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Packaging a movie project - a resource based perspective

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ABSTRACT

In this paper the development package of a proposed movie is described as a bundle of resources that determine the value of the package and thus the decision whether the movie is produced or not. Using the characteristics laid down in the resource based view, content, personnel and funding are identified as core resources in movie development. The RBV is adapted to analyze individual producers with their projects rather than firms. A superior set of resources is assumed to guarantee approval for a given project (green light). In an extensive literature review different options are discussed how movie producers can secure each of these core resources. It is shown that strategies to secure the core resources are limited since they are interrelated and substitution cannot always be ruled out. In the concluding section an outlook is provided how the focus on the producer rather than a single project emphasizes the aspect of sustainable competitive advantage and how strategies of movie producers could be analyzed.

1. INTRODUCTION

Success in the movie industry is notoriously hard to predict. Thus, the most quoted assertion on the issue originates from William Goldman (1996, p. 39), a veteran screenwriter who said, when it comes to decision making in the industry nobody would know anything. Nevertheless, starting with Litman's (1983) study on the success factors in the movie industry, an impressive body of literature has emerged analyzing the effect of various characteristics of a movie, its producers, and its distributors on the box office success or – of more practical relevance – the return on investment. The discussed characteristics range from awards won (Nelson, Donihue, Waldman, & Wheaton, 2001) to web site promotions (Zufryden, 2000) with budget (production and marketing), star power and sequel status quite constantly showing the highest levels of explained variance (e.g. Albert, 1998; Chang & Ki, 2005; De Vany & Walls, 1999; Hennig-Thurau, Houston, & Walsh, 2007; Prag

& Casavant, 1994; Sedgwick & Pokorny, 1999; Walls, 2005)[1]. Several studies aim to use the same characteristics to build models with predictive power as to forecast the future success of a movie either on the basis of initial success (e.g. Sawhney & Eliashberg, 1996) or on pre-release information (e.g. Chang & Ki, 2005; Neelamegham & Chintagunta, 1999; Shugan, 1998).

The research focus until recently has been on predicting box-office performance only when a certain movie is already produced and the fix costs have been spend. Most of the work was done by marketing scholars using econometric methodology to optimize marketing measures for movies. For instance, Eliashberg, Jinker, Sawhnes and Wierenga (2000) came up with a decision making tool for the pre-release phase, Hennig-Thurau, Houston and Sridhar (2006) identified guidelines about when and how much marketing is needed to improve the box office result, and Delen, Sharda, and Kumar (2007) introduced a decision support tool for Hollywood managers based on neural networks and decision tree models.

All theses studies either omit the actual content of the movie, that is the story told and the dramaturgy, or try to proxy this complex information in quality measures or broad genre categories. Eliashberg, Hui and Zhang (2007) are a rare and recent exception as they try to capture plot information using a linguistic bag-of-word model and a set of 22 common story aspects when analyzing the script as a predictor of a movie's success and thus somewhat translate producers' guts into measurable templates.

In this paper, a different approach is presented that focuses on the situation and strategic options prior to the green light[2] that starts of the physical production, thus more aspects than the script need to be incorporated. Regarding (1) the content, (2) the personnel and (3) the funding as the most crucial ingredients of a development package the resource based view (RBV) can be employed as theoretical background to investigate the development process.

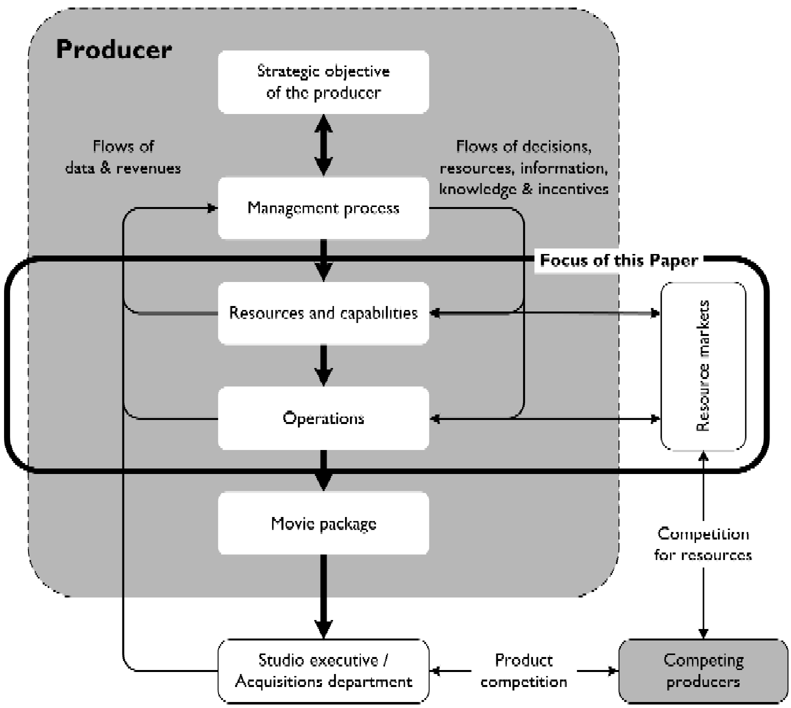
Figure 1 adapts the view of the firm as an open system (Sanchez & Heene, 1996) to the movie producer. The starting point is the strategic objective of the producer, which could be a general decision to make commercial or artistic movies. This leads to a management process where resources and capabilities are broad together to form a product proposition which is the movie package. So the work of movie producers can be regarded as an effort to secure crucial resources. This paper focuses only on part of this model: the objective is

1 For a comprehensive overview on the work on success factors in the movie industry from a marketing perspective, see Clement (2004).

2 To green lighting a project, is to formally approve production finance and thereby allow the project to move forward from the development phase to pre-production and principal photography. Thus, the green light is the approval to go from the relatively inexpensive development to the costly production (cf. Clevé, 2006, p. 5).

to clarify to what extent the proposed core resources meet the requirements laid down in the RBV literature. Furthermore for each resource possible strategies are discussed as how they can be secured.

