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Capabilities, Recipes, & Firm Performance:
*How Industry Recipes Influence the Application of Dynamic Managerial
Capabilities*

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ABSTRACT

Dynamic managerial capabilities are frequently viewed as a source of influence among decision-making managers within environments of volatility. Conversely, managers postulate that decision-making in rapidly changing environments is never perfect and faces a variety of influencing factors. In addition, industries represent a collection of firms that produce similar goods or services for a particular market. This recipe is often recognized by all industry related firms and adapted accordingly.

Similarly, firms comprised as “incumbents” and “challengers” are firms that are well established in the industry and firms that seek to change the industry. Recognizing which influencers affect the managerial decision-making process is necessary to adapt and evolve a firm’s decision-making logic.

This thesis presents a detailed study of the Hollywood Film Industry Recipe as it relates to the influencing factors within the green lighting process of feature films among incumbent and challenger studios. An inductive research approach is used to investigate four case studies throughout the Hollywood Film Industry. Two case studies are recognized as industry incumbents while the other two are recognized as industry challengers.

The analysis identifies an industry recipe, firm adopted industry and adaptations, and dynamic managerial capabilities utilized through the influence of the process. In addition, an illustration of the industry recipes influence dynamic managerial capabilities adopted by firms.

Findings suggest that dynamic managerial capabilities is an output of industry recipes adopted amongst firms, and that refinement of those capabilities is a circular renewal process between managerial judgment and firm/managerial dominant logics. In addition, industry recipes influence the way in which dynamic managerial capabilities are acquired, processed, and absorbed.

This study contributes to the field of strategy as it suggests a coherent framework that illustrates how industry recipes influence incumbent and challenger studios within a given industry. Additionally, it also demonstrates how dynamic managerial capabilities are formed and structured based on the adopted industry recipe. Finally, it outlines how decisions are made by managers within incumbent and challenger firms, highlighting a circular process of decision-making with regards to the creation an distribution of an industry related product.

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DECLARATION OF ORIGINALITY

I declare this thesis has been composed by myself, and it embodies the results of my own work.

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

Following academic conventions, I have made due acknowledgement of the work of others.

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SIGNATURE:

A handwritten signature in black ink, appearing to read 'J. Bezzian', with a stylized flourish at the end.

FULL NAME: JAMES BRADLEY BEZZIAN DATE: April 27, 2017

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CHAPTER 1: INTRODUCTION

1.0 Introduction

“I don’t really like the Hollywood blockbuster bandwagon that exists right now. The industry and the advent of all the technology, has kind of lost its way”
–Peter Jackson (Filmmaker)

Hollywood. Mention the word and people automatically think about their favorite movies and the iconic location in California. Since the turn of the century, films have been produced beginning with one-minute scripts to the giant blockbusters of today. High-powered executives making backroom financial and distribution deals determined which scripts would be financed. But how many individuals could explain the intricate journey and the hundreds of decisions made prior to the opening credits seen on the screen?

Thousands of films are made every year, with only a select few earning small profits and even fewer finding an international platform of monetary achievement. Until recently, the overall US domestic film market share accounted for 51% of all worldwide revenue, but recent numbers illustrate the US domestic film market now accounts for 43% of worldwide revenue (MPAA 2015). This means 57% of total box office returns were realized in the international market.

The mysterious decision-making by studio executives adds to the complexity of realizing success (Schatz 1999). During the past 15 years, eroding domestic industry market share has caused entertainment executives to begin questioning the traditional management recipes and their own capabilities (Eliashberg Elberse & Leenders 2006). Resistance to change and the uncertain future created an atmosphere of distrust amongst the internal players.

The process of movie making from idea conception to the big screen remained largely unaltered for nearly a century (Vogel 2001). Incumbent studios, since the inception of the industry adhered to a particular recipe to develop and distribute their products (Einav 2007; Elberse 2002).

An incumbent firm is defined as the market leader in their segmented industry known as the firm who can control the recipe of the product/service from start to finish (Ferrier Smith Grimm 1999). However, with the introduction of new technology and media options, in addition to a growing international market, incumbent entertainment studios are struggling to compete and find a successful recipe to bring about steady positive revenues (Lampel & Shamsie 2003). These incumbent studios are met with competition from contemporary studios, or challenger studios, possessing more flexibility and options regarding the creation and distribution of their entertainment products.

A challenger is a firm challenging the incumbent firm for market dominance and leadership within the industry through “creative destruction” of a product/service recipe (Ferrier Smith Grimm 1999; Kirzner 1973). The Challenger Studios seek to “dethrone” and “destabilize” the order of the industry by altering the industry recipe. This recipe is defined as “a complete framework, in the sense that it indicates the data necessary to make up a complete description of a situation” which in this case involves the situation of creating and distributing feature films (Spender 1989: 60).

A situation involves the defining of a comparable product/service amongst firms.

Firm leaders, aka incumbents, seek to control the recipe and resources necessary to create and distribute their products or services, while challengers seek to disrupt a portion or the entirety of the recipe to shift market dominance and leadership.

In today's US domestic motion-picture market, studios lack an effective manner of coordinating the use of limited resources (Marvasti 2000). Demand for entertainment is up, however the dollar share allocated to movies has diminished. Consumers have a myriad of choices beyond the cinema and an almost infinite number of delivery systems non-existent ten years ago (Sedgwick 2002). A new generation of consumers expects instant access and a large variety of choices at the box office, on-demand, and availability on various platforms.

The same managerial decisions used in the past, on an assortment of platforms are no longer as efficient. The capabilities and resources once utilized by managers are now being questioned throughout an ever-evolving environment (Shamsie Martin & Miller 2009).

From development to finished product lies a host of managerial-decisions including unique capabilities necessary in developing ideas and utilizing resources efficiently. The nearly foolproof process of the past, utilized by incumbent and challenger studios is shifting. Technology has introduced new options, and each capability now stands uniquely independent, spanning the entire globe.

The focus of this study is two-fold; first, identify the recipe factors for motion picture production utilized by the incumbent and challenger studios firms within a changing environment Hollywood Film Industry, and second, understand how these

factors interact amongst the firm's dynamic managerial capabilities within the overall industry,

Section 2.0 will provide an overview of the literature and theories utilized to better understand this particular phenomenon of decision-making within the green lighting of feature films. From extant research of the literature, the researcher formalized the following research questions:

(Q1): "What are the industry recipe factors adopted by managers of incumbent and challenger firms in a rapidly evolving environment?"

(Q2): "How do industry recipes of incumbent and challenger firms interact with manager's dynamic managerial capabilities in a rapidly evolving environment?"

These questions, encapsulate the industry wide dilemma and "rapidly evolving environment" the Hollywood studios face. This dilemma is confronted by answering the two research questions utilizing literature pertaining to issues of capabilities, recipes, and firm performance. The answers to both questions will in turn, shed light on understanding the complexity involved with incumbent and challenger studios performance within the domestic and international markets.

Section 1.1 will provide a brief literary overview regarding the source of the proposed research questions. The sources surrounding the questions are derived from academic literature pertaining to industry recipes, dynamic capabilities (specifically dynamic managerial capabilities) and the decision-makers responsible

for the recipe and assembly of the capabilities. Below is Table 1.0, outlining what will be covered in this section.

Table 1.0 A Look Ahead

Highlighted Sections	Overview
Industry Recipes & Managerial Decision-Making	This section will highlight literature on industry recipes and managerial decision-making through the scope of incumbent and challenger firms situated within an industry, in this case the Hollywood Film Industry
Resources Capabilities & Managerial Competencies	This section will outline the areas necessary for managers to recognize resources, capabilities, and their mental competency to organize them within an industry through the scope of dynamic managerial capabilities
Research Questions	After outlining the research regarding industry recipes, managerial decision-making, and dynamic managerial capabilities, the researcher outlines the questions to advance the knowledge of these three areas
Empirical Context	The Empirical Context focuses on understanding the motion-picture industry and the history of the film industry. In addition it currently focuses on where the industry is today and problems they face.
Proposed Contribution to Theory & Practice	The proposed contribution highlights current literature on industry recipes and dynamic managerial capabilities by building on existing theory. This contribution highlights that industry recipes influences the formation of dynamic managerial capabilities. The contribution further develops these two areas highlighting that dynamic managerial is an output of industry recipes and not just an input into resource allocation.

1.1 Industry Recipes and Managerial Decision-Making

The first dilemma presented within this research seeks to understand how incumbent and challenger studios create their products. Executives and managers within incumbent and challenger studios are responsible for creating new product offerings for the mass entertainment market each fiscal year. Thus, a manager's actions within the Hollywood industry can be assessed by the standard formation of goods and services produced within this specified industry (Shamsie Martin & Miller 2009; Terry Butler & De'Armond 2000; Ainslie Dreze & Zufryden 2005). This industry, as well as others, sets a standard or formula known as an industry recipe. An industry recipe is defined as a followed or patterned process by which products and services are created and distributed to the consumer (Spender 1989).

Industry recipes are defined as the adopted pattern of managerial recipes in which a firm competes amongst rivals within a rooted industry (Spender 1989). These recipes are immersed within the firm through the role of managerial leadership. The critical function of managers assert that "characteristics are reasonable proxies for underlying differences in cognitions, values and perceptions" and thus are shaped and modeled by the managers of a given firm positioned within an industry (Martin 2011: 121; Carpenter et al. 2004: 750; Eisenhardt and Schoonhoven 1990). Yet, these industry recipes shrink when comparing firm-related recipes in a particular industry against established mental norms and processes rooted from managerial decisions (Sirmon & Hitt 2009).

Assessing these mental norms can be accomplished through the analysis of incumbent and challenger firms within an industry. This study focuses on analyzing incumbent studios and challenger studios within the Hollywood industry. Incumbent firms such as major studios are often the firms who established the industry recipe and have control over how the recipe is assembled and executed.

Firms classified as challengers, such as modern or new Hollywood studios, are firms that contest the whole, or parts of the recipe, seeking to disrupt the status quo and control incumbent studios/firms have on industry influence. Moreover, the recipes utilized within the Hollywood industry by both incumbent and challenger firms, have an influence on group decision-making. The exercise of decision-making is often influenced by resource allocation and orchestration of assets (Martin & Delgado 2011). This is represented within the green-lighting process of motion picture production. This process encapsulates significant discussion on what films to produce, the allocation of resources and capabilities to see the production and distribution process of a feature film through to completion.

Managers' resource related decisions are often made under high-pressure situations (Danneels 2002; Makadok 2001; Zollo & Winter 2002). Studio executives and managers must invest all budget, marketing, and distribution costs related to film creation before revenues can be gained from the marketplace. Even then, it is still ambiguous as to how the public may react to the product. Often times these situations involve resource and time constraints with limited knowledge of a situation (Branzei & Vertinsky 2006).

The link between managers and the reconfiguration of resources was established through the integration of managerial dominant logics (Kor & Mesko 2013).

Managerial dominant logic “is an articulation of the fundamental strategic beliefs, assumptions, and intentions of the CEO and senior management” (Lampel & Shamsie 2000; Kor & Mesko 2013: 235). In other words, it is the way in which managers view the world and conceptualize the firm relative to the business environment (Prahalad & Bettis 1986).

Managerial Cognition is recognized as a key ingredient to the amongst a manager’s decision-making capabilities framework (Helfat & Peteraf 2002; Sirmon Hitt & Ireland 2007; Teece, 2007). It can be defined as the use of patterns, maps, and mental models adopted by the manager to deal with decision-making (Eisenhardt & Martin 2000).

This cognitive lens is shaped by a manager’s experiences and beliefs, thus assimilating with other manager’s cognitive lenses forming a firm’s dominant logic (Danneels 2002). Ultimately, the cognitive lens contributes to a manager’s decision-making and ultimately the strategic path a firm takes relative to the market position. Thus, the way in which managers are trained to approach motion-picture appraisal, reflects on their outlook of the industry and the accepted recipe as a whole. The researcher believes there is significant insight amongst the intersection between the industry and manager, as it relates to resource related decisions.

Incumbent and challenger studios in an established industry provide a platform for research regarding industry recipes. In addition, the managers operating within the industry put these recipes into action. The actions undertaken by managers to build, integrate, and reconfigure resources and competencies highlights managerial competency through “intent” (Helfat & Raubitschek 2000; Adner & Helfat 2003).

