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Organizational Change and Strategic Integration in Disney's Acquisition of 21st Century Fox

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Abstract: This study critically examines the post-merger integration process of Disney's acquisition of 21st Century Fox, focusing on strategic change management. The analysis applies the Waterman 7S framework, Kotter and Schlesinger's resistance-to-change strategies, and dynamic capabilities theory to assess structural realignment, cultural integration, talent retention, and skill reconfiguration. Disney successfully implemented a Direct-to-Consumer strategy and expanded its IP portfolio. However, its centralized control model constrained creative autonomy, weakened cultural integration, and created operational overlaps. Path dependency in content development, top-down cultural imposition, and insufficient skill synergy mechanisms are also identified. This study offers practical insights for media industry managers navigating large-scale M&A transformations, with strategic recommendations including rebalancing content portfolios, establishing symbolic leadership ro les, and diversifying revenue streams beyond streaming subscriptions.

Keywords: Disney Aquisitions, Disney, 21st Century Fox, post-merger integration, strategic change management, 7S framework, dynamic capabilities, cultural resistance, Direct-to-Consumer model.

1. Introduction

Disney's $71.3 billion acquisition of 21st Century Fox in 2019 is one of the largest and most far-reaching corporate mergers in the entertainment industry [1]. The acquisition initially created challenges in integrating corporate culture and employee management. This study critically discusses how Disney integrates two different corporate management styles and cultures, and how it manages talent loss and employee resistance.

Disney's successful acquisition not only marks the expansion of its IP business territory and increased market share (to 33.1%) in Hollywood [2], but also promotes its streaming dominance and further global business expansion. After the acquisition, Disney adopted the Hulu + Disney+ bundle strategy to offer more diverse and high-quality content.

However, existing research on media mergers has largely focused on financial performance and market competition [3], paying less attention to the internal change management mechanisms through which legacy media companies integrate divergent cultures and skill systems.

Therefore, this study asks: (1) How does Disney manage the integration of organizational culture, talent, and skills following the Fox acquisition? (2) What are the limitations of Disney's current integration strategy, and how can they be addressed?

2. Research Methodology

This study adopts a qualitative single-case study design [4], drawing on secondary data including corporate documents, industry press, and academic literature. The analysis integrates the 7S framework, Kotter & Schlesinger's (2008) resistance-to-change strategies, and Teece's dynamic capabilities theory [5].

3. Background & Analysis

3.1. Disney's Strategic Vision

Malnight proposes that an effective strategic vision requires organizations to both use their historical strengths and continuously scan the external environment to make forward-looking adjustments [6]. Disney's approach to acquiring 21st Century Fox exemplifies this dual perspective, utilizing both retrospective and prospective strategic thinking [7].

3.1.1. Leveraging Legacy IP Strength

From a retrospective perspective, Disney drew on its legacy strength in IP development [8]. As a company historically rooted in traditional entertainment and offline experiences, Disney began constructing its "IP empire" with the acquisition of Pixar in 2006, followed by Marvel and Lucasfilm. This reflects a consistent commitment to a content-driven brand model [9].

3.1.2. Anticipating Industry Disruption

From a prospective perspective, before the Fox acquisition, then-CEO Bob Iger had already recognized the structural transformation of the media industry. Since 2010, consumers have increasingly abandoned traditional cable subscriptions in favor of streaming services, with Netflix emerging as an industry leader. In 2019, because of COVID-19, consumers became more reliant on digital entertainment. Therefore, to remain centered on content while regaining distribution control, Disney needed to eliminate third-party platforms like Netflix and change its strategy to "content + platform" by building a proprietary digital content ecosystem [10].

Beyond internal structural tensions, Disney's integration strategy has also encountered external regulatory headwinds. The U.S. Department of Justice required the divestiture of 22 Fox Regional Sports Networks as a condition for merger approval [11], while the European Commission imposed conditional approval requiring the sale of certain European cable channels [12]. More recently, the implementation of the EU's Digital Markets Act has introduced additional compliance burdens for digital content platforms, further constraining the realization of global content synergies.

3.2. Organizational Structure and System Adjustment

After the acquisition of 21st Century Fox, Disney undertook a large-scale restructuring of its organizational design and internal systems to align with its strategic transformation toward a Direct-to-Consumer (DTC) model.

3.2.1. Strategic Realignment Toward a Direct-to-Consumer Model

Structurally, Disney had already begun shifting its focus before the acquisition: in 2017, it terminated its content licensing partnership with Netflix to reclaim control over its intellectual property. In 2018, the company launched ESPN+, its first proprietary streaming service, and established the Direct-to-Consumer & International Division to manage all streaming platforms under one organizational umbrella—including Disney+, ESPN+, and Hulu, the latter of which it gained majority ownership through the Fox deal [13]. This marked a turning point where streaming became the operational core of Disney’s corporate structure [14].

3.2.2. Centralized Systems and Their Impact on Creative Autonomy

At the integration level, Disney used a model of “partial flexibility with centralized control”: it kept some of Fox’s adult-focused content under brands like FX and Searchlight, but unified many working processes, such as content rights and platform operations across the company [15]. While this centralized system made the merger more efficient, it also raised concerns that relying too much on standardization could reduce Disney’s ability to stay flexible and respond quickly to change [16]. For example, this top-down way of managing may have limited the freedom of Fox’s creative teams. Groups like FX and Searchlight, which used to work more openly and flexibly, now had to follow Disney’s more controlled and layered procedures. This may have affected their creativity and how fast they could react to market changes [17].

3.3. Strategic Communication and Staff Management

In terms of employee management, Disney effectively applied several of Kotter & Schlesinger’s strategies for dealing with resistance to change [5].