Figure 1 - Flow diagram of producers packaging a movie



Source: Adopted from Sanchez and Heene (1996)

The results show that the concept of core resource management which Habann (2000) has developed for the level of a media companies could be adapted to analyze strategies of individual producers developing their projects. Thereby it will be shown that resource management in this setting resembles strategies of risk management when certain risks in the development package (that is inferior resources) shall be avoided in order to get the movie project approved.

The paper is structured as follows: A brief overview is provided of the characteristics of resources and how they might be identified. The following sections discuss if content, personnel and funding can actually be regarded as resources and which basic strategies to secure them can be identified. The conclusion provides an outlook on how the results might be employed in further research on strategies in movie development.

2. RESOURCE BASED VIEW

The resource based view of the firm (RBV) provides a useful complement to Porter's (1980, 1985) focus on structure as source of competitive advantage. However, while the structure-conduct-performance paradigm has been propagated and used extensively in the context of research in media economics and media management (e.g. Busterna, 1988; Gomery, 1989; Hendriks, 1995; Müller, 1979; Ramstad, 1997; Siegert, 2001; Wirth & Bloch, 1995), the resource based view has not been widely been used so far. The work on changing resource bundles in the Hollywood movie industry associated with the decline of the studio system by Miller and Shamsie (1996) and Habann's (1999) case studies of core resource management are rather isolated exceptions. More recently the RBV has gained more attention by scholars researching strategic choice in changing media market environments (Döbler & Rittner, 2004; Landers & Chan-Olmsted, 2004; Lantzsch, 2004; Picard, 2004).

2.1. Characteristics of resources

In short the RBV suggests that each company commands a different bundle of resources it owns or controls and may obtain a sustainable competitive advantage out of them (Barney, 1991; Black & Boal, 1994; Collis, 1996; Hoskisson, Hitt, Wan, & Yiu, 1999; Prahalad & Hamel, 1990; Wernerfelt, 1984). According to RBV, resources need to show four specific characteristics in order to increase a firm's performance and thus create a competitive advantage:

(1) **Capacity to generate value**. Valuable resources *"must enable a firm to do things and behave in ways that lead to high sales, low costs, high margins, or in others ways add financial value to the firm"* (Barney, 1986, p. 658). Acquiring a resource that is unique but does not generate value is of course a waste of time and money[3].

(2) **Rareness**. A rare resource is one that is not easily located and implemented, and thus lifts a firms beyond the 'competitive parity' that is associated with common resources.

(3) **Non-substitutability**. A non-substitutable resource shall have no strategic equivalents that can perform the same function for the firm. Firms cannot easily

3 For an extended discussion of the value characteristic see Bowman & Ambrosini (2007)

control this characteristic since new technologies for instance may bring about new substitution possibilities.

(4) **Non-inimitability**. Inimitable resources shall bestow a firm competitive advantage, since it can benefit from its monopolistic grasp on this resource. According to Barney (1991), imperfect imitability may result from unique historical conditions such as path dependence of a firms development, causal ambiguity, when competitors cannot easily retrace the genesis of the resource and social complexity, when the resource is created in a cooperation of several actors with ambiguous respective inputs.

The RBV usually focuses on firms as subjects of investigation. However, in the movie industry this perspective might not be helpful since movie production is essentially a project based business, where only very few companies have a constant output through a number of parallel projects. The bulk of movies are developed and even produced by single purpose project companies. Therefore in this paper the RBV is not applied to firms, but movie producers as individuals who develop a movie up to the point, where the executives of the production company, or the financer-distributor decides whether or not to green light the project that is to commit the company to the project and start the actual production. The subject of investigation is thus the individual movie project in development managed by a producer. According to the RBV, those producers should get their projects approved that manage to package a superior resource bundle in the development process.

2.2. Identifying resources

Aaker (1989) describes the essence of strategic management as the development and maintenance of meaningful assets and skills, the matching of strategies and competitive arenas to take advantage of these assets and skills, and finally the neutralization of the competitors' efforts with their respective assets and skills. In this framework, the identification of relevant assets and skills would be the first management step which could be done by observing successful and unsuccessful firms, key customer motivations, large value-added items, and mobility barriers. Black and Boal present a set of six strategic questions that enable practitioners to identify their resources (1994, pp. 144-145). Similarly, Carmeli (2004) introduces a "Strategic Analysis Technique" to assess core intangible resources using firms with different performance as examples. Finally, Habann (2000, p. 15) suggests to start with a broad scope in order not to miss less obvious resources. However a focus on strategic assets, such as (1) intellectual property rights, (2) company reputation, (3) product reputation, and (4) organizational culture would seems advisable. Additionally

Habann lists core competencies that could serve as resources, ranging form so called meta-competencies to management competencies and competencies representing skills related to value activities or supporting the creation of company-environment-interfaces.

All these approaches in identifying core resources basically try to provide ideas as where to look for and how to operationalize variables that capture the necessary aforementioned four traits of resources.

Only after identifying resources, those assets and skills can be selected that support strategy providing a competitive advantage. Building from there a firm – or in this case a producer – can develop and implement programs and procedures to develop, enhance, or protect assets and skills (cf. Aaker, 1989)

For this paper, the focus shall be on the three input factors content, personnel and funding as core resources for movie producers in the development phase. On the one hand, these are the resources singled out persistently as the most important resources by industry professionals, on the other hand extensive research on the success factors of movies have repeatedly shown the potential of these factors to explain the variance in consumer demand. Often originating from a marketing background, these studies usually have taken up the perspective of the audience or the distributor rather than the individual producer. Furthermore, they have focused on the box office success rather than the factors influencing the green light decision. However, *"Audiences and distributors are the producers most beneficial and crucial sources of business checks and balances"* (Honthaner, 2001, p. 7). When producers try to sell their projects to executives that shall approve it probably the best arguments will be the prospect of a large audience. Thus, it can be assumed that the crucial success factors generally speaking also represent the core resources.

Using this set of resources, one might underestimate the relevance of knowledge-based resources (cf. Miller & Shamsie, 1996) or external assets, such as reputations and relationships (cf. Porter, 1995). However, this type of resources shall be addressed, when the focus is enlarged from the actual resource to the access to it.