Managerial intent is an enigma in regards as to how dynamic managerial capabilities interact amongst a firm and the environment it occupies. These decisions and intentions are often measured through firm performance relative to market (Lampel & Shamsie, 2000). In addition, “the search and selection process that drives managers to invest in, acquire, and dispose of resources to be an important dimension that deserves further empirical investigation” (Beck & Wiersema 2013: 410) resides at the intersection of the industry recipes theory and the capabilities and resources that are involved within the recipe (Spender 1989; Kor & Mesko 2013; Adner & Helfat 2003; Kunc & Morecroft 2010).

A recipe is useless unless resources can be acquired, assembled and released into the marketplace. This acquisition, assembly, and resource release is recognized as dynamic capabilities. Definitions of dynamic capabilities vary. Yet the definitions predominantly represent a form of adaption on a firm’s “operating processes through a relatively stable activity dedicated to process improvements” (Zollo & Winter 2003: 340).

The recipes utilized by firm managers are recognized as secure behavioral organizational patterns. These patterns are a result of internal-to-firm or external-to-firm stimuli (Gregor 2006) and “reflect experiential wisdom in that they are the outcome of trial and error learning and the selection and retention of past behaviors” (Gavetti & Levinthal 2000:113). The effectiveness of firm patterns as it relates to dynamic capabilities “depends upon market dynamism” (Eisenhardt & Martin 2000: 21). Effective use of dynamic capabilities requires manager’s to examine their dominant logic within the framework of existing knowledge of the occupied market and structure their actions in an orderly manner (Burns & Stalker 1966). Dominant

logic through the eyes of executives and managers can be defined as “the fundamental strategic beliefs, assumptions, and intentions of the CEO and senior management” (Lampel & Shamsie 2000; Kor & Mesko 2013: 235).

While definitions and terms were put forth to cultivate the bulk of this study, further examination is necessary. Understanding how incumbent and challenger firms utilize dynamic capabilities, recipes, and managerial dominant logics will provide further insight into decision-making strategy. The next section will outline how incumbent and challenger studios assemble, create and orchestrate resources, capabilities and managerial competencies utilized to create products.

1.2 Resources, Capabilities, & Managerial Competencies

Entertainment studios compete for limited resources to create profitable films. Those resources include intellectual property, human capital, financial assets, technology, and distribution networks. Each organization presses to capture the largest portion of the consumer market in both the domestic and global environments. Vying for limited resources presents an atmosphere of competition amongst firms who seek to obtain and retain competitive advantage. For the incumbent and challenger studios of the Hollywood film industry, resources can come in a variety of forms based on the type of movies they seek to produce with hopes of attaining a competitive advantage. The resources acquired, configured, and utilized to develop a, “competitive advantage lies 'upstream' of product markets and rests on the firm's idiosyncratic and difficult-to-imitate resources” (Teece Pisano & Shuen 1997: 511). Thus, the resources may not directly relate to the product itself, but how and in what way the products and services are assembled. However, demands from consumers

create a continued friction between the firms that provide goods/services and those that consume them (Helfat 1997).

Additionally, firms providing competitive goods and services to the mass market, vie for increased market share and relevance within their given marketplace. The demands created by consumers and competitors collide, forcing firms to improve the products and services through R&D provided finished works to the mass market. In addition, it is necessary to improve and optimize the method in which those products and services are provided (Cool Dierickx & Jemison 1989).

R&D is not enough to achieve a competitive advantage in a globally connected environment. Instead, capabilities developed amongst firms often confront a rapidly evolving landscape and competitive advantage. In addition, competitive advantage may be achieved amongst the firm that can evolve with the changing environment or initiate disruption amongst firms, forcing competition to conform to the turbulence (Ansoff 1965).

The ability to develop and deploy capabilities in a turbulent environment or create capabilities disrupting an environment can contribute to the creation of a competitive advantage. This creation and orchestration is recognized by scholars as dynamic capabilities (Beck & Wiersema 2013; Bergen & Peteraf 2002; Eggers & Kaplan 2009; Martin & Delgado 2011)

Definitions of dynamic capabilities vary, but the prevailing definitions predominantly represent a form of adaption on a firm's "operating processes through a relatively stable activity dedicated to process improvements" (Zollo & Winter

2003: 340). These patterns are a result of internal-to-firm or external-to-firm stimuli (Aoki 1990) and “reflect experiential wisdom in that they are the outcome of trial and error learning and the selection and retention of past behaviors” (Gavetti & Levinthal 2000:113).

The effectiveness of firm patterns as it relates to dynamic capabilities “depends upon market dynamism” (Eisenhardt & Martin 2000: 21). Effective use of dynamic capabilities requires managers to examine situations within the framework of existing knowledge of the occupied market and structure their actions in an orderly manner (Burns & Stalker 1966). The integration of the manager within the dynamic capability development process is recognized as managerial competency (Salvato 2009). The addition of the manager evolved the dynamic capabilities theory, highlighting dynamic managerial capabilities as the “mechanism to achieve congruence between the firm’s competencies and changing environmental conditions” (Kor & Mesko 2013: 233).

The manager’s role amongst dynamic capability theory recognizes managerial human capital, managerial social capital, and managerial cognition as the basis of dynamic managerial capabilities (Kunc & Morecroft 2009). It is, “the capabilities with which managers build, integrate, and reconfigure organizational resources and competences” (Adner & Helfat 2003: 1012). Furthermore, research surrounding industry recipes and coordination of dynamic managerial capabilities is limited amongst scholarly research. The researcher believes the intersection between industry recipes, dynamic managerial capabilities, and firm decision-making managers provides ample sources to investigate how firms assemble resources and act within an ever-evolving marketplace.

This intersection leads into the proposed research questions centering on incumbent and challenger firms rooted in an industry. In addition, it highlights industry recipes interaction with dynamic managerial capabilities through the scope of decision-making managers of incumbent and challenger firms (Kor & Mesko, 2013: 242; Beck & Wiersema, 2013: 10). Once the questions are outlined, the empirical context for this study will be presented and discussed.

1.3 Research Questions

Having centered on the manager's role of fulfilling a recipe, one must understand the recipe in regards to the industry and the firm's position. Thus, an inquiry to determine the recipe factors for the industry is necessary. In addition, understanding how those factors are absorbed and configured at the firm level is needed for a greater understanding of the dynamic managerial capabilities and industry recipe relationships. These queries lead the researcher to two main questions that will embody this research project.

(Q1): "What are the industry recipe factors adopted by managers of incumbent and challenger firms in a rapidly evolving environment?"

(Q2): "How do industry recipes of incumbent and challenger firms interact with manager's dynamic managerial capabilities in a rapidly evolving environment?"

The intersection between recipes of incumbent and challenger firms rooted in an ever-changing industry, Hollywood Film Industry provides several structures of

analysis. The first analysis focuses on the recipe utilized to gather and bundle resources and capabilities amongst incumbent and challenger firms to create a feature film. The second analysis centers on the manifestation of the recipe between both types firms and the ability to create and deliver a product to the mass market. The third analysis centers on the capabilities and networks created amongst incumbent and challenger firms. This creation will highlight the manager's role in resource and network organization as it relates to creating and producing feature films. When the analysis is complete, the study will highlight an overall recipe, process, and procedure of resource acquisition and orchestration to fulfill the given recipe and create a feature film.

Question (1) will address the key factors necessary to developing feature films industry wide. In addition, it will take the factors and explore how each firm, through the scope of the manager in the study, interprets and develops the factors in the overall recipe. Question (2) will highlight how the recipes of the selected incumbent and challenger studios interact with decision-making manager's dynamic capabilities. This highlights deciding strategies regarding what films to produce and distribute.

While the creation and distribution of feature films involves a lengthy process, this research focuses on the early stage of the process known as green lighting. The green lighting process entails a lengthy discussion of internal and external resources and capabilities that will be employed when a film project is approved for creation and distribution. By focusing on this section, it provides the researcher with the information necessary to assess how resources and capabilities are bundled during a decision-making process of a firm. Interviewing individuals from two incumbent

firms and two challenger firms using semi-structured interviews provides personal accounts and interpretation of the process.

1.4 Empirical Context-The Hollywood Film Industry

When considering the empirical context of this research, the study was conducted in an established industry with mature products and services. New and emerging industries would not provide analysis of an established industry recipe model in addition to established and challenger firms positioned in that industry (Spender 1989; Ferrier, Smith, Grimm 1999). Similarly, the industry selected must be sizeable for analysis, thus the exploration of the theoretical phenomenon took place within the context of the Hollywood Film Industry. To better understand the industry requires reviewing its history.

The Hollywood Film industry emerged as a hobby/craft and rapidly grew into a market segment that developed a feature filmmaking standardization process (Christopherson & Storper, 1986). The first indications of motion picture creation within the United States were spawned in New York. The beginning roots emerged at the turn of the twentieth century as an alternate form of entertainment to Broadway shows. As the trade began to circulate across the country, Hollywood (more specifically the greater Los Angeles area) became the destination for budding film executives in the industry. Major studios rose from humble beginnings on Los Angeles back lots, producing hundreds of films and developing the adopted business model of motion picture creation and distribution.

Hollywood studios had the supply chain of feature films controlled within their firms. The studios were one-stop-shops for all products and services. The writing, producing, filming, editing, and distribution were assembled under one corporate banner. However, centralized control of all channels of creation, production, and distribution came under scrutiny by the US court system. The US courts eventually ordered a decentralization of the studios and the process of film creation and distribution to the consumer market (Eckert & Walls, 1991; Schatz, 1999). The decentralization process came during a time when technology was not widely prevalent throughout the world. Around the 1960's, studio's internal resources were dispersed to the marketplace. The decentralized of the studios process turned the firms into finance and distribution entities. These new entities played a significant role in project development through "resource bundling" and project appraisal (Wasko, 1982; Lampel & Shamsie, 2003).

The change in decentralization of resources forced the studio to interact with the external marketplace. This interaction allowed the bundling of resources that created and distributed feature film products. This specific phenomenon studied across incumbent studios and challenger studios within the industry provides an appropriate backdrop for the proposed research. Firms who are rooted in the same industry ultimately develop and sell the same competitive products. However, differentiation of recipe across firms, as well as how managers interpret the landscape and bundle resources, provides the intersection of research this thesis will investigate. It is this intersection the researcher believes a contribution to recipes and dynamic managerial capabilities literature can be made. To address the heart of these intersections, the research questions will be stated and discussed.

1.5 Proposed Contributions to Theory & Practice

This research project provides a contribution to several areas of theory as well as practice. The first contribution outlines industry recipes as an influencer among the dynamic managerial capabilities framework. This explores how incumbent firms control the factors and industry recipe processes. In addition, challenger firms within the industry seek to disrupt the process and recipe, ultimately stripping the value of resources and capabilities tied up amongst incumbent firms. This would ultimately reset the recipe and resources used by incumbents. The reset would create a period where both incumbent and challenger firms scramble to become industry leaders through the construction of a new recipe.

The second contribution is the creation of a managerial decision-making model as it relates to a manager's dynamic capability in conjunction with the industry recipes. This model illustrates how dynamic capabilities contribute to managerial judgment. The result of that judgment factors into a manager's and firm dominant logic. After reaching this stage, a manager either reinforces the process or rejects it and creates another through the structuring or restructuring of their dynamic managerial capabilities. Finally, the third theoretical contribution highlights that managerial communication is a dynamic managerial capability utilized by managers to explain or justify decisions and thought processes surrounding their understanding of firm and industry related resources.

Practice contributions provide an applicable approach regarding how firms can confront the challenges they face within their industry. Deciphering the recipe for the motion picture industry, incumbent firms outline that the distribution factor of the recipe present the most amount of complications. Individuals within the

incumbent firms cite government regulations and precedent set when US courts forced studios to decentralize. This ultimately released control of the recipe to the mass market. However, this action has created a hampering of the recipe and has hindered the industry's ability to adapt to changes in the marketplace and evolve.

By deciphering the industry recipe into factors and stages, the research can provide practitioners with a tool of assessment for their firm relative to the industry. For example, by structuring the industry recipe of the Hollywood Industry as factors, identifying similar factors amongst both incumbent and challenging firms, and then assessing how each studio develops internal recipes to respond to the industry factor, will provide a critical analysis on how to improve market performance, revenue, and creation of products. In addition, recognizing the importance of communication, firms can take a more direct effort in bridging the communication gap between creative and business executives operating under one firm.

