Connecticut Association of Boards of Education, Inc.
81 Wolcott Hill Road, Wethersfield, CT 06109-1242 · (860) 571-7446 · Fax (860) 571-7452 · www.cabe.org

Book Review: *Disney Wars*

By Robert Rader
Executive Director, CABE

Disneyland in California was dubbed by its founder, Walt Disney, as the "happiest place on earth". But the last few years have been very tough on the management of Disney, including on its former chair and current chief executive Michael Eisner and on its board of directors.

The Disney boardroom is not a very happy place.

I have long been fascinated by the Walt Disney Company. The company founded by Walt built and operates Disneyland, Disney World, Euro Disney and other theme parks, makes and distributes animated and live-action movies, owns ABC television, ESPN, the Disney Channel, stores across the country and produces *Lion King* and *Beauty and the Beast* on Broadway. It has not only set a standard for American culture, but in many ways, represents the best and worst of our culture.

Watching the ups and downs of the company, including its highs in the mid-1980s when Michael Eisner was brought in to save the company and its quite-literal lows when its falling stock price caused Eisner to give up chairmanship of the board of directors and agree to retire in 2006, holds fascination for me just like "Survivor" or "Who Wants to Be a Millionaire" does for lots of other people.

I spent a couple of weeks over the summer reading James B. Stewart's bestseller, *DisneyWar,* which begins with Eisner taking over the company in 1984 and ends with the questions concerning where the company and Eisner will end up after he gives up the chief executive title in 2006. Because of the great amounts written about and by Eisner, extensive interviews with him and others and lots of available court depositions and testimony, there is a treasure trove of information that Stewart mined for this book. Disney, once one of the most secretive of company's has, thanks especially to lawsuits concerning former employees Jeffrey Katzenberg and Michael Ovitz, had its dirty laundry made public like few other companies.

One of the most interesting areas covered by the book is how the Disney board operated as Eisner seemed, according to Stewart, to fuse his identity with that of the company, while making some awful decisions that hurt it. This manner of handling the company was not really ended until Roy Disney, Walt's nephew and one of the people who brought Eisner in twenty years ago, left the board and started a huge proxy fight. It led to the highest percentage of people voting against a chairman (Eisner) in the history of American business.

Some Lessons for Boards of Education

These are taken from CABE's Code of Ethics for Board members and are applicable, with some adaptation, for corporate or nonprofit boards of directors as well as school boards:

- Remember that your responsibility is to the public and children you serve
- The board's role is to make policy, plan and appraise
- Remain independent and consider and decide all issues fairly and without bias
- Carry out your responsibilities with professionalism, honesty and integrity
- Promote ethical behavior in your boardroom
- Remember that clear and appropriate communications are key to successful operation

Lessons for School Boards

Why have I used so much of my column to write about *DisneyWar*? Because there are lessons here for boards of education about their fiduciary and other responsibilities in their school districts.

One of the most obvious mistakes made by the Disney board was its failure to provide real oversight over its CEO and his ac-tions. Until 2004, the board was not really independent; Eisner could pretty much determine who was on it as he was both CEO and chairman of the board. He put people on the board who would agree with what he did, including people to

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whom he gave Disney grants, his architect and others. These people did not stand up and question why things were done since they were beholden to Eisner. This led to huge payouts when his decisions went bad.

Obviously, members of boards of education are chosen in a much different way, but it is still critical that, once appointed, they retain some independence and make decisions based on what is best for *all* of the children in the school district, not necessarily for those members of the public who backed them during an election. That is why we always remind board members to drop their political affiliations when they enter the board room.

Your relationship with your superintendent

A public corporation's board is not answerable to its CEO, no matter how effective or visionary he or she might be, but to shareholders. Similarly, a board of education is not accountable to its superintendent, but to the public. These relationships are key to ensuring that both types of boards operate effectively and ethically.

Effectively evaluating the CEO and requiring accountability is an issue of great importance to both types of boards. Eisner's evaluations seemed to be love fests—he was often given astronomical bonuses even when he made decisions seemingly without the due diligence that one would expect of a CEO of a large corporation. An egregious example was the buying of the Fox Family channel for $5.2 billion, when a later internal Disney valuation report indicated that its value was $1.378 billion. The board rubber-stamped these decisions.

Obviously, boards of education don't deal with such numbers. But effective evaluations, in addition to periodic communication with the superintendent (we recommend a more informal discussion six months after the formal evaluation take place annually), ensures honest, fair exchanges of views and prevents surprises. And, certainly when making purchases, obtaining services or taking other action that will affect the district, it is crucial, both for financial and ethical reasons, that due diligence take place.

If you have the time and interest, I would suggest that you read this rather long but fascinating book. But, more important, I would recommend that you think about your responsibilities and your role in ensuring that your board retains its independence, does its due diligence, and makes its decisions based on the interests of the public who trust you with the education of their children.

As part of my full disclosure, I own ten shares of Disney stock, bought at about $32 around four years ago. Disney today is worth about $26.