In the following sections of the paper it will be discussed to what extent content, personnel and funding respectively can be regarded as resources and how they meet the four relevant criteria. Subsequently, it will be analyzed which actions can be taken by producers to secure these resources.

3. CONTENT RESOURCE

3.1. Content as resource

The content of a movie as laid out in the script is obviously a basal ingredient of a movie. However, one needs to turn to the characteristics of core resources to asses whether it is actually a possible source of competitive advantage, or whether any script can be turned into a hit.

So far, little research is done on the effect of script traits on the commercial success let alone the green light. Anecdotal evidence suggests that the relevance of the content as resource might be limited: Director John Landis quotes a typical evaluation of a script: *"If you can get Harrison Ford then it is a good script. If you can't then it's a bad one"* (in Albert, 1998, p. 249). Therefore, the quality of a script as content resource might lay in the potential to attract acclaimed personnel rather than to please a potential audience.

Eliashberg, Hui and Zhang (2007) assign the variance of the return on investment to the selection of the right movies to be produced and regard the script as one of the most crucial variables. They can show that one can extrapolate from screenplay traits to financial success or failure. Simonton (2004) shows that the dramatic quality of a movie for the most part is determined by the quality of the screenplay. Focusing on the audience, Linton and Petrovich (1988) indicate that consumers would rank storyline as the most critical feature in judging a movie. Simonton (2005) finds that there are two distinct markets for movies as art and movies as commodity which can be separated using screenplay characteristics. Thus, it can be assumed inversely if producers aim to get their movie package produced in a commercial setting, they clearly need to avoid having an artistic screenplay. Thus, the criterion of 'capacity to generate value' seems to be clearly met.

In terms of non-imitability, one could use copy right protection as an argument as it prevents two producers from developing the same script. However, a subject matter can not be protected as intellectual property, so substitutability might not always be ruled out. This becomes obvious every now and then, when two movies on the same topic compete heads on such as *Deep Impact* and *Armageddon* in the summer of 1998[4].

Of course the content resource is not only about script alone, but also about access to possible sources of promising scripts, such as book publishers or star writers. In this domain, first-look or out-look deals might lead to exclusivity and thus non-imitability: There is only one Michael Crichton, and only one producer can build from the popularity of the latest bestseller as it is cultivated by a specific publisher.

4 A extensive account of this competition can be found in Bart (2000)

3.2. Securing content resources

3.2.1. Professional reading

Movie producers benefit from the fact that supply of movie scripts is much higher than demand. Producers can be pretty sure that there are brilliant ones among the scripts they receive. Thus, scripts do not have to be created or commissioned by producers; however filtering out the best is not trivial either.

Major Hollywood studios have legions of freelance readers to evaluate scripts, usually with several readers assigned to the same script. They provide a synopsis and a subjective, but more or less experienced recommendation whether to develop the script further or not (Eliashberg et al., 2007, pp. 881-882). While practitioners can reason why they reject a screen play (boring, clichéd, etc.), they have difficulties indicating the reasons why they promote a screen play. 'Political' aspects such as assumed preferences of executives or favors owed seem to be important (cf. Gray, 2007). For that part, Hollywood's approach seems to be rather unsystematic and relying on film students and other individuals willing to read scripts at a minimum wage.

Although this first evaluation of a screenplay is crucially important as it is a gateway through which all screenplays must pass, if they are to be produced at all, hardly any research has been conducted on the characteristics of the readers and the criteria they use when judging a screenplay. The study of Macdonald (2003) on the UK market is a rare exception in this field. He finds that professional readers seem to regard a wide range of items as important and no finite set of common requirements and agreed definitions can be identified. Over all craft skills, visual appeal, a clear structure, originality, and the notion of a realistic budgeting are highly rated, while prior knowledge of the story (adaptations) are considered less important (ibid., p. 32). Drawing from this study, it seems as script reading is used to secure fresh ideas that are well crafted; however, aspects of popularity are widely neglected.

Overall professional reading seems to be a less sophisticated approach to secure content. It might help filtering out the worst offers but is not specific enough to identify potential hits.

3.2.2. Market research

Another way to insure the appropriateness of a script and its potential marketability when turned into a movie might be to conduct market research beforehand. As soon as the movie industry matured from its vaudeville infancy, the success of movie producers *"was not* *primarily dependent upon technological innovation or scientific discovery but on determining and meeting consumer tastes"* (Bakker, 2003, p. 101). As early as in the 1930s, several market research agencies specializing on the movie industry have emerged. Most of the market research procedures employed today were already introduced in the 1930s and 40s. However, Handel (1953, p. 304) described that Hollywood has long opposed a systematic use of market research: *„In the race between intuition and the IBM machine the latter came in a poor second."* A reason for this, he argues, would be the conception of movies as an artistic venture. Movie producers and executives would either rely on an esoterically inflated feeling for the market or try to learn much more from an analysis of box office data than can actually be derived from the data. Salomon (1991, p. 365) describes that the takeover of the Hollywood studios by large corporations in the 1970s lead to an increased importance of market research, since the new parent companies demanded more reliable and traceable information than the guts feeling of producers. The emergence of the saturation release in the mid-seventies, that is the release on as many screens as possible, also demanded an improved ex ante optimization of the product, since there is no time to adjust the marketing campaign (Wyatt, 1994, p. 157).

On a broad scale, market research is used to specify the formation of the movie audience as a whole. This information can be translated into assessments of promising market segments and recommendations which movies to produce for which age or income group (Yoder, 2004). When it comes to individual movies, market research can hardly fix the absolute value of a certain script or title, however, when comparing alternatives the relative value might be revealed. Market research for experiential goods like movies demand the product to be all but completed, thus Yoder states, *„Research is not used to design, create or produce movies. Ideas for movies are never tested or discussed"* (2004, p. 302). Wyatt (1994, p. 158) contradicts the strict statement by Yoder in the context of high concept movies, when he distinguishes pre- and post-production studies. Prior to the start of production concept, casting and title tests can be conducted. Even if the idea for a movie might not be tested, the quality of its ingredients can be assessed. As measures of post-production market research, Wyatt lists test screenings that survey the complete movie and treatment tests to evaluate the effectiveness of advertising measures. Market research also makes sense in the development phase of a familiar content: When a movie shall be adapted from other media such as comic books or TV shows the producers need to find out what awareness is already in the marketplace and which brand associations to build from (e.g. Marich, 2005, pp. 32-33).