1.6 Thesis Overview & Structure

This research project will take the reader through the relevant literature, methodological structure surrounding the research questions, analysis, findings, and the discussion of the findings as it relates to theory.

The literature utilized in this research is grounded within the resource-based view of the firm. This viewpoint will illustrate how resources can be recognized as capabilities and processes throughout a given firm. Information on industry recipes as it relates to several firms creating competing products and services will be outlined in the context of incumbent and challenger firm theory. Lastly, the literature will highlight gaps that will be addressed with this research.

These gaps provide the basis to the research questions. These questions form the foundation to the methodological justification concerning how the research questions are answered. The questions are addressed using the qualitative inductive approach through a comparative case-study structure. The unit of analysis consists of four studios, two incumbent firms and two challenger firms rooted in the Hollywood Film industry. The units will be analyzed using individuals such as executives, leaders, or managers familiar with or involved in the green lighting process. This process is represented throughout the industry and focuses on the approval or rejection of new film projects.

The individuals were contacted and interviewed using semi-structured questions over the course of 30-90 minutes. The data was collected, coded, and sorted using a two-part process. This process included coding for process factors of the industry recipe, thematic coding from the first phase, then pattern recognition was used to compare and contrast the firms. This project utilized SPSS Text Analysis for coding the process as well as the theme and pattern procedures.

The analysis was split in two parts. The first involved an understanding of the industry factors as a whole, and an individual description of the recipe factors as it related to both incumbent and challenger firms. This provided the contextual overview of each firm under an industry umbrella. In addition, it allowed for the observation of the idiosyncratic behavior of each firm relative to the specific industry. Once the factors were determined for each firm, they were analyzed and compared amongst the firms. The second phase of analysis involved understanding

what dynamic managerial capabilities drove each firm throughout the feature film development process.

This analysis was studied within the context of the research questions to better understand the phenomenon at hand. The researcher discussed the findings as it related to the theory and questions posed. The conclusion of the research shows a set industry recipe followed by feature film industry, however each factor of that recipe is adapted and executed differently on the firm level. In addition, the bundling of resources completed by incumbent studios varied from the challenger studios due to their control of the industry recipe and reputational influence throughout the market. Finally, the researcher found that industry recipes acted as an influencer among a manager's decision-making process. This contributed to a divide among creative and business executives due to their inability to understand each other's professional language causing a lack of understanding surrounding their decision-making models.

1.7 Chapter Summary & Thesis Framing

This chapter outlined the problem incumbent and challenging studios faced regarding how to assemble resources, capabilities, and appraise decision-making in an ever-evolving environment and shifting market place. Table 1.1 summarizes the chapter contents.

Table 1.1 Summary of Chapter Content

Summary	Key Points
Industry Recipes, Managerial Decision-Making, & Dynamic Managerial Capabilities	These areas cover the context of an industry recipe. Industry recipes focused on a process or pattern of behavior adopted by firms to create a product or service. Dynamic Managerial Capabilities focuses on the resources, capabilities, and thinking capacity of managers to make resource related decisions. Decision-making highlights the culmination of all aspects
Research Questions	From the current research conducted, the following questions were formulated: (1) “What are the industry recipe factors adopted by managers of incumbent and challenger firms in a rapidly evolving environment?” (2) “How do industry recipes of incumbent and challenger firms interact with manager’s dynamic managerial capabilities in a rapidly evolving environment?”
Empirical Context	The Hollywood Film industry provides the perfect context for analysis of this research due to the inherent nature of gathering resources, utilizing manager's capabilities, and deciding what films to invest and create in.

In addition, it recognized this body of research sought to understand the congruence amongst managers and a firm's need for resources, capabilities within the context of an industry. Moreover, the particular industry selected for analysis was the green-lighting process of motion pictures in the Hollywood Film Industry.

While prior research focused on dynamic managerial capabilities relationship to dominant logics, decision-making, and product innovation (Kor & Mesko 2013; Martin & Delgado 2011; Helfat et al., 2009; Carpenter et al. 2004;), this thesis presented research outlining how industry recipes and dynamic managerial capabilities interacted within the Hollywood film industry.

The research questions highlight that industries can be comprised of incumbent and challenger firms. These incumbent and challenger firms are continually vying for market dominance amongst consumers for their products and services. The next step involves summarizing the methodology and findings, as well as presenting the analysis and discussion. These findings are overlaid amongst the literature and provide both a theoretical contribution and practical application of the research.

The following chapters outline the entire body of research. The second chapter provides an in-depth overview of literature highlighting how consumer's use of products and services are bundles of resources and capabilities constructed by managers of established or "incumbent firms" as well as new or "challenger firms" utilizing a particular recipe adopted in a greater industry. The literature leads into the two research questions presented above.

The third chapter highlights the context of the study. It centers on the Hollywood Film Industry and provides a historical reference to the rise and restructuring of the industry. This restructuring and current environment provides an area of deep rich study.

The fourth chapter outlines the methods justified and utilized to answer the research question posed from the literature. This chapter highlights the use of a comparative case study employing semi-structured interviews as a main method of data collection. In addition, this chapter illustrates and justifies the industry context for which this study takes place.

After laying out the methods path of research, the fifth and sixth chapters provide evidence of how the data was analyzed and illustrate the breakdown of findings within the data set. These findings represent the bedrock for examination and insight regarding how the research questions were answered.

The seventh chapter discusses the findings as it relates to the literature previously discussed. The findings provide evidence to evolve the current dynamic managerial capabilities framework along with integrating the industry recipes and managerial role in resource configurations.

The eighth and final chapter conclude the study by answering the two research questions. In addition, the project illustrates the new framework and how the framework evolves into the current definitions of dynamic managerial capabilities, industry recipes, and the role of the manager. Moreover, it provides an aspect of

limitations surrounding the study, but also highlights the theoretical and practical application of the research.

The next chapter provides an extant literature review illustrating the background elements behind creation of industry recipes, dynamic capabilities, and the manager's role. These products and services are driven by the need for resources, the formation of industries, and formation of industries through firm assembly of resources surrounding the creation of products and services.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

With a wide array of turbulence permeating throughout the Hollywood Film Industry, manager's decisions within the studios are being called into question. To address the issue of managerial decision-making in the Hollywood industry, (a rapidly evolving environment) this thesis will provide an overview of literature pertaining to this phenomenon. Table 2.0 highlights some of the areas discussed within the chapter.

Table 2.0 A Look Ahead

Chapter Section	Signaling
Dynamic Capabilities Literature	Will be Focusing on past work by Teece et al (1997), Adler & Helfat (2002), Kor & Mesko (2013), & Beck & Weirsema (2011), the literature review covers the orchestration allocation and deployment of resources and capabilities dominant logics, strategic decision-making through resource allocation.
Managerial Intent	Through various aspects of literature, the researcher will discuss managerial intent/action as a common theme uniting the process with the action
Dynamic Managerial Capabilities	Utilizing the manager and the role of the manager, the researcher covers literature on dominant logics, decision-making, resource procurement and allocation as it relates to managerial action
Industry Recipes	Literature on industry recipes will be discussed through the use of patterned process to create a good or service. This pattern behavior is replicated across a variety of firms thus forming an industry. Industry recipes provided another stream of literature to unite two fields and better understand the overall picture
Combining the two streams of literature	A proposed framework and research questions will be outlined to illustrate how these two areas are linked

The following literature review will frame the research questions through the scope of dynamic capabilities, industry recipes, and the role of the manager through a decision-making paradigm. The decision-making paradigm is analyzed from a managerial perspective through the context of the Hollywood Film Industry, touching on specific stories from the industry. This overview highlights dynamic capabilities, industry recipes, and managerial decision-making among incumbent and challenger firms. The discussion emphasizes the environments and concerns managers in the entertainment industry experienced and are currently experiencing. The intersection between all dynamic managerial capabilities, industry recipes, and incumbent/challenger firms encapsulated within the research questions.

This literature review highlights the construction and development of dynamic capabilities and decision-making through the perspective of the manager rooted in an industry comprised of incumbent and challenging firms. Further discussion surrounding dynamic capabilities, industry recipes, and the managers who interact with both are scrutinized in further detail.

In addition, it will further address the issue this thesis discovered regarding managerial decision-making in ever evolving environments through the scope of industry recipes and dynamic managerial capabilities. This is analyzed through incumbent and challenger firms rooted in a particular industry. Theoretical discussion will first take place by outlining dynamic capabilities literature and theory, followed by industry recipes theory, then summarizing the two areas of intersection for both literatures by outlining the research questions. The literature is framed from the perspective of managerial-decisions.

2.1 An Introduction to Dynamic Capabilities

In a realm of mounting competition such as the Hollywood film industry, manager's search for dynamic capabilities is represented as a capacity to acquire, adapt, reconfigure, and develop capabilities in rapidly changing environments (Teece et al., 1997; Teece 2007; Helfat 1997).

Managers in a given firm such as a Hollywood studio, who experienced extensive rapid evolution, but were unable to adapt or respond to the change through the use of dynamic capabilities, resulted in operational failure (Harreld et al., 2007). This can transpire in incumbent or challenger firms within a given industry. An incumbent firm is defined as a firm, which retains industry leadership, while a challenger firm seeks to "dethrone" the leaders and set a new standard (Ferrier Smith & Grimm 1999). As corporate managers gather resources on behalf of the firm, the coordination and implementation of those resources often rely on a firm's dynamic capabilities and objectives. However, managers were not always seen as an integral part of dynamic capability formation. Rather, they were represented as an output of the firm's actions through resource implementation, routines, and knowledge absorption. These actions are described in further detail.

The first output of a firm is represented as resource implementation. Dynamic capabilities were first described as "the subset of the competences/capabilities which allow the firm to create new products and processes and respond to changing market circumstances" (Teece & Pisano 1994: 541; Helfat 1997). The focus on product creation in the form of research and development through "new products" and "processes" emerged as the focal point for resource implementation. In the motion picture industry, there is a quest to search for new properties and ideas to produce

new movies and concepts for the mass-market. The development of new products and services highlighted the structural integration necessary for new products and services thus stressing “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Teece et al 1997: 516). Resource integration, both internally and externally, raised awareness of process and path dependencies necessary to create and integrate new resources amongst the firm to achieve a competitive advantage.

The second output of dynamic capabilities is illustrated as routines. Eisenhardt & Martin (2000) further elaborated on these paths and processes through a redefinition and classification of dynamic capabilities as “the firm’s processes that use resources—specifically the processes to integrate, reconfigure, gain and release resources—to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die” (Eisenhardt & Martin 2000: 1107).

In addition, Griffith & Harvey (2001) focus on the firm relationships as a key source to defining dynamic capabilities. These relationships are represented through global dynamic capabilities, where dynamic capabilities are defined as “the creation of difficult-to-imitate combinations of resources, including effective coordination of inter-organizational relationships, on a global basis that can provide a firm a competitive advantage” (Griffith & Harvey 2001: 598). While Griffith & Harvey (2001) do not discount path dependencies and processes, they recognize firm relationships as a significant driver behind the success of the paths and processes (Griffith & Harvey 2001; Dyer & Singh 1998).

The third example of dynamic capabilities outputs is knowledge absorption. Furthering upon work conducted by past scholars (Eisenhardt & Martin 2000; Griffith & Harvey 2001); Zahra & George (2002) define dynamic capabilities as “change-oriented capabilities that help firms redeploy and reconfigure their resource base to meet evolving customer demands and competitor strategies” (Zahra & George 2002: 148).

The study associates the absorptive and potential capacity with dynamic capabilities through a relation of creation and deployment of knowledge-based assets contributing to the solidification of a sustained competitive advantage. It represents how knowledge is absorbed and modified within a corporation. In addition, the study highlights the importance of dynamic capabilities as tools of understanding. Lee et al (2002) recognize dynamic capabilities as “a source of sustainable advantage in Schumpeterian regimes of rapid change, where the window of profit-making opportunities by selling existing products is limited” (Lee et al. 2002: 734). Focusing on the product and service component of firms, they further state that dynamic capabilities are “the mechanisms that allow winners to continue to survive” (Lee et al 2002: 727). Through their research on strategic groups and dynamic capabilities, the author’s findings illustrate dynamic capabilities as non-existent amongst strategic groups when degrees of mobility barriers are high and a potential source to achieve competitive advantage rests in the firm’s ability to recognize and develop new business opportunities.

