to Hong Kong. The region already had strong business and tourism sectors, but the government believed the latter needed to be reinvigorated and strengthened. It believed Disneyland could fill the then absent “family tourist” niche.
2. Employment opportunities: thousands of new jobs from construction and theme park operation were promised.
3. Increased GDP.
4. Assistance with economic recovery following the Asian financial crisis.
5. Enhancement of both the Chief Executive’s and government’s popularity.
6. Maintenance of Hong Kong’s global image.

Alternatively, the instructor can ask students to employ Political, Economic, Societal, and Technological (PEST) analysis to consider the macro-environmental factors and obtain an overview of the Hong Kong market and business environment. Students should be able to suggest a list of considerations, such as the following.

PEST Factors (see Exhibit 2)
1. The profitability of the new project
2. The possible reactions of each major stakeholder
3. Company’s financial position
4. Corporate image and reputation
5. CSR
6. Environmental protection
7. Business ethics

In PEST analysis, students should be able to pick up the key message that society is changing and that individuals desire much more than financial well-being. It may seem that the project was beneficial to both sides. However, business decisions should not be based solely on profit maximization. After preliminary discussion, students are expected to identify the factors other than financial profits that must be considered before a business decision is made.

Both Disney and the Hong Kong government did in fact perform feasibility analysis of the Disneyland project. However, they neglected many of the potential environmental and social costs. The potential harm to the environment, in particular, was largely ignored. Ask students: What were the adverse effects on the two parties after announcement of the terms of agreement? Did the government make the best decision for Hong Kong?

The new Disneyland had both environmental and social costs; the project was nevertheless completed by ignoring public opposition. The instructor should highlight the following elements of government-public decision making in Hong Kong.
Hong Kong government

| Highly centralized decision-making process |
| “Executive-led” government |
| Civil servants as key decision-makers |

Decision-making culture

| Ad hoc approach |

Culture of the Hong Kong public

| Pro-development ethos, but growing green movement |

Students should be able to identify the following adverse impacts.

For Hong Kong Disneyland:

1. Poor image because of the unfair agreement
2. Image as an irresponsible corporate citizen
3. Environmentally friendly image tarnished

For the Hong Kong Government:

1. Environment pollution
2. Heavy financial burden
3. Little real improvement to the economy
4. Little bargaining power in comparison to Disney
5. Image as irresponsible government
6. Decreased popularity (of the government and its Chief Executive)

Public opposition focused on both Hong Kong Disneyland and the government’s arbitrary decision to allow its establishment. Students should be able to recognize the decision-making role played by the Hong Kong government with respect to the development. Following this train of thought, instructors can lead students to consider Case B.

2. Case B

Why did the plan draw protests? What went wrong? Who were the protestors?

Students can find detailed information on the voices opposing Disney in the case study. They should then be able to list the issues that appear in both Case A and Case B, including the following.

Numerous environmental problems, including increased pollution, arose during the construction phase of the Hong Kong Disneyland project: inability to enter the site to
test the land for pollutants; localized habitat destruction; increased turbidity and reduction in water clarity; decrease in sunlight penetration; etc.

Hong Kong Disney’s management style attracted criticism.

The fact that the park was operated as a private company using public funds from Hong Kong’s coffers furnished ideal grounds for public dissent.

Several controversial incidents occurred before the opening and attracted media attention.

Some of Hong Kong Disney’s work practices incurred further protests: complaints from the character performers, staff union, local residents, and environmental groups.

Hong Kong Disney’s response to the environmental issues was “simple and sometimes naïve,” and the company appeared to attach little importance to environmental protection. However, as the level of criticism rose higher, it had to take action to prevent further damage to its reputation.

From reading the case, students will find that the voice of protest could be heard throughout the process, from the theme park’s construction to its operations. Protests came mainly from green groups, the general public, and the nearby community. Most students will probably come to the same conclusion: corporations should be aware of growing environmental concerns. An increasing number of businesses and corporations are waking up to “greening” calls and considering environmental factors in addition to enterprise profitability and investment return. Hong Kong Disney should have adopted an ethical and environmentally friendly management stance to protect its corporate image in a society in which the environmentally friendly concept and CSR were rapidly gaining ground.

An essential point in this case is that sustainable management and CSR play important roles and should be incorporated into corporate strategies for long-term returns (both tangible and intangible). At this point, students should be asked to describe the potential benefits of “going green” and adopting socially responsible and ethical practices. Their answers should be categorized into the domains of human resource management (building advantages in the recruitment of new employees within the competitive job market), risk management (building a genuine culture of “doing the right thing” within the corporation to offset risks), brand differentiation (building customer loyalty based on a distinctive corporate value system), and license to operate (ensuring that the company retains its welcome by being a good corporate citizen with respect to environmental and labor standards).

*Should the listed companies in Hong Kong and elsewhere take CSR and business ethics into account when making business decisions? Why or why not?*
This question is designed to inspire students to dig deeper and reflect upon the issues surrounding CSR and business ethics. Even though students may already have realized that CSR and business ethics should be taken into account when making business decisions, they should also be able to outline the essential conditions of these factors.