According to Wyatt, market research has helped to promote the high concept blockbuster as a familiar, reliable, and therefore marketable product (Wyatt, 1994, pp. 160-161). Pre-production market research is accused of being directive and trying to replace creativity by quantitative ratings (Marich, 2005, p. 32). This issue transcends the common problems between talent and suits, but fundamentally expounds the problem of the reliability of audience appraisement of innovations. In market research studies, the audience usually tends to rate familiar content high, while rejecting innovative content. Movie projects that rigorously adhere to genre conventions, would presumably show great results when tested, however, the actual movie might be rejected as being too predictable. A similar effect might happen with the casting: Actors achieve great ratings for those parts that they have repeatedly played in the past, however they might deliver a better performance when challenged playing an unfamiliar part. The relation between innovation and creativity on the one hand, and continuity and familiarity on the other, leads to a cyclical business. Producers that like to play it save and overdo familiarity with reiterations might fail, since the audience misses an innovative element. As a result, producers might conversely focus on new ideas that cannot be tested properly since the audience cannot relate the concept to existing movies. If among the movies with an original concept the flops accumulate, producers prefer market research driven movies renewing proven concepts (cf. Wyatt, 1994, pp. 176-179).

Marich (2005, p. 32) mentions another difficulty in concept testing, when textual material is used to assess a possible audiovisual outcome.

Overall, market research for movies focuses very much on the relation between distributor and audience. There are numerous studies on when and how a movie should be released (e.g. Eliashberg et al., 2000; Hanson & Jeuland, 1987; Krider & Weinberg, 1998; Weinberg, 2000; Zufryden, 2000) and how advertising for movies should be composed (e.g. Kernan, 2004; Lukk, 1997; Marich, 2005). The relationship between producer and distributor – the b2b marketing or the investor relations – seems to be of no relevance in the market research. Market research thus seems to be of minor importance in securing the content resource, since the transformation process from script to movie cannot be anticipated. Another option to secure the content resource might be an analysis of screenplays that have been successful.

3.2.3. Common plot structures and patterns of storytelling

The literature on script writing is dominated by veteran script writers who look back on their career trying to derive universal rules from their own work, as to what turned out to be successful or not (e.g. Field, 2005, 2006; Howard & Mabley, 1995). Other authors refer to archetypes derived from psychoanalysis (Jung, 2001) to create a framework of mythical structures that should form the basis of every successful story (e.g. Campbell, 1973; Vogler, 1998). This cumulates in books that claim to provide 20 master plots (Tobias, 1993) or 45 master characters (Schmidt, 2001). Thus, one could think that finite lists of valuable ingredients that can contribute to the quality of a script have been identified, and all producers would need to do is ask a screenwriter to reshuffle the elements to create a sure shot. Although the arguments in these works are intelligible and convincing, they have so far never been empirically tested, and therefore can only by conceived as best practice. In general, empirical approaches toward content characteristics of creative and artistic work are very rare since the value criteria are much more fuzzy and taste-depended than compared with journalistic content.

Usually, literature science focuses on single works which are analyzed and interpreted in some kind of case study approach. Due to the enormous effort necessary when reducing the complexity of poetic works, no study exists that covers a large number of works by different authors using empirically measurable characteristics. One of the rare works in the field by Simonton (1986) is a first attempt to enlarge the scope at least to the complete oeuvre of one author using a systematical empirical analysis. Simonton analyzes the content of 37 Shakespeare plays and relates it to the respective popularity of the play. He uses the syntopicon of the anthology *"Great books of the western world"* (Adler & Gorman, 1952) to categorize the content of the plays. He can show that popularity, measured by the frequency of performances, is positively related to tragic topics (r=.36), topics of family relations and child upbringing (r=.35) and subject matter focusing on individuals acting emotionally (r=.57).[5] Simonton's work helps to explain the popularity of different Shakespeare plays, but since only 46 out of several hundred categorized topoi were evident in the plays broad generalizations on the potential of certain subjects do not seem to be advisable. Just because the rather emotional *King Lear* dealing with a father and child relationship is more successful than the *Henry IV* trilogy which is very much bound to the time context of its origin this does not mean, that out of all possible subjects emotional family tragedy generally have the highest potential success. And of course the gratification sought by a theater audience might differ from that of a movie audience. Simonton's restricted sample cannot help to identify promising scripts; in terms of recommended actions the only save recommendation is that when resorting to classical subject matter one should choose universal subjects rather than time bound. However, assuming an extensive and expensive data collection, it should be possible to measure the contents of movies and their scripts precisely enough to empirically test whether the universal plots proclaimed by Vogler (1998) actually drive success.

Using a classification and regression tree Eliashberg, Hui and Zhang (Eliashberg et al., 2007) can identify the most relevant among 22 plot criteria, being clear premise, logical

5 The description topic of family subjects is: "The care and government of children: the rights and duties of the child; parental despotism and tyranny", that of emotional subjects is "Madness or frenzy due to emotional exec: excessively emotional or emotionally over-determined behaviour".

ending, early exposition, and coincidence avoidance[6]. For the most part theses criteria are dominated by genre and semantic criteria such as use of passive voice or number of sentences. Given the specific methodological approach of the study, the marginal effect of a variable cannot be quantified but remains concealed in a forecasting black box.

For the time being, the resort on common plot structures seems to be a valuable strategy only for screenwriters, the value in securing the content resource seems limited; however, using data mining methods the relative value of a screenplay can be assessed.