While dynamic capabilities theory emphasizes firm’s output and configuration of resources, managerial representation is absent from dynamic capabilities literature.

Zollo & Winter (2002) realized this gap and contributed to the scholarly research on dynamic capabilities by defining them as “a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness” (Zollo & Winter 2002: 340). While Teece et al (1997) address issues of how dynamic capabilities work, function, and performance, very few scholars’ address how dynamic capabilities emerge. Zollo & Winter (2002) exhort that dynamic capabilities emerge from prior experience, knowledge communication, and the process of organizing the knowledge. Thus, patterns and learned ways of a firm became the focal point for dynamic capabilities. These patterns and learned ways were redefine “those that operate to extend, modify or create ordinary (substantive) capabilities” (Winter 2003: 991).

While recent discussion of dynamic capabilities is often linked to firm’s adaptability to change, and concepts utilized to achieve sustainable competitive advantage, Winter’s definition decouples dynamic capabilities from the concepts of change and sustainable competitive advantage and does not highlight the role of manager behind the change (Winter 2003). Dynamic capabilities are still viewed as outputs or firm activities that “create and shape a firm’s resource positions, capabilities, operational routines, and activities” (Zott 2003; 100), emphasizing how these factors can determine market position and performance.

Adner & Helfat (2003) linked the component of manager into the dynamic capabilities theory. Their advancement of dynamic capabilities specifically defined dynamic managerial capabilities “are the capabilities with which managers build, integrate, and reconfigure organizational resources and competences” (Adner &

Helfat 2003: 1012). Thus, the role of the manager surrounding the configuration, deployment, and development of dynamic capabilities highlights the individuals within a firm.

These individuals must possess “the abilities to reconfigure a firm’s resources and routines in the manner envisioned and deemed appropriate by the firm’s principal decision-maker(s)” (Zahra et al 2006: 924). The managers and decision-makers are not necessarily tied to monetary returns; rather, on the action of “reconfiguration” as well as emphasizing the action and role of decision-makers within the reconfiguration and decision-making process (Zahra et al 2006). The aspect of decision-making focuses on strategic choice and places some weight of dynamic capabilities configuration and outcomes amongst the managers.

The dynamic capabilities definition is further refined by Helfat et al (2007) to state that dynamic capabilities are “the capacity of an organization to purposefully create, extend, or modify its resource base” (Helfat et al 2007: 4). This definition satisfies prior evolutionary work of scholars within the dynamic capabilities field and aligns itself with the work from past scholars within the resource-based view of the firm to better understand the concept of strategic change through the eyes of the managers who occupy a firm (Helfat & Peteraf 2009). For example, within the motion picture industry, animated feature films utilized artists that drew, painted, and created “animation cells” for each film. A team that created the overall film then pieced these cells together and incorporated music and talent for directing and production teams to create the overall film (Price 2008-The Pixar Touch). This process was developed and refined over fifty years and stayed relatively stable until Steve Jobs approached Disney about a radical idea and new approach to film animation. Job’s

approach involved changing the way in which animation films are created by utilizing the computer and digital animation as the new tool for the process. Disney was inherently hesitant at first, but decided to try and in 1995, Toy Story became the first fully computer animated feature film, ultimately changing the way in which animated films were created and changing consumer tastes (Price 2008).

The decisions embodied by managers are indicative of an aspiration to evolve within the recognized archetype controlled by the firm (Thomke & Kuemmerle, 2002). This drives decision-making managers to develop and deploy a multiplicity of capabilities and resources to ensure the firm achieves a competitive advantage (Bromiley, 2005). Disney preempted a change within the industry and other studios followed suit. While both examples are inherently embodied in a variety of businesses, it is the process by which decision-making managers engage with a course of action and the capabilities and processes utilized that will be discussed in detail (Gavetti & Levinthal, 2004).

Decision-making processes embody a variety of capabilities and patterns adopted by managers and executives when choosing a strategic path for their firm. Such a choice may involve the acquisition, development or orchestration of resources to move toward the desired goal.

Resources become a desired trait when making decisions however possession of resources does not guarantee successful implementation of those resources into firm activities. This is represented through the utilization of firm managerial dynamic capabilities can contribute to a firm's overall outcome and performance within a given marketplace (Allred *et al.*, 2011). The desire to seek out a competitive

advantage is personified within the industry-accepted archetype where firms implicitly and explicitly solicit consumers for mass-market consumption of the firm's given goods and services.

Managerial decision-making through the use of dynamic managerial capabilities explores a more thorough understanding of the mechanisms that propel firms in the direction of competitive advantage. However, little is still known about how dynamic managerial capabilities interact within a given context. As managers shift their firm strategy to advance their position within a turbulent industry, managers and executives must sense threats, opportunities, and anomalies to gather information about rapidly shifting markets and utilize dynamic managerial capabilities to adapt and respond to a changing climate. Among groups of organizational manager's "resources devoted to competitive intelligence and tracking technological change, and forums for discussions of new opportunities" aid in the evolutionary process of strategy creation as it relates to recipe implementation and rollout (O'Reilly & Tushman 2008: 190).

Dynamic managerial capabilities illustrates that "decisions have to be at the heart of this process" (Kay 2010: 1211). The micro foundation of "sensing" disruption or utilizing dynamic managerial capabilities lies in the ability to: 1) clearly recognize a firm's market segments and any evolutionary change within the segment, 2) the ability to integrate and develop new technologies, 3) break into innovative methods used by a firm's distributors and supplies and finally 4) to guide a firm's research and development department as technological markets advance (Spender 1989; Teece 2009).

These procedures and capabilities include the dispensation of instructions and senses. While sensing new opportunities and change can be crucial to the further evolution of firm and industry recipes, seizing those opportunities must take place for change and evolution to transpire. Katkalo Pitelis & Teece (2010) illustrate the importance of seizing upon capabilities through the scope of creating and capturing value. Seizing activities that “create value” are defined by terms and actions such as “investment, development, building” while capturing value can be seen as “leveraging or implementing” (Katkalo et al 2010: 1180). Managers must not only be able to sense the change within a market or environment but seize those opportunities and changes “to act on them in a timely manner” (O’Reilly & Tushman 2008: 191).

Seizing opportunities are also actions of execution and judgment regarding future positioning of a firm relative to the industry recipe. This requires having a sound vision and strategic approach to achieving that vision (O’Reilly & Tushman 2008). In a study conducted on service innovation, it showed that the building of “strategic capabilities” through the seizing of opportunities develop an entrepreneurial mindset that develop “key dynamic capabilities which enable them to sustain the benefits of the strategy and consistently outperform their competitors” (Salunke et al 2011: 1260).

Other studies (Lichtenthaler, 2011; Gassmann et al., 2010; Faems et al., 2009) conclude that seizing capabilities are often magnified in entrepreneurial settings however other studies (Wang & Ahmed, 2007; Cepeda and Vera, 2007; Ritter & Gemunden, 2004) illustrate that seizing capabilities and the attributes attributed to it are necessary for firm evolution. Yet, little is known about how manager’s ability to

sense opportunities, develop dynamic managerial capabilities and assemble behavioral patterns with industry recipes.

2.2 Dynamic Capabilities and Managerial Decision-Making

Managerial decisions regarding firm practices, and the configuration of resources and capabilities are entrenched in an assortment of research literature (Teece et al., 1997; Helfat, 1997; Danneels, 2000; Zahra & George, 2002; Adner & Helfat, 2003; Sirmon & Hitt, 2009). This literature provided an understanding and development of new products and services amongst the firm and industry level. Managerial decision-makers and the strategies that abound within their various frameworks comprise of a variety of shapes and sizes (Casson 2000). The outputs of managers can be measured from their decisions, which in turn, can feed back into the decision-making formation process. This calls into question the knowledge acquisition and renewal of capabilities and competencies if desired outcomes are not achieved (Zahra and Covin, 1993).

The integration of knowledge and the renewal process of managerial decision-making within the dynamic capabilities framework have created a stream of discussion regarding their positions within the literature and coupling of managerial judgment. Managerial decision-making embodies several characteristics necessary for symbiosis with dynamic capabilities. These characteristics are knowledge, innovation, and renewal of resources. Further detail is provided below.

Capabilities and knowledge can affect a manager's decision-making strategy (Knight 1921; Augier & Teece 2007). Knowledge is credited as a key central

building block and driver amongst the evolution and creation of dynamic capabilities and manager's decision-making strategies since dynamic capabilities are grounded in routines, procedures and processes (Teece et al 1997; Eisenhardt & Martin 2000; Zollo & Winter 2004; Easterby-Smith & Prieto 2008). The synthesis of dynamic capabilities and knowledge is represented in Villar et al (2014). Their study highlighted a non-related impact relation amongst dynamic capabilities and knowledge. The relationship was found to be an "adoption of knowledge management practices [which] is generally considered to impact on firm performance" (Villar et al 2014: 43). This study failed to find an association among improved export performance and calls for more empirical evidence highlighting managerial action.

Contrary to the findings of Villar et al (2014), the research study conducted by Griffith et al (2006) illustrated a tendency toward entrepreneurial activity within a retail setting "provides a basis for the development of knowledge resources and influences the resource conversion process in the creation of the dynamic capability of market responsiveness" (Griffith et al 2006: 59). The survey analyzed 269 retail firms and found that "management orientation of entrepreneurial proclivity influenced the conversion of supplier and regulatory knowledge domains into the dynamic capability of market responsiveness" (Griffith et al 2006: 59). In response to the limited empirical studies surrounding the relationship between firm performance and dynamic capabilities (Newbert 2007), Chien & Tsai (2012) illustrated within a single model that "a positive relationship between knowledge resources, learning mechanisms, and dynamic capabilities" was present (Chien & Tsai 2012: 440).

While further research is still needed, their findings supported that knowledge and dynamic capability of a manager's decisions contributed to the overall firm's performance. Yet, they highlighted that overall upper and corporate management judged knowledge-based resources with dynamic capabilities was a contributing factor to firm's performance (Chien & Tsai 2012). Thus, citing the importance of knowledge within the dynamic capabilities framework and decision-making paradigms.

Manager's ability to innovate with dynamic capabilities and understand the correlation to the firm's performance has also been analyzed. Helfat & Raubitschek (2000) introduced the dynamic model of product sequencing. This process identified knowledge and innovative capabilities as integrated components to which produce financial returns that improve the firm's performance. The authors recognized innovation as a shift and improvement on information function that had a positive relationship to the firm's performance (Helfat & Raubitschek 2000). The authors stated "focusing on the knowledge bases and product sequencing of individual firms, the model alerts managers to factors to consider when making decisions regarding innovation, new product introduction, and market entry" (Helfat & Raubitschek 2000: 976). Branzei & Vertinsky (2006) conducted an empirical analysis of small and medium sized enterprises (SME's) by analyzing and defining their different dynamic capabilities and how those dynamic capabilities contributed to product innovation and the firm's performance amongst decision-makers.

A broader focus on markets and extant capabilities can trigger a more significant payoff among the firm's performance (Branzei & Vertinsky (2006). Rothaermel & Hess (2007) extended the work of Teece et al (1997), Eisenhardt & Martin (2000),

and Zollo & Winter (2002) further investigating the theory that “antecedents to dynamic capabilities can either be found at the individual, firm, and/or network levels” (Rothaermel & Hess 2007: 914). Their evidence suggested that precursors to innovation amongst dynamic capabilities interacts “between different innovation mechanisms in a discriminating fashion appears to be critical to firm innovation” (Rothaermel & Hess 2007: 916). The focus on managerial decision-making in the form of actionary judgment—amid a given path highlights various innovation mechanisms. It also highlights the need to understand how a manager’s judgment may need reorientation regarding their own decision-making frameworks when the dynamic capabilities they utilize may not be adequate for an evolving market.

Dynamic capabilities and firm performance are inherently linked with strategic renewal within the literature. Helfat & Peteraf (2003) cited the need to “renew capabilities” when they are threatened or require adaptation within the market place. The firms highlighted in the study the used the “R&D” departments in decision-making and dynamic undertakings (Helfat, 1997). Similarly, the employment of action highlighted that “there are more or less effective ways to execute particular dynamic capabilities” (Eisenhardt & Martin, 2000: 1108). Firms can discover and resolve the correct integrative processes that suites their specified situation within a particular industry. This initiation is a reaction to market movements, which highlights dynamic capabilities positioned as “change-oriented” capabilities, for the reconfiguring and expansion of resources “as a response” to a shift in the environment (Teece et al., 1997; Helfat, 1997; Zahra & George, 2002).