From the company point of view, students should discuss the possible ways that profitability and CSR can be balanced. This discussion should lead to a debate about whether socially responsible firms enjoy advantages. For example, the practice of sustainable management, as well as the adoption of CSR and business ethics, can be instrumental in helping firms to establish a good reputation and, consequently, attract talent and gain stakeholder respect and trust.

The public mindset also exerts great influence over business decisions. Students should discuss whether CSR and business ethics are deeply ingrained in Hong Kong. If they are, then the public’s bargaining power in terms of business decisions will be much stronger, and companies will be more likely to act responsibly.

3. Closing

To wrap up the discussion of this case, the following questions can be asked.

*What suggestions would you give to the decision maker in this case? What measures would you take if you were involved in a similar scenario?*

Hong Kong Disneyland may need to devote more resources to public relations and more closely monitor public sentiment. When the Hong Kong project was announced, Disney should have emphasized the environmental protection measures it would undertake and openly reaffirmed the firm’s social commitment. Disney’s management should also have shared with key stakeholders its worldwide best practices in terms of being green and sought to educate the local community on the principles of sustainable development.

Periodic meetings should have been organized with public representatives to update the local community on project progress and to solicit public input on how the firm could best address the needs of the local community. Immediate follow-ups should have been planned to demonstrate the firm’s sincerity in implementing the recommendations made at these meetings. Decision making vis-à-vis environmental protection should have been more transparent, and local experts (academics, NGOs) should have been consulted and asked to endorse Disney’s green efforts in Hong Kong.

This case also highlights several additional issues. The relationship between short-term profit maximization and CSR is becoming an important issue, and an image as a good corporate citizen is increasingly necessary for firms that wish to maintain a healthy relationship with the public.
There is also growing public concern with corporate sustainable development. The increasing power and influence of green groups, environmentalists, and the general public in developed countries should lead students to recognize the importance of conducting proper stakeholder analysis and project evaluation before making a business decision. Hong Kong Disneyland and the Hong Kong Government should have taken social and environmental costs into consideration in addition to their financial evaluation.

The importance of understanding the principles and roles of government policymaking in a business environment should lead students to a consideration of the power of governments, especially those in developed countries. Gaining sufficient support from government is oftentimes critical to business success.

If time permits, then the instructor can provide up-to-date news on Hong Kong Disneyland to show how it has improved its management in terms of CSR, as follows.

Hong Kong Disneyland took several approaches to establishing green and sustainable management. It focused on achieving environmental excellence through 1) compliance with local laws and regulations; 2) raising awareness and inspiring guests, cast members, and the broader community to engage in environmental action; and 3) constantly seeking and driving environmental initiatives over and above local regulatory requirements. The Walt Disney Company has begun to establish a positive environmental legacy for itself and for future generations. In so doing, it has committed itself to minimizing its overall environmental impact while encouraging and activating environmentally responsible behavior on the part of cast members and other employees, guests, and business associates throughout the world. More specifically, Disney aims to conserve water and energy and protect ecosystems; to reduce greenhouse gas emissions; to minimize waste; and to inspire public consciousness in support of environmental sustainability. The company has also sought to develop innovative and realistic measures that will help to identify and mitigate the direct and indirect impacts of its operations. It has also complied with, and in some cases exceeded, environmental laws and regulations. Finally, the company has committed itself to regularly communicating its progress in implementing the policies and achieving the targets that it has established.

In 2008, the Hong Kong Disneyland Hotel and Disney’s Hollywood Hotel won Gold Awards in the Hotels, Restaurants and Catering Companies category of the Hong Kong Awards for Environmental Excellence. Andrew Kam, Managing Director of the Hong Kong Disneyland Resort, received accolades from HKSAR Chief Executive Donald Tsang at the awards ceremony. Mr. Kam promised that the resort would “continue to make a positive difference to the environment. We monitor the impact that our facilities, operations and products have on the environment while implementing sustainable initiatives to conserve water, energy and ecosystems as well as reducing waste and

greenhouse gas emissions. In addition, we host a wide range of activities to inspire our Cast Members and guests to care for the environment.”

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Exhibit 1: Barriers to Market Entry

(http://www.1000ventures.com/business_guide/crosscuttings/competing_barriers_to_entry.html)
Exhibit. 2: PEST (www.learnmarketing.net/pestanalysis.htm)
Exhibit 3 Schematic of Teaching Plan

Case A

Evaluate the decision to build Hong Kong Disneyland

Project Evaluation

PEST

Economic benefits and social and environmental costs

What are the characteristics of the Hong Kong government? What role did they play in the Hong Kong Disneyland decision-making process? Should Disney build its new theme park in Hong Kong? And what issues they need to pay attention to?
Case B

<table>
<thead>
<tr>
<th>Growing environmental concern among the Hong Kong public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Management, CSR and Business Ethics</td>
</tr>
<tr>
<td>Suggestions for decision makers</td>
</tr>
</tbody>
</table>

Close the case: Hong Kong Disneyland’s improvement and case review.