3.2.4. Familiarity

The most common way to secure the content resource is to build from existing stories that have proven their audience appeal in other media (comics, novels, TV-shows, plays and video games) or in earlier incarnations as movies (remakes and sequels). Hennig-Thurau et al. (Hennig-Thurau & Heitjans, 2004; Hennig-Thurau, Houston, & Walsh, 2006) interpret this as the brand extension of media content as asset. He can show that familiarity can to a certain extent substitute star power and has a positive influence on success (Hennig-Thurau et al., 2007). Basuroy, Desai, and Talukdar (2006) interpret the sequel status of a movie as a means of signaling towards the audience. They can show that sequel status has a twofold positive effect on the movie success when the direct influence is amplified through marketing which is made easier when one can resort to an established brand. However, building from an existing brand can also lead to satiation among the audience, when the sequel seems to be too much of a replication (Sood & Drèze, 2006).

It can be assumed, that the same effects that can be observed when a plot is sold to an audience also occur during the development. The same effect that helps distributors to attract viewers help producers to get their movies green lighted. Therefore, it can be assumed that the most valuable strategy to secure the content resource is to extend an existing intellectual property. If producers cannot resort to previous own movie projects, they need to buy a story that has already proven successful elsewhere.

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6 The criteria were operationalized as follows: *Clear premise*: The story has a clear premise that is important to audiences. *Early exposition*: Information about the characters comes very early in the story. *Coincidence avoidance*: Story follows a logical, causal relationship. Coincidences are avoided. *Logical ending*: The ending is logical and believable.

4. PERSONNEL RESOURCE

4.1. Personnel as resource

Only creative key personnel such as authors, directors, and actors can be described as resources, since they determine the project. Of course, bad costume designers can harm a project, however, unlike the key personnel, they are not recognized by the audience and can easily be fired and replaced if they under-perform. Thus, the discussion of the personnel resource can be confined to key personnel that have some sort of star quality.

Accordingly, numerous studies have addressed personnel as a core resource when investigating the effects of star power (Bagella & Becchetti, 1999; Kindem, 1982; Litman, 1983; Litman & Ahn, 1998; Litman & Kohl, 1989; Simonet, 1980; Sochay, 1994; Wallace, Seigerman, & Holbrook, 1993). Most often, the star power of actors, directors and sometimes even authors is used as one covariate in a regression model that tries to explain box office performance. However, De Vany and Walls (1999) insist that since the distribution of movie box-office revenues and profits is characterized by heavy tails and infinite variance no amount of star power can provide any level of certainty in success but only *"increase the odds of favorable events that are highly improbable"* (p. 315). Albert (1998) has demonstrated that stars can serve as markers and quality signal towards the audience. Hennig-Thurau and Dallwitz-Wegner (2004) are using a consumer survey to illustrate a star's drawing potential as ingredient brand of a movie. Still, the value of stars might be overestimated, since Ravid (1999) suggests that stars capture their economic rents as he finds no correlation between the participation of a star and the revenue or profitability.

However, concentrating on the development phase in movie production, stars might invoke different qualities as they might act as project enablers since high profile stars generally attract financing. Star power is derived from a proven track record of movies that were successful in drawing a large audience. Although it cannot be taken for granted that the same star will attract an audience of the same size for the next project, investors and lenders believe movies with a star attached would have an inbuilt audience that can serve as collateral. Therefore movies with stars can attract considerable advances from distributors and broadcasters (cf. Bart & Guber, 2002, pp. 110-112). Moreover, stars among the personnel serve as asset even beyond the quality of their own input, since the sheer presence of a star might motivate other input providers to deliver their best effort (Franck, 2001, pp. 48-50; Franck & Opitz, 2003, p. 205).

Levin, Levin and Heath (1997) can show, that stars and well known writers serve as brand names. When presented a fictive script, respondents in their study liked the story better when they where told it would stem from an acclaimed writer or that a star would play a lead.

Gaitanides (2001) discusses to what extent movie stars might be substituted. He arrives at the conclusion that stars serve as positional goods (see also Caves, 2003, p. 80), and thus cannot be replaced by lower ranked individuals. However, only the highest ranked would add marginal profit to a project, the others can only serve as promoters since they mobilize higher financial resources. Thus, the criterion of rareness is clearly met.

The quality of human capital is important for the artistic and the commercial performance at the same time; however, for a long-term success the creative resources might be even more important since they are not as easy to replace or substitute (cf. White, 1993). Caves (2000, pp. 3-5) points out the particular importance of creative personnel or 'talents', since creative production relies on the imaginative and unique inspiration of exceptional individuals who concern themselves with the originality, technical expertise, and harmony achieved in a creative act.

It can be thus clearly concluded that personnel, especially stars in key creative positions, serve as core resource. As for the content, it is crucial for producers to have access to this resource, therefore some authors argue, that it is not sufficient to have the right personnel, in addition the ability to access them would be a crucial resource. Ferriani, Cattani, and Baden-Fuller (2007, p. 211) for instance consider human capital and network resources as two of the most salient factors and critical traits production companies have to take care of. Organizational fitness on the human capital side would stem from the ability to attract and retain creative personnel as a resource, while social networks would allow access to creative and financial resources (cf. also Jones & DeFillippi, 1996). Jansen contributes to the notion that coordination capability adds to the personnel resource. Production companies that have been successful in the past tend to produce more successful movies, suggesting, *"The skills of people that are closely related to business management and film project development and realization seem to play a role in film performance."* (Jansen, 2005, p. 201)

4.2. Securing personnel resources

Morley and Silver (1977) conducted a case study on how the creative personnel of a movie project is recruited and managed. They describe the movie production as a stereotypic model for project-based work in general. Each phase of the production could be regarded as a temporary system with limited duration and membership, *"where people come together, interact, create something, and then disband"* (Morley & Silver, 1977, p. 59). While the recruiting of competent people is essential, the process can be somewhat cut short by the hiring of leading personnel who bring along their own assistants with whom they have a long-term work relation based on trust and experience. This is especially true for more technical personnel such as cinematographers or the sound department. The quality of key creative talent and their compatibility with the rest of the team would be explored by *"firsthand knowledge, word-of-mouth reputation, and conversations with other people in the business"* (Morley & Silver, 1977, p. 61). This indicates that the experience of producers and their connectedness in the industry is crucial. This architectural knowledge (Jones, Bergmann Lichtenstein, Borgatti, Hesterly, & Tallmann, 1997, p. 7) is needed in any project-based organization and determines the ability to choose which human and social capital resources to use in a project. Miller and Shamsie (1996) have coined this a *"systemic knowledge-based resource"* used to coordinate roles. It would be derived from a firm's experience in selecting non-permanent production staff. The architectural knowledge is inherent in a firm's human capital, in the case of movie development in the producers experience in similar projects. Jones et al. (1997) can show that project member experience and expertise can explain a great proportion of the performance variance. In terms of strategy, this poses an entry barrier to the industry since producers with no prior experience by definition lack access capabilities and coordination skills.