Literature surrounding dynamic capabilities has also examined renewal strategies. Agarwal & Helfat (2009) argued that strategic renewal could have long-lasting

effects on “entire economies” (Agarwal & Helfat 2009: 281). They defined the strategic renewal process as “the process, content, and outcome of refreshment or replacement of attributes of an organization that have the potential to substantially affect its long-term prospects” (Agarwal & Helfat 2009: 282). They cite the need to “renew capabilities” when those capabilities were threatened or needed adaptation within the marketplace. Similarly, Branzei & Vertinsky (2006) validated several types of distinct renewal strategies on product innovation. The authors found links to alternative approaches through the building, reconfiguring, and deployment of capabilities, but acknowledged the need for further research. This further research is regarding the “extent specific industry conditions force an optimal path of technological development or leave room for managerial decision” (Branzei & Vertinsky 2006: 98).

Helfat & Peteraf (2003) conducted research on the dynamic resource capability lifecycle and found that “the lifecycles of capabilities may extend beyond that of the firms and industries in which they originated, and beyond the products to which they originally applied” (Helfat & Peteraf 2003:1009). In addition the capability renewal “involves a new development stage as the firm searches for and develops new alternatives” (Helfat & Peteraf 2003:1006). This aspect of strategic renewal and dynamic capabilities are inherently linked due to the evolutionary nature of business industries. However future studies can focus on factors and capabilities evolution alongside the changes of business industries, providing information on how firms distinguish and respond to new knowledge and information (Branzei & Vertinsky 2006; Agarwal & Helfat 2009).

Dynamic capabilities can also contribute to the strategic renewal of an organizational recipe. No firm is excluded from factors of environmental change or that change can undermine the recipes of entire industry. A firm can improve performance and build a sustainable competitive advantage through the use of strategic renewal strategies. This is dependent on whether or not managers are aware of the rate of industry evolution. The acceptance of firms regarding “external stimuli” and response within the decision-making process offers an opportunity to inspire a firm’s capabilities and emphasizes the manager amongst a given firm as well as their decisions (Zahra & George, 2002).

While the knowledge-based view of the firm may still be contested among resource-based scholars and vice versa, knowledge and its use for strategic renewal may have an impact on dynamic capabilities and their implementation within the firm. In addition, they may provide an opportunity to further understand the purpose of dynamic capabilities and the positioning of those dynamic capabilities within the firm amongst the decision-making process.

While dynamic capabilities can be recognized amongst a variety of firms, the capabilities can be initiated and placed into action for product or service development. These dynamic capabilities constitute change through the reconfiguration, allocation, and orchestration of resources (Leo Kickul & Ma 2009).

A significant limitation within the current definition of the theory involved outlining the source of change, configuration and allocation of resources. The absence of any reference or integration of the manager provided scholars to research the role of

managerial intent (Hanna-Kaisa Ellonen, Wikstrom, & Jantunen 2009). “Managerial intentionality is a manifold concept.

Since human intentions in general are bounded rational, managerial intention can be expected to be a composite of diverse goals and metrics” (Hutzschenreuter et al 2007: 1059). In addition “managerial intent has much to do with organizational learning, how organizational members notice and interpret information and knowledge” (Hutzschenreuter et al 2007: 1060; Van Den Bosch et al. 1999, 2003). Thus, managerial intent was highlighted as a key-missing factor amongst manager’s decision-making paradigms and dynamic capabilities. This missing link evolved the current definition and understanding of dynamic capabilities, which is further explained in the next section.

2.3 Recognizing The Role of Managerial Intent Among Dynamic Capabilities

The use of intent surrounding the decision-making process of managers outlines learning routines, continued repetition, and practice of methods. This understanding, “guides the evolution of dynamic capabilities” (Eisenhardt & Martin 2000: 1114) and the individuals within the firm. The repetition of practice amongst methods and routines can have both positive and negative effects on a firm, specifically regarding technological integration and implementation of managerial practices to subordinates. Such actions can be radical in nature with “practices that produce wild ideas have large variances in their returns and relatively low means” (March 2006: 211). To mitigate against these risks, March (2006) illustrates that regardless of potential value-generation through established technologies. March states “their

adverse record in solving complex problems cannot be expected to sustain them in a myopic adaptive process that reproduces practices associated with local success and extinguishes practices that lead to local failure” (March 2006: 209).

Managerial intent can be viewed through several perspectives. The first is manager’s intention and logic surrounding product creation, the second is goal settings and the decisions intended to achieve goals, and the third is the need to evolve a business practice.

According to Ahenkora (2012) “a company exhibits strategic intent when it relentlessly pursues an ambitious strategic objective and concentrates its competitive actions and energies on achieving that objective” (Ahenkora 2012: 25). O’Reilly & Tushman (2008) cited the need for innovation and efficiency amongst managers to build dynamic capabilities that linked the strategic vision with managerial intent. Similarly, other authors (O’Reilly & Tushman 2004; Harreld et al., 2007; Rotemberg & Saloner, 2000) emphasized the importance of strategic intent through the eyes of a firm’s senior leadership and team dynamics of decision-making strategies.

Managerial intent becomes the emphasis amongst path dependencies in light of the need for foreign direct investment. This manifest with managers throughout this process was intent on the decisions made regarding their actions to seek out foreign direct investments (Buckley et al 2007). While the strategic intent and position of a firm is crucial, Pitt (2001) examined how managers constructed and conceived change-directed intent used throughout the firm. Pitt (2001) adopted the definition of intent from Hamel & Prahalad (1989) stating, “intent is treated as being

synonymous with the means envisioned for achieving favorable outcomes” (Pitt 2001: 7; Hamel & Prahalad 1989).

Managerial intent can be represented in several forms for managers:

- 1) responding- (managerial need to adapt to circumstances or changing environments),
- 2) initiating- (scanning for potential opportunities for future growth),
- 3) re-patterning- (the reconfiguration or reallocation of assets and capabilities),
- 4) accumulating,
- 5) learning- (the process that encourages new organizational evolution),
- 6) embedding- (to bring in new perspectives and practices) (Pitt 2001).

Thus, the managerial intent of decision-making can be understood as “dominant logic is an articulation of the fundamental strategic beliefs, assumptions, and intentions of the CEO and senior management” (Kor & Mesko 2013: 235; Lampel & Shamsie 2000).

Managerial intention is also represented through the decision-making paradigms behind the creation of products and services. That intention could vary based on goals be it sales, market share, or research and development. Dosi et al (2006) emphasized this through representation of, “an organization that produces coordinated activity without anyone knowing how it works—although participants may be well aware of managerial intentions to achieve coordination” (Dosi et al 2006: 11).

Salvato (2009) analyzed how managerial intent drove the ordinary actions necessary to evolve the product development process within a firm. He cited that “strategic management is premised on some role of managerial intentionality in driving the fate of an organization” (Salvato 2009: 385). In addition, the study “suggests insights into the role managerial intentionality plays in the development of capabilities, and into the impact these renewal patterns have on performance” (Salvato 2009: 386).

Similarly, research conducted by Zahra et al (2006) suggested that managerial judgment has an effect on managerial intention and can also be the source behind organizational change (Zahra et al 2006). In addition, the use of “managerial judgment determines managerial intent” (Awasthi 2007: 208). This intent highlights the arguing that judgment is an input to intention. When researching the theory of dynamic capabilities, the required need for attention surrounding the “context and intention” of capabilities (Kay 2010: 1211) forces the need to understand trade-offs within the realm of decision-making. Husted & Allen (2007) illustrated that “working from managerial intent requires accepting certain trade-offs. By shifting to a more micro focus, we also leave behind more objective indicators of value creation” (Husted & Allen 2007: 6). Trade-offs also come with a need for firm positioning amongst decision-making managers.

Decision-making regarding environmental position utilizing managerial intentionality is also represented as the buffer between the firms and their environmental position within the marketplace (Flier et al 2003: 2167). In their study on three single lens theories, Flier et al (2003) analyzed managerial intention and found that, “managerial intention seems to explain outlier behavior and firm-

specific frequency and timing of renewal actions” regarding the positioning of a firm relative to its environment (Flier et al 2003: 2163). Thus, understanding the trade-offs between firm positioning as it related to managerial decision-making can be effected through renewal of those strategies and processes (Minetaki and Takemura, 2010). In addition, it further postulated that from a dynamic capabilities perspective, “we therefore expect the pattern of strategic renewal actions of firms to be firm specific regarding the timing, frequency and volatility of strategic renewal actions” (Flier et al 2003: 2167).

Similarly, Soderlund’s (2008) conducted a study of dynamic competencies including firm and managerial practices. Using an exploratory multi-case study where six distinct companies were researched, Soderlund (2008) identified three unique processes (shifting¹, adapting², and leveraging³) that evolved dynamic competencies in a discontinuous environment. Moreover, the study identified routine and practice adaptations from small-scale changes in projects to large-scale changes throughout the firm (Soderlund 2008). While these changes could cause adaptations in business practices, “these change efforts might either be triggered by the experience from particular problems in ongoing projects or be triggered by a general pressure set out by a strategic vision of improving corporate practice” (Sonderlund 2008: 61). In addition, Sonderlund’s findings support the assertion made by Zollo & Winter (2002) that, “capability building tends to be shaped in a co-evolutionary process of experience accumulation, knowledge articulation and knowledge codification” (Sonderlund 2008: 61).

¹ This involves shifting operations management throughout project

² Which can be classified as an ever-evolving process of learning

³ Defined as the movement of knowledge and skills across projects and throughout the firm

While the distinctive practices of a firm can evolve through multiple methods, education from mistakes and ongoing actions amongst decision-making managers can act as a contributing force to dynamic capability evolution. It is recognized that “capabilities evolve as a result of a change in routines, either through acquisition of new routines, or through a change in the relationships within existing clusters of routines” (Lampel & Shamsie 2002: 2203). Change in routines or acquisitions can generate positive or negative mistakes. Mistakes can unearth solutions for future decisions. As Lindkvist (2007) states “Novel solutions would often be the result, not of volitional action, but of mistakes, misunderstandings, or other kinds of serendipitous events” (Lindkvist 2007: 15).

Dynamic capability configuration can be affected by creativity regarding the learning from intention. This can emerge in a variety of configurations and can affect the way dynamic capabilities are structured and implemented surrounding manager’s intentions through decision-making. Eisenhardt & Martin (2000) found in their study associated with acquisition practices that “repeated practice with homogeneous acquisitions (i.e., those in the related markets) was positively associated with the accumulation of tacit and explicit knowledge about how to execute acquisitions and achieve superior acquisition performance” (Eisenhardt & Martin 2000: 1114).

Several researchers (Hansen 1999; Dhanaraj et al. 2004; Dainty et al 2009) illustrated a positive and significant relationship between dynamic capabilities and tacit/explicit knowledge, but research by Romme et al (2010) demonstrates the influence of intentional learning on dynamic capabilities and found, “there is no linear relationship between tacit knowledge, deliberate learning and dynamic

capability” (Romme et al 2010: 21). They also pointed to the significance and importance of environmental culture and condition regarding how knowledge is transferred to experience. The pace in which tacit and explicit knowledge are processed and classified as experience “can be particularly sensitive to the prevailing environmental conditions” (Katkalo et al. 2010: 1183).

Continued processing of knowledge, judgment, and information can prove useful when seeking a decision-making practices. For instance, Zollo & Singh (1998) conducted research throughout the banking industry regarding the phenomenon of acquisitions. They found that configuration of knowledge as it related to experience, dealing within the realm of acquisitions, increased firm performance and, “tacit knowledge accumulated from prior acquisitions positively influenced post-acquisition performance if experiences are highly homogeneous” (Zollo & Singh 1998: 30). As the evolution of dynamic capability activities transpires, understanding, processing and applying knowledge from events is ever crucial in a turbulent environment. For example, Shamsie Martin and Miller (2009) analyzed the motion picture industry as it related to dynamic capabilities and found the development and application of more dynamic capabilities failed to generate an “improvement in the firm’s performance,” rather, companies “must concentrate on the further development of capabilities in those project categories in which their rivals are not already successful Shamsie Martin & Miller (2009: 1450).