3.3.1. Education and Communication: Clarifying Strategic Vision to Reduce Uncertainty

With more than $19 billion in debt from the acquisition, it's hard for Disney to retain all of the employees, and there will be job overlap between the two companies, so Disney has to make massive layoffs [18]. To mitigate the impact of job losses and support affected staff, Bob Iger attached great importance to education and communication with employees, and publicly stated the strategic goals behind the merger and acquisition many times, such as strengthening the content library and entering the streaming media market [19]. Disney emphasized the vision of the future, which to some extent enhanced employees' understanding and confidence in this change.

3.3.2. Negotiation and Facilitation: Talent Retention and Transition Support for Organizational Continuity

At the same time, Disney is providing severance and re-employment services for laid-off workers, and transition support for some key positions. This practice can efficiently reduce litigation risks and maintain Disney’s reputation. In addition, Disney will negotiate with disenchanted employees and pay key talents with Retention Bonuses to ensure continuity [20].

For former Fox Key personnel Staff, Disney would assess their skills and experience to place them in positions that aligned with the company's evolving needs [21]. This talent-centric integration approach effectively ensures Disney’s creative productivity and smoother cultural integration [22].

3.3.3. Dynamic Capability Gaps in Skill Integration

In addition, Disney faced the challenge of integrating its skills with those of Fox, which possesses strengths in global IP management, brand commercialization, and family entertainment content production, while Fox has prominent strengths in adult-oriented dramas, independent filmmaking, and international content such as Star India[23]. In the early stages of the integration, Disney attempted to retain Fox Creative and strengthen Disney's unified management by retaining the right to operate sub-brands such as Searchlight Pictures and FX Networks.

According to Dynamic Capability Theory, companies should not simply incorporate skill resources into their systems but should have the ability to “absorb-transform-reconfigure” to stimulate the potential for innovation under the new skill sets [24]. In this regard, Disney's integration strategy still favors traditional “Incorporation-driven management” and lacks sufficient synergistic mechanisms and cross-brand skill transfer design. Despite Disney's resource advantages, its strategy in skills integration still needs to shift from “management-oriented” to “capability-activated” to truly unleash the synergistic potential of the M&A [25].

This dynamic capability gap is not merely theoretical. Disney's heavy reliance on sequential IP acquisitions—Pixar, Marvel, Lucasfilm, and then Fox—has created a path dependency that prioritizes external harvesting over internal content development [1]. As a result, even after acquiring Fox's creative assets, Disney continues to rely on existing IP remakes rather than cultivating original content, which weakens the organization's long-term responsiveness to cultural trends and content diversity [26].

3.4. Future Development and Adjustment

Disney's acquisition of 21st Century Fox in 2019 was a strategic move to bolster its content library and strengthen its position in the evolving entertainment industry.

However, the integration of two major media conglomerates has presented several challenges, particularly in cultural integration, talent management, and financial stability.

3.4.1. Addressing Cultural Resistance Through Symbolic Leadership

Today, many successful acquirers place greater emphasis on cultural compatibility before finalizing a deal [27]. In contrast, Disney's initial top-down cultural imposition following its acquisition of Fox lacked symbolic inclusion and may have been detrimental to building internal cultural trust between the two companies [28].

As an entertainment industry giant, the global employee resistance caused by large-scale layoffs and lack of employee involvement in change require even more long-term adjustment by Disney. Therefore, instead of focusing on intellectual property integration and corporate finance, Disney should focus on the establishment of a post-acquisition cultural framework by establishing a dedicated "cultural integration team" or "organizational adaptation coordinator" which could effectively improve the efficiency of post-integration and the employee experience, activating the creative potential of former Fox employees. For example, Disney can provide a symbolic leadership role to ease integration concerns, as a bridge between Fox and Disney culture, to express the value of the two companies' creative traditions, Eliminate employee perceptions of Disney dominance and Fox subordination [5].

3.4.2. Diversification as a Strategic Response to Financial Constraints

Until today in 2025, Disney still has not paid off the debt from the acquisition of Fox [29]. Therefore, diversifying revenue streams and transforming the content platform toward an ecosystem of "content + interaction + e-commerce" are important directions for improving revenue. Increasing streaming subscription prices, creating innovative digital products, and packaging content across different formats have been identified as key measures to alleviate financial pressure [15].

However, before these revenue-side measures can take full effect, Disney must first address operational inefficiencies that directly undermine its profitability. A notable example is the operational overlap between Disney+ and Hulu. Following the acquisition, the two platforms have suffered from overlapping content libraries, similar user interfaces, and unclear brand differentiation—a situation that confuses subscribers and complicates internal resource allocation [30]. This overlap not only increases platform maintenance costs but also dilutes Disney's ability to capture distinct market segments through differentiated pricing or content bundling.

Therefore, resolving platform overlap through clearer brand positioning (e.g., Disney+ for family content, Hulu for adult-oriented general entertainment) should be treated as an immediate cost-efficiency measure. Only after streamlining its existing platform structure can Disney effectively implement price increases or launch derivative products without alienating subscribers. In this sense, operational rationalization is a prerequisite for, rather than a substitute for, financial diversification.

4. Conclusion

Disney's acquisition of 21st Century Fox was a bold strategic decision that helped the company expand its IP resources and strengthen its presence in digital media.

However, the study also found that the integration exposed a number of problems, such as too centralized structure, limited creative space, insufficient integration of skills, and cultural conflicts. Although Disney has reduced some of the resistance through communication and talent retention strategies, it may lack innovation and flexibility in the future if it continues to rely on traditional management methods and outdated content development logic. To truly realize the value of this acquisition, Disney needs to change its thinking and focus more on unleashing employee potential, building an inclusive culture, and diversifying its content and revenue streams. These improvements will not only help meet the challenges posed by mergers and acquisitions but will also help Disney remain competitive and relevant in future global markets.

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