4.2.1. Long term contracts

From a resource perspective, it would be desirable to secure the potential of a star for more than a single movie project. In other knowledge intensive industries organizations strive to retain their members (Coff, 1997) or to enlarge knowledge resource by enticing capable individuals from rival organizations (Baty, Evan, & Rothermel, 1971; Rao & Drazin, 2002). Having a contractually save command over the output of key personnel would mean a competitive advantage. With the collapse of the old studio system, binding long-term contracts with actors, as well as directors and screenwriters, have all but disappeared. Thus, securing the personnel resource has become more difficult since stars and others are signed for limited deals, often just a single movie (Weinstein, 1998).

However, referring to the trade press, Eliashberg, Elberse, and Leenders (2006, p. 645) state that again, deals with creative talents would be increasingly popular to create a longer-term relationship. Those deals exist between producers and actors as well as between independent producers and large financer distributor studios. Miller and Shamsie (1996) employ a resource based approach to asses the relation between the financial performance and the resources possessed by a movie studio. They can show that in the course of the restructuring of the studio system property based resources such as exclusive long-term contracts with stars and theaters became less relevant, while knowledge based resources such as production und coordinative talent and budgets gained importance. This result is instantly convincing: If one cannot bind a resource due to shifts in bargain power, the ability to gather and coordinate talents on the project level becomes crucial. Jones et al. (1997) use a similar framework, by comparing the respective relevance of internal resources, and the ability to coordinate external resources as means to achieve competitive advantage. In everyday work, coordinating personnel resource has one precondition. Producers need to know potential talents, the longer the better, and need to carefully foster their relationships in absence of binding contracts.

4.2.2. Motivation and principle-agent issues

In order to become a vital resource, the personnel does not only need to be of superior quality, but also willing to do its best in contributing to the project. Thus, the issue of motivation and dedication becomes vital.

Morley and Silver (1977, pp. 63-66) identify four main sources of motivation. First movie personnel would have a *basic need to exercise competence,* since they would derive satisfaction from accurately accomplishing a task that suits their interests and abilities. This is what Caves (2003, p. 74) subsumes as the attitudes of artists toward their work. What he coins *art for art's sake* property invokes the utility that the artist gains from doing creative work. He argues that artists motivated in this sense may even work at wages that fall short of their opportunity cost of working in other industries. Secondly, a *need for approval and appreciation* might motivate, as it would always be pleasing to learn that one's work is valued and appreciated. However Caves (ibid.) argues that artists who are in it mainly for art's sake might be following their very individual concepts as how the creative work is to be performed, and which technique or style to be employed. These first two sources of motivation seem to be rather generic and do not relate on any special traits of the movie as product or the development and production process. However, in a multiplicative production relationship (Caves, 2000, p. 5) everyone involved affects the quality of the ultimate result so they seem to be more relevant than in other industries where additive production relations can be observed. A third motivation derives from a *sense of professionalism*, meaning a commitment to the working standards established by peers. From the producers' perspective, the forth source of motivation, a *long-term career self-interest,* is most important, as this aspects implies a possible penalty. People hope to enhance their professional reputation through the quality of their work and their association with a hoped-for commercial success.

The latter issue is discussed in the literature on problematic principal agent relations in the movie production. Two strands of literature exist dealing with principal agent issues; the first focusing on conflicting objectives between investors and producers or studio executives

(Ravid, 2002; Ravid & Basuroy, 2004), the other focusing on conflicting objectives between creative talent and the producer or the management (Caves, 2003; Chisholm, 1997, 2004; Goldberg, 1997; John, Ravid, & Sunder, 2003; Weinstein, 1998).

Chisholm models the relation between the production company and the creative talent as a prototypic principal agent problem with profit sharing contracts as a possible remedy of the antagonistic objectives, where the 'suits' would aim for a movie, which is commercially appealing, whereas the talent would strive to create an artistic masterpiece. A participation in the movies revenues thus shall motivate the talent to care about the commercial appeal of the movie and thus serve as a solution to a moral hazard problem resulting from the inability of the producer to monitor the effort that the actor is expending in the movie[7]. Strongly opposing the thesis whereas shared-contracts might be a tool of motivation Weinstein (1998, pp. 102-110) argues profit sharing contracts could also be explained with a risk-sharing motive or budget constraints. Using the same argument as Morley and Silver, he states that frequent contracting in the industry would provide much more incentives for agents to perform to the best of their ability then any contingent compensation could ever do. Shirking would be prevented by the fact that the talent cannot rely on long-term contracts and thus depends on its reputation derived from performance at a sufficient level. In a rather small community and a people business like the movie industry, information on talent behavior travels quickly, no matter whether good or bad. Thus, *"the importance of reputation in the industry suggests that this alone should be sufficient to induce producers to work hard"* (Weinstein, 1998, p. 104).