In addition, the application of dynamic capabilities through prior experience could be associated with firm leadership characteristics. Parthasarathy, Huang, & Ariss (2011) illustrated in their study through prior literature research that, “dynamic capabilities help firms attain and sustain industry leadership in both boom times as

well as economic downturns” (Parthasarathy Huang & Ariss 2011: 68). A firm and its application of proactive and reactive responses toward known and unknown situations will test the future of a firm.

Managerial intent influences the evolutionary process of dynamic capabilities. Issues regarding managerial intent, dynamic capabilities, and their processes can effect how decision-making manager’s strategy is both approached, and advanced regarding the direction of the firm. Managerial intent enhances the body of dynamic capabilities literature, through the introduction of intent to improve firm performance amongst capability gathering and orchestration within managerial decision-making (Beck & Wiersema, 2013). Thus the “managerial intent” is illustrated as a strength by which these capabilities evolve and are constructed to produce a product or service. As action must be taken to implement dynamic capabilities, the manager plays a significant role regarding such actions, thus indicating an instrumental factor surrounding the implementation and overall effectiveness of dynamic capabilities (Miller 2002). These capabilities play an essential role in the managerial decision-making process for a firm and highlight the link between dynamic capabilities and dynamic managerial capabilities (Martin 2011; Augier & Teece 2009).

Beck & Wiersema (2013) articulate that “dynamic managerial capabilities are inextricable from the individual managers who possess them, and it is the assumption of managerial intent contained in these particular capabilities that distinguishes them from the broader category of dynamic capabilities as a whole” (Beck & Wiersema 2013:2). Kor & Mesko (2013) further define dynamic managerial capabilities, “as the key mechanism to achieve congruence between the

firm's competencies and changing environmental conditions" (Kor & Mesko 2013: 233). While these authors extend and evolve the definition of dynamic managerial capabilities, the acknowledgment surrounding the significance of the original definition of dynamic managerial capabilities and their use throughout the theory does not change.

2.4 The Emergence of Dynamic Managerial Capabilities

The aptitudes employed by managers are "the capabilities with which managers build, integrate, and reconfigure organizational resources and competences" classifying dynamic managerial capabilities as: managerial capital, managerial social capital, and managerial cognition (Adner & Helfat, 2003: 1012; (Eisenhardt, 1989; Winter, 2000; Danneels, 2002; Branzei & Vertinsky, 2006). These attributes are represented through the intention of managers to achieve a particular goal.

Managerial human capital is illustrated and defined as the experiences and knowledge managers acquire or develop, implemented among firms within a variety of industries (Becker, 1993; Castanias & Helfat, 2001; Martin, 2011). Managerial human capital is defined as "learned skills that require some investment in education, training, or learning more generally" (Adner & Helfat 2003: 1020). Originally rooted in the works from Becker (1964) and Mintzberg (1973), the definition is streamlined to emphasize the difference between the general and specific knowledge/training amongst managers. Castanias & Helfat (1991) introduced this concept that was embraced by Adner & Helfat (2003). Not only distinguished between generic and task related skills, managerial human capital also accentuated skills transferrable across various industries.

The transfer of skill sets and knowledge across industry provides context to managers “past experiences, therefore, that provide access to a diversity or breadth of knowledge and skills may then drive the development of the specific types of managerial human capital” (Beck & Wiersema 2013: 5). In addition, learned skill sets and experience gained and processed by managers and executives could affect the sorting and structuring of assets amongst firm decision-making managers. From a managerial and orchestration aspect of resources that derive from a manager’s skill set “investing to acquire/develop elite levels of human capital may benefit the firm. This effort must be coupled with deployment decisions that effectively use that investment” (Sirmon & Hitt 2009: 1391).

While investment within the top realms of managerial human capital are important, Kor & Mesko (2013) highlight the significance of managerial human capital as it relates to the top executives capabilities. The author’s integrated dynamic managerial capabilities amongst a firm’s dominant logic. They argued that managerial human capital and the experiences carried over by management played a large role amongst the shaping of a firm’s dominant logic. They further emphasized “managers’ human capital and social capital were linked because the information and knowledge that managers gain through various relationships can be crucial in building and renewing their human capital” (Kor & Mesko 2013: 234). This emphasized how social networks and ties could have a bearing on the decision-making processes. A further discussion of managerial social capital will be articulated in the next section.

The social ties of managers can serve as a significant source of resources and assets amongst fellow colleagues and peers in common or separate industries (Adler &

Kwon 2002). Managerial social capital is represented as a manager's aptitude to develop relationships and networks to illicit resources. These resources and information provide substantive advantage in the course of decision-making (Adler & Kwon, 2002; Gelatkanycz & Hambrick, 1997). The interconnectedness of managers should involve relationships and competencies necessary to succeed within the particular industry (Pennings et al., 1998; Luthans et al., 2004).

Social capital is seen as a concept that "reflects the idea that social ties (e.g., friendships, social club memberships), and the goodwill that these ties may confer, transfer to other settings such as work" (Adner & Helfat 2003: 1021). Managers benefit greatly from their inherent social capital because through social relationships and interactions, managers are able to access all types of capital (financial, intellectual property, physical, and human) (Beck & Wiersema 2013). Literature highlighting the benefits of social capital (Hitt & Ireland, 2002) emphasizes the importance of how relationships can underscore the exchange and facilitation of resources and capabilities within a firm.

In addition, managerial social capital is grounded in shared past experiences where managers develop rapport with one another and can draw on that rapport when needed (Beck & Wiersema 2013). Further investigation into the social capital of managers highlights that "manager's own dynamic capabilities would be augmented and amplified by social capital that provides access to the dynamic managerial capabilities of others" (Beck & Wiersema 2013: 5). Social capital and managerial capital have also been linked to one another (Gelatkanycz and Hambrick, 1997; Garud and Karno \ddot{u} e, 2001). This link is due to knowledge imparted from social

networks that could have an effect on the construction and development of human capital (Coleman 1988; Volberda and Lewin, 2003).

Kor & Mesko (2013) define managerial social capital as, “managers’ ability to access resources through relationships and connections” Kor & Mesko (2013: 234). While a description of the various definitions of social capital is articulated, the third piece to the dynamic managerial capabilities puzzle is cognition.

Managerial cognition is the third capability described as part of a manager’s dynamic capabilities skill set. Managerial cognition is acknowledged as the belief patterns and models a manager embodies within a particular industry and individual firm (Kor & Mesko 2013; Beck & Wiersema, 2013; Eggers & Kaplan, 2009). Managerial cognition is, “managerial beliefs and mental models that serve as a basis for decision making” (Adner & Helfat 2003: 1021). Eggers & Kaplan (2009) support the definition proposed by Adner & Helfat (2003) illustrating “managerial attention is especially crucial for shaping strategic choice and action when responses to an uncertain environment require costly, risky investments” (Eggers & Kaplan 2009: 461-462). Johnson & Hoopes (2003) provided prior evidence stating they “believe that managerial cognition will influence industry structure (Johnson & Hoopes 2003: 1057).

The notion of managerial cognition being influenced by industry composition is further explored by Kor & Mesko. These authors defined managerial cognition as that which “involves schemas and mental models that include a system of theories and propositions that managers use to see their way through a bewildering flow of information to make decisions” (Kor & Mesko 2013: 235). Emphasizing the

influence of prior experience, Beck & Wiersema (2013) illustrated cognition as one that “shapes the manner in which managers process information and interpret events—creating, in short, a personal reality.”

As the definitions of managerial cognition evolve, current literature (Porac Thomas & Baden-Fuller 1989; Porac & Thomas 2002; Bogner & Barr 2000; Hadida & Paris 2014) still acknowledges managerial cognition as well as managerial human and social capital as a cornerstone to dynamic managerial capabilities. While the acknowledgement of the factors have created theoretical advancement, a thorough review of how the factors interact with one another is necessary. This review will provide a better understanding of the dynamic managerial capabilities theory.

2.5 Using Dynamic Managerial Capabilities To Create Cognitive Pattern

Models

Decision-making managers engage in a variety of capabilities and processes to sift through information and determine how to arrive at decisions. It is recognized that “in combination, managerial human capital, managerial social capital, and managerial cognition shape the resource and capability base of the corporation through the action of dynamic managerial capabilities” (Adner & Helfat 2003: 1022). These factors are not separated from the individual managers. The way in which managers conceive or order these factors can have a bearing on how decisions are executed (Beck & Wiersema 2013). Kor & Mesko (2013) articulated that the three factors are all intertwined together and influence a manager’s dominant logic both of the firm and the individual.

The recognition of a relationship between the individual and patterned logic of the firm amongst dynamic managerial capabilities illustrates that “dynamic alignment between the firm’s dominant logic and the essential bundle of generic and specialized managerial capabilities” is necessary to management’s dynamic capability skill set framed through the three factors are intertwined within a decision-making scenario (Kor & Mesko 2013: 237). The use of dynamic managerial capabilities and its configuration process is not focused solely on the action of problem solving. It differs because dynamic managerial capabilities focuses on patterned behaviors used to address dynamic situations and must contain an element of sustainability or effectiveness if they are repeated (Winter 2003). Thus, it resembles an individual decision-making logic and how it is influenced amongst the firm (Gigerenzer and Todd, 1999). It is also argued that the fashion, construction, and configuration of dynamic managerial capabilities are derived from the instinctive and personal/professional experiences. These managers directly influence the construction and process of dynamic managerial capability factors amongst managers (Beck & Wiersema 2013).

The three factors outlined by Adner & Helfat (2003) are swayed by instinctive and personal experiences. They can be configured in multiple methods based on what managers characterize to be more valuable factors. Though the individual factors contribute greatly to a managers understanding and application of the three separate factors, “in addition, one’s past experiences and innate abilities serve as a source for all three managerial attributes” (Beck & Wiersema 2013: 6). For example, the authors cited how important experience within an industry, and a specific job, plays with regards to the individual perspective of the firm, market, and individual/firm dynamic managerial capabilities. Research surrounding career professionals cite that

the first few years within their first career positions, acted as the most formidable and shaping years throughout the entirety of their career (Fiske & Taylor 1984).

When these factors among the other aspects of managerial abilities interact with resource bundling, characteristics from the firm's blending the manager's experience, instincts, and judgment merge into a distinctive representation of dynamic managerial capabilities (Zorn et al., 2005). Beck & Wiersema (2013) illustrated that dynamic managerial capabilities theory represented a distinct foundation to resource-based view of the firm, creating unique and distinct bundles aiding in the configuration, allocation, and acquisition of the firm's resources within their portfolio.

Given that managers may possess unique dynamic managerial capabilities, the managers can uniquely configure them based on prior experience. In addition, how those dynamic managerial capabilities are exhibited amongst executive leadership teams throughout various business units can vary as much as the managers themselves. The illustration of dynamic managerial capabilities was considered within executive leadership. It was found that dynamic managerial capabilities in relationship to managerial decision-making "intertwine rather than separate strategy formulation and strategy implementation at the BU and corporate level in high-dynamic markets" (Martin 2011: 137). The author further concludes "dynamic managerial capabilities also have direct implications for practitioners in that they are expressed in terms of constructs and variables that can be readily manipulated by management" (Martin 2011: 136). It is further outlined that manager "necessitates resource reallocations from activities that are often still creating value to a collective activity that promises the potential of greater future returns" (Martin 2011: 128).

The collaboration of dynamic managerial capabilities amongst the general managers within various business units illustrates the effectiveness of information travel.

Communication strength and a lack of barriers to engagement can effect managers across the varying business units. While the focus of dynamic managerial capabilities is represented amongst managerial unification, it can also be studied alongside the strategy-as-practice theory through the scope of decision-making process. Regner (2008) argued that the strategy as practice perspective could provide a complementary approach and understanding with regard to how manager's dynamic capabilities engaged regarding the orchestration and allocation of resources. The introduction to the strategy-as-practice approach provided a basis by which to observe managerial action throughout decision making because this observation provided "a fertile basis for examining and explaining the dynamic process through which unique organizational assets are developed" (Regner 2008: 580).

