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Democracy Dies in Darkness

Disney brings Robert Iger back as CEO in stunning shakeup

He replaces successor Bob Chapek in a bid to restore the company’s luster. It won’t be easy.

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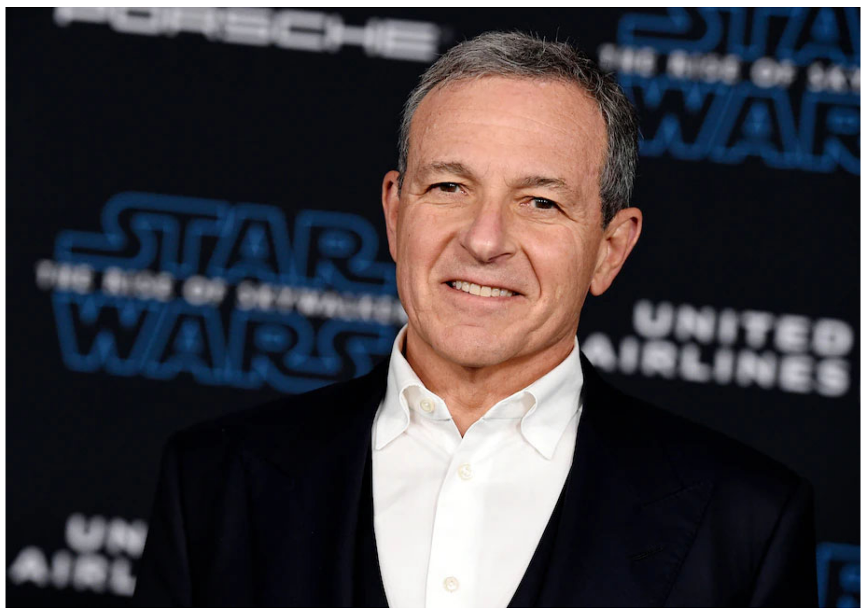
In a shake-up that stunned even the fiercely scrutinizing Hollywood community, Disney announced the return of Bob Iger as chief executive, less than three years after installing his handpicked successor.

In Iger, who oversaw the entertainment giant’s rise to historic dominance over 15 years beginning in 2005, the Disney board is attempting to restore a kind of early 21st-century golden age that is slowly slipping away.



Robert Iger will return as CEO of Disney, the company announced late Sunday. (Jordan Strauss/Invision/AP)

But the move is far from a sure thing, as the business climate is very different from the one he left: The streaming market has cooled, the theatrical business is in crisis and an ever-worsening social polarization imperils Disney’s brand of broad apolitical entertainment where all can feel welcome. And Iger may need to confront a potential recession that could prompt consumers to rethink and potentially restrict their entertainment-spending habits.

Bob Chapek, who led the entertainment giant throughout the pandemic, had received a three-year contract extension in June. But the company is coming off a disappointing quarter and has been grappling with a host of other challenges, including a feud with Florida Gov. Ron DeSantis (R) over the state’s LGBTQ policies in schools.

Board chair Susan Arnold thanked Chapek for his service over a long career. But as Disney "embarks on an increasingly complex period of industry transformation, Bob Iger is uniquely situated to lead the company through this pivotal period," she said according to a statement released late Sunday.

Part of Iger's new mandate is to select a successor, the company said. Investors cheered the news, powering Disney stock up more than 6 percent on Monday.

The decision to reinstate Iger comes just days after Chapek reportedly outlined plans in an internal memo for a hiring freeze, layoffs and cost cuts following disappointing quarterly results, according to Reuters.

Disney missed Wall Street expectations as it recorded losses from its push into streaming video. It produces series such as the Star Wars spinoffs "The Mandalorian," "Andor" and "Obi-Wan Kenobi."

Chapek's ascent to the top job in February 2020 also came as a surprise, occurring just weeks before the pandemic began to inflict its global economic damage. Iger, who had waffled for years on naming a successor, announced abruptly that he would become executive chairman in charge of creative endeavors while Chapek, a theme-park veteran, would succeed him as CEO.

Coronavirus restrictions would shut down theme parks and flatline Disney's juggernaut theatrical film business just weeks later, thrusting Chapek into the deep end of the pool.

The pandemic took an outsize toll on Disney's businesses: Total profit after taxes during the 2020 holiday period, for instance, cratered to $29 million from $2.1 billion the year before.

But his tenure was also marked by a series of controversies. They include blowback from Hollywood's talent community after Disney moved a number of theatrical films to streaming (it spilled over with a lawsuit from Scarlett Johansson over her "Black Widow" pay) and Chapek's silence, eventually broken, over Florida's "Don't Say Gay" education law.

Disney's missteps over Florida's policies sparked fury from Disney's LGBTQ employees. DeSantis, meanwhile, used that turmoil as a launchpad for his boldest confrontation yet with corporate America, spearheading a successful push to strip Disney of a decades-old tax district, criticizing the company on Fox News and fundraising off the clash, The Washington Post reported previously.

But within Hollywood and particularly Disney, Chapek's most consequential move may have been a massive reorganization that essentially stripped marketing and distribution power from the executives at each creative unit and placed them with Kareem Daniel, a Chapek corporate deputy who worked apart from the divisions.

The move, which was questioned throughout Hollywood, was seen by the targeted executives as both an ego blow and a business limitation, according to two people at the company at the time who spoke on the condition of anonymity because they were not authorized to talk to the press.

Lloyd Greif, a prominent Los Angeles-based investment banker who closely follows Disney, likened Chapek's ousting to a "palace coup."

"Clearly there's a lot of dissent within the organization over his leadership," he told The Post. "You can only take so many knives in the back before you die."

Chapek's mistakes were too many and led to his downfall, Greif said. But he added that filling Iger's shoes was no easy task, especially because Iger became Disney's "golden boy" and stayed on as the company's executive chairman until December 2021.

Disney noted Sunday that during his previous tenure, Iger oversaw the acquisitions of Pixar, Marvel, Lucasfilm and 21st Century Fox, and increased the company's market capitalization fivefold. He left at a high point for Disney in the streaming wars against its top rivals, Netflix and Warner Bros. Months before the leadership change, Disney's share price had climbed to what was then an all-time high.

Iger's "long shadow" will make finding a successor difficult, Greif said.

"In some respects, it chills the marketplace," he added. "No one wants to be in a position where they fill Iger's shoes knowing that Iger is potentially waiting in the wings to return for yet another engagement."

When Iger passed the torch to Chapek in 2020, Disney already faced some challenges that started before the pandemic, including waning cable subscribers and uncertainty over its movie business. At the time, some analysts suggested that Iger sensed the head winds and wanted to step out on top, The Post has reported.

Since the pandemic started, the theatrical film business — Disney's longtime bread-and-butter — has taken its lumps, with box office this summer down 20 percent compared to 2019. And while the company has some Marvel beachheads, its future with other franchises remains uncertain.

One key test for Iger will come right away with the release next month of "Avatar: The Way of Water." The James Cameron sequel was one big reason Disney bought 20th Century Fox — with nearly $3 billion in worldwide box office sales, the original "Avatar" is the highest-grossing film of all time — and the new release's performance will reveal a lot about both the health of the theatrical business and Disney's place in it.

Iger said in the news release that he was "extremely optimistic for the future of this great company and thrilled to be asked by the board to return as its CEO."