4.2.3. Salaries

A straightforward way of securing talent would be to compensate the personnel pecuniary according to their value to the project, that is allowing them to retain the excess of expected gross revenue over what the movie might earn when less talented personnel would be hired. By and large this strategy can be observed with blockbuster movies where star actors, directors, and screenwriters have a share in the gross revenue. However, this does not explain, why acclaimed talent every now and then agrees to work for the union wage floor or waive their compensation up front. Caves (2003, pp. 80-81) suggests that *"the performer may trade off cash compensation for credit in a film that appears likely to garner critical esteem."* Since creative workers care about their product, money might not be enough to secure the personnel resource. This indicates a strong interrelationship

7 Goldberg (1997, p. 546) turns to another motive to employ profit sharing contracts when he suggests, contingent compensation would be a solution to the valuation problem, as when the value of a screenwriter's work cannot be determined exactly before the script is actually turned into a movie and released.

between the content resource and the personnel resource. Stars trying to preserve their market value will only agree to take part in a certain project if they believe that the other resources attached to it match up with their own quality and carry the potential of success. Frank and Opitz (Franck, 2001, pp. 204-205; Franck & Opitz, 2003) accordingly describe stars as control agents of input quality.

Thus, salaries cannot sufficiently secure the personnel, since money is not the sole objective. Quite contrary, salaries might be substituted by the chance to be part of a promising movie project based a compelling content.

5. FUNDING RESOURCE

5.1. Funding as resource

Funding can be regarded as a secondary resource. Although it is of course a precondition for any production, it is highly dependent on the existence of other resources. Without a promising script and capable personnel, no investor or lender will be willing to provide financial resources for any given project. Furthermore, the general characteristics of core resources may not be met. Although there seems to be a correlation between the budget of a movie and the box office (De Vany & Walls, 1999; Hennig-Thurau et al., 2007), the relation between the budget and a return on investment is less obvious (Ravid & Basuroy, 2004). Hennig-Thurau (2004) even suggests that on average low budget movies have a higher return on investment than high budget ones. Since the investment in a movie comes with no security of success, the capacity to generate value is limited. Clearly, a funding scheme can be imitated as there are numerous alternative sources that can be tabbed. Furthermore, to a certain extent funding is also substitutable as becomes evident in the fact, that the same script can be turned into different movies with different price tags: Producing in a low-wage country, reducing the amount of digital effects or convincing the personnel to postpone their claims all help to keep the budget down.

However, while the funding itself might not be a core resource, the access to may well be. Compared with independent producers, producers working for a large production company have superior access to funding as they can resort to equity and revenues derived from a sizable and steady output of movies. Access to funding also differs in highly subsidized markets found in most European countries. Since subsidies in general are not allocated evenly or automatically, but according to more or less fixated principles or even personal relations, superior access to public funding can be regarded as a source of competitive advantage.

5.2. Securing funding resources

Alberstat (2004, p. xix) notes that *"for producers, the strategies and structures of financing arrangements are as numerous as the films that are made."* However, in general three scenarios of funding movies can be identified: The first and by now rare option is available only for the big integrated studios. They can use their own equity or profits steadily pouring in from preceding projects to finance not only the development, but also the production of a movie. Second, smaller production companies with less deep pockets need to resort to an assortment of international, bilateral and multilateral co-production treaties, pre-sales, equity investment, tax funding, gap financing and maybe many other means of financing (Alberstat, 2004, p. xix; Eggers, 2003, pp. 121-131). Finally, the third option is common predominantly in European countries, where there is a tradition to regard movies not only as commodities, but also – and maybe even more important – as a piece of art. Since in markets of cultural and artistic products market failure is likely to exist, those countries provide public funding in order to get culturally valuable movies made which would otherwise not be provided by the market.

5.2.1. Studio in-house funding

With the first option, of spending one's own money, the securing process becomes a question of bargain power within a corporation. Producers have to convince executives of the movie studio about the potential of their development package in order to get a green light. Assuming profit maximization as the dominant objective, executives should choose the projects with the best resources. Since from the executive's perspective, the producer is also to be considered as part of the personnel resource executives might favor projects with veteran producers with a respectable track record.

Drawing from agency theory, Ravid and Basuroy (2004) assert that studio executives might be interested more in the maximization of revenue than of profit. Since movies containing violence and sex would in fact not outperform other movies in terms of profit, but strongly dominate in terms of revenues this type of movie might be preferred by executives. Moreover Ravid and Basuroy can show that on average movies featuring sex and violence are less risky, as they less often loose money and show a lower variance in returns. As executives would try to secure their position by hedging their projects, again access to in-house funding might be easier with this kind of subject matter.

5.2.2. Private funding

A movie in development has extremely little to offer to lenders or investors in terms of collaterals: essentially, it is the rights to a script or to turn a bestselling book into a movie. Everything else is speculation on how well the resources put into the movie will be able to attract an audience. In the lack of creditable demand forecast, private funding relies essentially on reputation. Reputation of the producers themselves as well as reputation of the acquired personnel resource about their abilities and drawing power. Private funding therefore is probably the best measure of resource quality since private investors or lenders in contrast to corporate managers or committee members should theoretically be clearly bound to the objective of profit maximization. However, given the fact, that other industries offer much higher average returns on investment than the movie industry Alberstat (2004, p. 59) concludes: *„Without some compelling reason other than love of movies, there are better places for investors to put their money"*. This raises the question, how objectives like 'love of movies' influence the accessibility of a given investor as a source of funding. There is hardly any research on this issue other than some case studies on individual patrons or institutions with a distinct world view (e.g. Decherney, 2005; Hermsen, 1997)

5.2.3. Public funding

As a general rule public funding is not depended on the expected revenue or profit but rather on objectives derived from cultural or regional politics. In the Italian market, Bagella and Becchetti (1999, p. 251) show that subsidized movies on average have significantly lower admission figures and a lower ex-ante popularity of the involved talent. It can thus be assumed, that the public funding authority does not insist on economically viable personnel resources if other criteria such as a contribution to the national cultural heritage are met. Similar in Germany, committees deciding on subsidies consist of politically appointed representatives and representatives from broadcasters (Jansen, 2005, pp. 192-193). Access to public funding does not depend on market factors, but is influenced by the particular interest of the committee members. Funding resources could thus be secured by choosing subject matters that are preferred by the relevant committee or a commitment to locally spend the received subsidies as it is often required. When public funding is provided by TV companies, as it is common in Germany and Switzerland, subject matter that fits the profile of the TV program might have an advantage and producers with established working relations with the respective company e.g. derived from earlier commissioned productions might be preferred.