The evolution of knowledge amongst managers and team members can advance the dynamic managerial capability factor configuration within the decision-making process. Decision-making capabilities include "understanding the role that managerial agency plays in understanding the dynamic of knowledge progression is instrumental to unbundling the existence of dynamic capabilities" amongst managers (Pandza & Thorpe 2009: S128). The authors identified two cognitive processes absent from the current framework which is the process of creative search and strategic sense-making which is seen as "missing dimensions in the dynamic capability concept" and overall dynamic managerial capabilities theory (Pandza &

Thorpe 2009: S128). The acquisition of knowledge and information does not necessarily guarantee a comprehensive understanding of the industry environment firms occupy. In fact, information and further understanding of an environment may shed light upon limitations within the firm and their decision-making framework.

2.6 Dynamic Managerial Capability Limitations & Justifications

Given the discussion of dynamic managerial capabilities literature, there are limitations scarcely addressed within the theory. These limitations include how dynamic managerial capabilities are formed. The second issue involves the role of dynamic managerial capabilities within the decision-making process. Finally, the third highlights the use of cognitive patterns alongside the decision-making process paradigm. All three issues will be discussed.

The first critical issue identified in the dynamic managerial capabilities theory inadequately addressed is how the three distinct factors are intertwined in the managerial decision-making process. This highlights the need to understand dynamic managerial capabilities as it relates to the decision-making process of a product, service, or direction. For example, when deciding on which movie to produce, a studio and the managers highlight various methods of developing the product. This process of deliberation highlights dynamic managerial capabilities.

The use of dynamic managerial capabilities involves managerial human capital; social capital and cognition as an intermingling process that “link the three managerial attributes to one another” (Adner & Helfat 2003:1022). These three factors helped define the scope of dynamic managerial decision-making, but limited

the function of managerial action to these three factors. The authors did not provide a unified method in the practice of these factors, instead they stated “in combination, managerial human capital, managerial social capital, and managerial cognition shape the resource and capability base of the corporation through the action of dynamic managerial capabilities” (Adner & Helfat 2003; 1022). Research conducted using the dynamic managerial capabilities theory provides extensive insight regarding how managerial human capital, managerial social capital, and managerial cognition contribute to dynamic managerial capabilities, but all three factors are not equal in their assessment nor are they independent from the decision-making process.

The second relates to the role of dynamic managerial capability factors within the decision-making process and context as a whole. Research emphasizing managerial human capital is devoted to the application of specific skill sets and knowledge bases applied to the individual as well as a particular industry (Becker 1964; Castanias & Helfat 1991; Castanias & Helfat 2001; Bailey & Helfat 2003). For example an individual’s personal experiences regarding education and upbringing can be classified as “generic” capital while knowledge of an industry and how their distribution-systems contributes to firm performance is an “industry-specific” knowledge asset (Beck & Wiersema 2013). In addition, managerial social capital is represented as the second contributing factor of dynamic managerial capabilities. Adler & Kwon describe it, as “social capital is the goodwill available to individuals or groups its source lies in the structure and content of the actor’s social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor” (Adler & Kwon 2002: 23). Research illustrates how social capital can contribute to firm success through product development, enhancement of intellectual capital, and utilization of cross functional teams (Gabbay & Zuckerman 1998; Tsai

& Ghoshal 1998; Hansen 2002). The benefit of social capital to managers is the “shared experience.”

Significant importance is placed on an individual’s human capital based on past experiences, but lack of a unified definition has caused ambiguity amongst decision-making managers regarding the application due to the discrepancies of uniformity amongst managerial education, skill set and knowledge within an industry context. Bates (1990) illustrated industry-related human capital as an individual’s depth of educational, managerial, and industry related exposure but gives little attention to generic human capital and its contribution to managerial decision-making.

In addition, reference to managerial human capital as an on-the-job experience where “managers acquire knowledge, develop expertise, and perfect their abilities in part through prior work experience” and state all but generic skills are limited in transferability (Adner & Helfat 2003: 1020). This experience can be transferred to a broader sense of resource bundling of “generic” and “industry-specific” skills that was explored by Sirmon et al (2008) and illustrated a positive correlation amongst firm performance. Additionally, Kor & Mesko (2013) classify social networks as formal or informal ties that helped to build knowledge and information networks, however a more appropriate label maybe “generic” social capital and “industry-specific” social capital. Examples put forth by these and other scholars highlight the bundling of certain resources and skill sets through the classifications of “industry-specific” knowledge verses “generic” knowledge. But the use of “generic” or “industry-specific” is not adequately represented in managerial human capital amongst research (Adner & Helfat 2003). This emphasizes the need for a more complete understanding of “what exactly constitutes the specific knowledge and

skills that distinguish the human capital underlying managerial capabilities that allow a firm to survive in the present (operational capabilities as defined by Winter, 2003) from that underlying those that enable managers to successfully modify the resource base of the firm in response to changes in environmental conditions” (Beck & Wiersema 2013:4).

The third issue relates a manager’s decision-making rational or the utilization of patterned behavior through managerial cognition. Having foundational resources underneath a firm is one thing, but “it is how these resources are directed by managerial discretion and decision-making that matters” (Corbet Neck & Laverty 2011: 1). The authors focused on the knowledge structures of the firm and how they are linked to the cognitive structure of firm’s dynamic capabilities. They elaborate on the cognitive factor of dynamic managerial capabilities illustrating how knowledge and firm cognitive foundations can shape the understanding of initiative developments undertaken by firm management. They demonstrate that a firm’s future rests in how manager’s script and articulate future firm positioning.

In addition to understand the cognitive structure of firm’s dynamic capabilities, the author conducted 246 interviews over the course of three years with an initial screening phase, interview, and follow-up interviews every six months. While the results of the interviews showcase how managers who are in cognitive alignment when it comes to venturing scripts have more success in the marketplace than those that do not, the research does not adequately address how the current theory of dynamic managerial capabilities operates based on managerial judgment understanding of dynamic managerial capability factors including the cognitive process of perceiving, processing, and interpreting new business information.

Additionally, cognition can be “shaped by personal and professional experiences and managers’ interactions in internal and external networks” (Kor & Mesko 2013: 234). Cognition and the decision-makers rational can also be recognized as “the manner in which managers process information and interpret events—creating, in short, a personal reality” (Beck & Wiersema 2013:6). In addition, managerial cognition can be regarded as a critical factor because the process of building managerial social and human capital through the realm and context of decision-making creates mental maps and models managers’ use from the past to extrapolate decisions and decision-making strategies for the future. Yet managerial cognition is represented in the literature as just another factor when in-fact managerial cognition is an action conducted by managers that provide conceptual formation of resources and capabilities before action is directly taken by the firm.

The cognitive process and managerial logic are, “the building blocks of managerial cognition, as are those of managerial human and social capital, are to be found in the past experiences of managers” (Oliver & Roos 2004: 3). Similarly, Adner & Helfat (2003) emphasize the use of managerial human and social capital and the amalgamation used to gain and process knowledge based on prior work experience and grounded on the cognitive foundation of managerial decision-making. This idea is further perpetuated by Winter (2009), illustrating that dynamic managerial capabilities are shaped by patterned and practiced behavior, which can be, classified as managerial cognition. Patterned behavior and mental models are developed from addressing situations of uncertainty (Wilde, LeBaron, & Israelsen 1985).

The three main critical factors and limitations of dynamic managerial capabilities theory were highlighted. The limitation surrounding the constraint of three factors

include, a lack of understanding concerning the formation of dynamic managerial capabilities, and the need for further clarification on dynamic managerial capabilities role in patterned behavior. These highlight three distinct areas for further study. While this thesis will highlight aspects of all three, the most promising avenue for further development is recognized in further understanding and exploring a manager's dynamic capabilities through the role of decision-making behaviors and patterns.

While dynamic managerial capabilities theory assumed the capabilities are formulated in a black box of sorts, the use of a decision-making manager and their role within an industry provides a promising avenue of further research development. Dynamic managerial capabilities theory, highlights a manager's decision-making role and their unique patterns, provides an opportunity to introduce the underappreciated theory of industry recipes. An investigation into the theory of industry recipes theory and dynamic managerial capabilities will address the black box issue of dynamic managerial capabilities. Further information on industry recipes theory is outlined in the next section.

Despite the limitations of dynamic managerial capabilities, the benefits of this framework over structure-conduct-performance theory, neo-institutionalism, and the sense-making framework are further outlined.

The structure-conduct-performance (SCP) illustrates that the framework is dependent upon the economic performance of an industry based on buyer-seller relationship and industry structure (Mason 1939; Scherer 1980; Hamal & Prahalad 1989). Such aspects of the SCP theory include analysis of buyer/seller transactions,

technology, and representation amongst a variety of products offered within the industry (McWilliams & Smart 1998; McGee 1988). This model is derived from the relationship between the markets and perfectly competitive environments (McGee 1988; McWilliams & Smart 1998). This is a main reason why this model was discarded as a framework for analysis. Currently the industry under examination is not perfectly competitive.

The industry is experiencing massive disruption within their product and service chains. While this framework can be applied with generic and broad specifications, the depth of analysis within the action/function of industry did not suit the paradigm (Miller 1986; Porter 1987; Smith Guthrie & Chen 1989). Thus, analysis of the dynamic managerial capabilities framework is a microanalysis of the SCP strategies and capabilities represented in the framework.

The neo-institutionalism framework was also considered for this study. This framework has “an explicitly cognitive view of institutions” (Suddaby 2010: 16). Traditionally, institutional logics focus on “axial systems of meaning” among organizations (Suddaby: 2010: 16; Lamont & Molar 2002). This places emphasis on the individual as a separate category within an environment. These categories have prescribed roles and when the actors deviate from these roles they suffer economic consequences (Zuckerman 1999; Holm 1995). While neo-institutionalism would have fit, the researcher would have had problems reconciling the decision-making paradigms of each case study and would require analysis of every product the managers deviated from the prescribed model. To make this research project a more robust study, analysis of institutional decision-making through the eyes of managers

as it relates to products centers around the collective individuals and their association to a firm within a given industry.

Industry recipes framework was correspondingly considered alongside dynamic managerial capabilities. The recipe highlights the focus to describe a phenomenon (Spender 1989). Within this study, the phenomenon highlights the creation and distribution of feature film products. The recipes framework provides a multi-layered approach of decision-making, logical processing, and established institutions within a collective industry (Spender 1989; Christensen Johnson Rigby 2002). In addition, the recipes framework accounts for uncertainty, disruption, and unknown variables. These factors allow for human interaction and decision-making based on intrinsic and sense making attitudes of managers. Additionally, this became the framework utilized amongst dynamic managerial capabilities within this study. Further illustration is outlined in the next section.

2.7 Industry Recipes & Their Role Among Dynamic Managerial Capabilities

Industry recipes are defined as “a complete framework, in the sense that it indicates the data necessary to make up a complete description of a situation” (Spender 1989: 60). This adds to the complexity of pattern creation for managerial decision-making within a given industry. From the definition of industry recipes this section will address patterned logic as it relates to managerial capabilities, strategic decision-making through the use of industry recipes and dynamic managerial capabilities, and a managers ability to sense and perceive changes to an industry wide recipe.

A manager's response to a problem or situation sets a pattern to solve or address similar situations in the future, thus creating a decision-making pattern or logic (Spender 2002). Responses can encompass a strategic choice to invest in product advancement, amalgamation of innovative capabilities, or internal development of processes or procedures. Managerial decisions or reactions to various levels of environmental turbulence and cognitive understanding of an industry are, "crucial for shaping strategic choice and action when responses to an uncertain environment require costly, risky investments" (Eggers & Kaplan, 2009: 462; Barr, 1998; Cho and Hambrick, 2006; Kaplan et al., 2003; Ocasio 1997). Once set, these mental models are standard practice in a given industry. Managers may become resistant to changing them when faced with uncertainty. Breckenridge & Taplin (2009) highlight that change is very difficult for organizations especially when confronted with high levels of uncertainty.

Managers are always confronted with some degree of uncertainty; "therefore it is not surprising that many cling to established routines when that uncertainty increases. In the case of restructuring, that uncertainty is magnified for the survivors in the firm" (Breckenridge & Taplin 2009: 491).