This means securing access to public funding often implies abdicating economic objectives. Producers focusing on this kind of funding reduce their risk as they live on the production process alone, however, they might also loose the upside potential of a hit movie, since this sort of funding demands personnel and content resources that are not necessarily demanded in the market place.

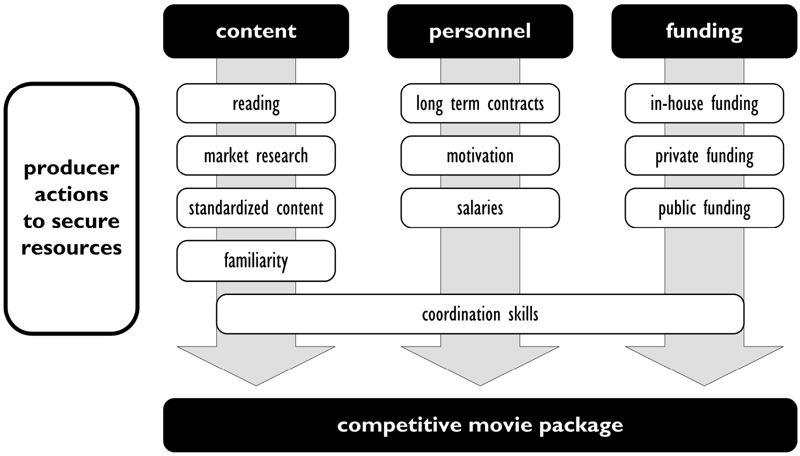
If ultimately subsidized movies also have a different audience, that is more interested in movies as piece of art or cultural asset, the question arises, whether the producers of subsidized movies actually engage in a different product market. This of course would put the adequacy of the RBV into question, since it is a precondition that the investigated ventures compete in the same market.

6. CONCLUSION AND OUTLOOK ON STRATEGY IMPLICATIONS

While the research on success factors of movies at the box office is mainly marketing oriented, an application of a resource framework allows focusing on the strategic planning by the producer prior to the start of physical production. The packaging of a movie project can be described as an effort bringing together resources of sufficient quality to get project approval: a green light. The discussion of the three potential resources content, personnel, and funding has shown that they generally meet the criteria laid down in the RBV. However it is also evident that the resources are interrelated (see Figure 2)[8]. Therefore, it seems that any effort to secure these resources needs to be comprehensive rather than sequential. This points out the centrality of coordination skills rendering coordinating a crucial capability. Content and personnel need to be matched in order to generate their full potential. At the same time, they help to secure access to funding. Thus, producers developing movies face the dilemma that the core resources to their projects cannot be secured separately. They need a decent script to attract valuable personnel to attract willing investors, at best all at the same time.

[8] This relates to the concept of 'asset stock interconnectedness' by Dierickx and Cool (1989) and the 'systems perspective on resources' by Morecroft, Sanchez, & Heene (2002)

Figure 2



A second conclusion is that the discussed resources all seem to have the character of positional goods, meaning that the potential incarnations of the resources can be ranked according to their quality. While the criteria of non-imitability might be met, since there is always just one leader of a ranking, the criterion of non-substitutability is not. Every incarnation of the resource can be widely substituted by a lower ranked. So only the top ranked incarnation of each resource is actually able to generate a competitive advantage. Management of core resources in movie development thus might imply first the capability to filter the most promising incarnations of a resource out of a vast choice of screenplays and actors, for example. If the top exponents cannot be secured, the goal is to find strategies coping with inferior resources and trying to substitute them as good as possible.

Using a RBV framework to asses individual movie project allows identifying the importance of resources; however the focus is on the competition among different projects for approval. Thus, by definition the competitive advantage is singular. When the focus shifted from a single project to the collectivity of all projects developed by one producer, the level of analysis changes from project to producer. In this setting, the individual producer can be interpreted as a firm and competitive advantages can be analyzed from a sustainability perspective. The same ingredients will be crucial for every new project, thus the resource issues remain generally the same. However it is not directly about content, personnel and funding anymore, but about the access to these resources. Producers need to build access competence as a dynamic capability (Teece, Pisano, & Shuen, 1997) of continuously securing project resources.

The resource based perspective on movie development can therefore help to analyze strategic behavior of producers. With core resources being interdependent and their influence on both the green light and the ultimate success with the audience neither linear nor univocal, the process resembles a risk management process. Producers have to start of envisioning their position in the industry and thus rank the importance of resources. Obtaining the best possible input resources of course reduces the risk of failure; however, when the best resources (stars, licenses to bestsellers etc.) are controlled by competitors, the risk of failure is increased. Arguing from a RBV perspective, the producers in an inferior position, that is less access capabilities and coordination skills, should either find ways to imitate superior resources (e.g. hire an upcoming star) when staying in the same market or substitute resources (e.g. accent cultural value over commercial) to enter in a similar market with a slightly different demand. The first would be a rather risky prospector strategy oriented towards innovation, the second a less risky analyzer strategy oriented towards flexibility. In terms of strategic management of core resource there should be a match among the resources as well as between the resources and the position in the market structure (Habann, 2000, pp. 16-19). Success therefore is not measured at the box office, but on the level of project development. Given the constant need for innovations in the media production (Kiefer, 2001, p. 176), one might assume that movie producers developing and packaging a new project most naturally would turn to a prospector strategy. However, numerous sequels and prequels, teams working together for more than one movie suggest that some producers try to implement a strategy based on their access to superior resources as a competitive advantage. Resorting on these resources, producers can reduce their risk. The examples show that the content resource (sequel) and the personnel resource (persistent teams) reduce the need to innovate and still be successful. For the moment, a closer look on the strategies that are or could be employed by movie producers is needed to systematize and evaluate strategic options to movie producers securing resources. The process of securing or substituting core resources can thereby be described with risk management strategies like avoidance, reduction and transfer. The discussion in this paper of how to secure core resources can serve as a starting point to a comprehensive survey of the motives and actions of producers in the development phase of a movie project.

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