What is often overlooked is the specific time and particular situation by which the decision-making pattern was established and how it is applied to the industry. Evidence may show the decision could be appropriate for the time and situation, but may need modification or renewal in the new environment. These widely held beliefs might be both positive and negative to a firm's future prospects related to performances and competitive advantage. In their research study on the Polaroid Company, Tripsas & Gavetti (2000) illustrated that Polaroid's performance issues

were rooted in the mental models and cognitive beliefs management adhered to in spite of an evolving industry. While these mental models would provide the necessary systems and capabilities for Polaroid's performance during a prior time period, they were no longer relevant under new market conditions. This irrelevance created a required managerial shift of the mental response to the outdated models and beliefs.

In addition, Kaplan, Murray, & Henderson (2003) researched a pharmaceutical company's response time and found "the recognition of key environmental uncertainties at the most senior level shapes certain types of enduring strategic action" thus giving credence that management plays a crucial role in surveying the external environmental factors and must create an internal response (Kaplan Murray & Henderson 2003: 229).

The surveying of environmental landscapes by management can sometimes signal a need for automatic responses to be reviewed in a changing and dynamic environment. Thus, the reaction and forethought of a manager's decision-making capacity must include, "a firm's ability to systematically renew its strategies and underlying capabilities requires an in-depth understanding of the microprocessors that make up an organizational capability and its component routines, of the day-to-day events that, at some moments in time, induce mindful alterations in such sequences, and of the role managerial intentionality has in leveraging such alterations with the aim of achieving systematic improvement in capabilities" (Salvato, 2009: 385).

Beck and Wiersema (2013:1) outline “a manager must utilize foresight and decide when to change or alter the intended course of a firm,” ultimately changing the adopted recipe prescribed by the industry. The recipe engaged by decision-making managers is symbolized throughout dynamic managerial capabilities literature. One such section involves strategic positioning of a firm inside a relative industry. When searching for a competitive advantage, the significance of a manager’s ability to scan the external environment and match it to internal capabilities is essential.

This assessment is enabled through, “scanning their competitive terrain, shoring up their defense against likely competitive incursions, and planning competitive attack and response strategies” (Bergen & Peteraf, 2002: 157). These reactions may include a strategic choice to authorize product development, integration of new capabilities, or internal development of processes or capabilities. Sirmon & Hitt (2009) highlight the importance of industry recipes adopted by the firm and established norms are the results from managerial decisions based on a variety of investments. Martin & Delgado (2011) center on the utilization of decision-making in a multi-team role all through executive leadership groups as it relates to resource based decisions at General Motors. While the investigation supplied evidence General Motors did exercise a considerable degree of jurisdiction related to resource decisions, it did not emphasize the integration of industry recipes with regards to managerial decisions.

The significance of strategic decision-making relates to a recipe of resource allotment and configuration in portfolio creation as an ongoing process outlined by Beck & Wiersema (2013). They state “the decision to pursue this market opportunity triggers management’s examination of the firm’s existing resource

portfolio, following which various courses of actions are possible” (Beck & Wiersema 2013: 8). This emphasizes action on the part of the decision-maker, but does not discuss how the recipes are shaped or fashioned when making decisions regarding resource allocation. A limitation of industry recipe literature as it relates to a manager’s decision-making strategy restricts the insight one can acquire from resource related decisions and reconfigurations. Kor & Mesko (2013) highlight aspects of recipe configuration, but focus on the organization of dynamic managerial capabilities relying on personal judgment by managers. This reliance highlights the necessity to investigate the intuitive nature of managers as well as possible intersection between recipe formation and decision-making theories.

For example, Spender & Brownlie (1995) state “decision makers add judgment to cope with the uncertainty which exists in the situation he/she confronts” (Brownlie & Spender 1995). This enforces the premise that the decision-maker generates a process, recipe, or a rational, and the rational is reinforced by decisions and experience. These decisions are acknowledged as choices decided upon by managers that effect organizational structure and firm performance (Priem & Harrison 1994). This coincides with the definitions purported by Adner & Helfat (2003) stating that a manager must “build, integrate, and reconfigure organizational resources and competencies” (Adner & Helfat 2003: 1012). The use of a recipe can be understood, as an accumulation of a variety of skills and experiences; however, this is an area that needs further development in this field.

Managers make resource related decisions under an umbrella of ambiguity, but one area of research, recipe application as it relates to industries of established business models could diminish uncertainty. Ginyer & Spender (1979) emphasized using a

stream of awareness throughout the firm's structure when governing the strategic planning process. If a firm lacks a central plan or collective strategic direction, it can be concluded failure to direct firm activities and resources was the source to such an issue (Spender 1989; Grinyer & Spender 1979). Managerial decision-making in industries of high product development, increased volume, and depreciation, has a steady desire to advance new products and services to maintain an established competitive edge as ahead in an industry. These decisions symbolize an elevated degree of risk and uncertainty. There is limited information on how to estimate, forecast, and analyze the degree of success. Thus, when a judgment call is required on a new opportunity, how will the decision and recipe interact among decision-making managers?

Keats (1991) presents the process of decision-making capabilities as focusing on seizing the empirical illustration of judgment through the use of different decision models and paradigms. Keats stressed that managers try to decode uncertainty based on what has transpired in the past and limit their decision-making to a few factors of investigation or familiar behaviors, a form of recipe. study consisted of MBA pupils, role-playing as project managers. They were asked to construct project and product related decisions based on an established judgment decision-making model. Her results showed consistent development and flow within the decision-making paradigms, yet revealed areas for improvement.

While the study proved somewhat conclusive, there are some limitations that must be noted. First, the participants' responses were documented in a controlled environment. There were no direct consequences affecting their decisions. In a corporate setting, these decisions would affect them, colleagues, and the overall

corporate performance. Adding a minimal amount of pressure when conducting the study, could change a manager's perception of thinking and decisions factors/outcome.

Second, the study was comprised of an empirical analysis of manager's decisions and did not completely represent how an industry's recipe relates to the overall use of decision-making strategies. The concept of recipes is essential for additional support, providing a theoretical underpinning to the overall foundation and conclusive understanding of industry recipes and its connection to decision-making strategies.

Referring previously to Spender (1989), he states "a manager who draws a conclusion can only do so by adding something of himself to the data available" (Spender 1989: 173). The simulation such as the one Keats (1991) introduced, lacks engagement with the complexity of the organization, minimizing the principle of cause and effect. This restraint or restriction would be absent within the context of the corporate environment. In so doing, the process is flawed, as there is no "risk" associated toward the subjects involved in the study. The lack of repercussions from a poor decision and removal of the participant from the physical and social reality where coworkers are affected disconnects the individual from the dangers a manager would confront with regards to decision-making capabilities. The study failed to highlight follow-up meetings with the participants concerning why they made the decisions and what facilitated their judgment. This characteristic of decision-making, and recipe development offers the most insight encompassing resource related decisions for new business opportunities.

Managers can employ different sensing mechanisms based on industry and the adopted recipe. This evaluation is enabled through “scanning their competitive terrain, shoring up their defenses against likely competitive incursions, and planning competitive attack and response strategies” (Bergen & Peteraf, 2002: 157). Industries such as the motion picture and entertainment industry, illustrates that the change in scope or shift in market demand is a critical component surrounding how sensing mechanisms are used based on different levels of environmental turbulence represented in an industry (Petit & Hobbs 2010). These sensing perspectives affect a manager’s and ultimately a firm’s dominant logic surrounding decision-making.

Emphasizing that a specific type of uncertainty and the different levels of changes amongst a market will reflect the construction and execution of a sensing mechanism (Petit & Hobbs 2010: 54). Sensing is a crucial element that can lead into the seizing of opportunities or resources to evolve or render an industry recipe obsolete. This type of sensing is seen as, “understanding opportunities, getting things started, and finding new and better ways of putting things together” (Teece 2007: 1346). Further extrapolation of sensing mechanism have been defined and summarized as follows-sensing mechanisms: 1) Relate to internal R&D developments and the creation of new technologies, 2) Understanding innovative breakthroughs in supplier and competitive innovations, 3) An ability to break into external scientific and technological markets and industries and finally 4) an ability to reinvent and realign firm interests based on target market segments (Teece 2007).

Managers who operate under a recipe may sense and seize various opportunities to respond to market forces. This process of capability deployment is recognized as, “continuous renewal, aimed at maintaining sustainable competitive advantage”

(Katkalo et al 2010: 1179-1180). Transforming is also known as “recombining” capabilities to create value generating processes and practices (Katkalo et al 2010) this can not only affect the firm but also affect the industry. This can implications regarding, “managerial capabilities on firm’s dominant logic, [which] suggest that a firm’s ability to achieve evolutionary fit is closely linked to the (1) ever evolving, intricate architecture of (specialized and generic) elements of dynamic managerial capabilities, and (2) the level (degree) of internal fit between the firm’s dominant logic and managerial capabilities” (Kor & Mesko 2013: 240).

The analysis further illustrates, how “the transition to new organizational forms shifts the co- evolutionary process, with practices and routines that make up mobilizing capabilities changing faster and becoming more important to box office success than practices and routines that make up transforming capabilities” (Lampel & Shamsie 2003: 2189). These capabilities both mobilizing and transforming are represented as a negative interdependency because of the fierce competition for resources and capabilities. Gardner et al (2012) analyze of several of the big four accounting firms revealed that transforming knowledge capabilities in dynamic environments could be limited by uncertainty even though resources and capabilities to configure resources may be in abundance. Their original hypothesis assumed that “higher levels of experiential resources would aid in the development of teams' knowledge integration capability” but the study revealed that higher sources of knowledge that can be transformed and reconfigured “actually impeded such development” (Gardner et al 2012: 1014).

Utilizing industry recipes through the realm of managerial pattern development, strategic decision-making, and sensing disruption amongst industry wide recipes

provides a critical avenue of research regarding the amalgamation of dynamic managerial capabilities and industry recipes through the scope of the managers and the firm's they represent. The next section will highlight two of the latest frameworks in dynamic managerial capabilities theory and the research questions necessary to address the gap between industry recipes theory and dynamic managerial capabilities theory.

2.8 An Amalgamation of Dynamic Managerial Capabilities, & Industry

Recipes

The intersection between the two theories of dynamic managerial capabilities and industry recipes highlights the specific role of the manager amongst the theories. This section will illustrate how two of the latest frameworks on dynamic managerial capabilities provide an opportunity to investigate the possibility of a link between industry recipes and dynamic managerial capabilities through a manager's decision-making paradigms.

Managerial decision-making permeates the dynamic managerial capabilities literature. Authors have called for a deeper recognition of the "co-evolution of dynamic managerial capabilities and the firm's dominant logic" in addition to a further understanding of "the search and selection process that drives managers to invest in, acquire, and dispose of resources...as an important dimension that deserves further empirical investigation" (Kor & Mesko, 2013: 242; Beck & Wiersema, 2013: 10).

In addition, these authors presented a need for additional research into the properties of dynamic managerial capabilities. Beck & Wiersema (2013) highlighted the need to understand leadership and, “how will the past career experiences of a new CEO, for example, affect the cognitive perspectives and knowledge base within the management team, which in turn will affect the future development of the firm’s dynamic managerial capabilities?” (Beck & Wiersema 2013: 11). Their query focuses on the cognitive aspect of dynamic managerial capabilities and the need to recognize the conjoining of past experience and an understanding of current industry knowledge.

Similarly, Kor & Mesko (2013) touched on additional research that highlighted “a leap forward in dynamic capabilities research hinges on an intuitive understanding of how managers, individually and as a team, perceive, process, and interpret new stimuli and information and respond to them” including how, “a range of internal and external factors (e.g., new business opportunities, competitive pressures, and governance issues) can act as triggers or moderators in the co-evolution of executive team configuration and dominant logic” (Kor & Mesko 2013: 242).

Likewise, “while firm performance is influenced by resource investment decisions, deployment decisions influence the return on those investments,” thus creating an emphasis on a recipe-style process focusing on decision-making, implementation, outcomes, and optimization (Sirmon & Hitt 2009: 1390). Their outcomes stressed that “ensuring fit between resource investment and deployment decisions is more important to firm performance than trying to maximize or economize either decision alone, especially as investments deviate from the norms set by rivals” (Sirmon &

Hitt 2009: 1390) thus highlighting the need to further understand the manager, decision-making, and its role within a given context.

The research further emphasized the gravity of the context in which a firm operated and “demonstrates that managers play a critical role in the logic of resource-based theory. Thus, while prevailing theory generally suggests that increased levels of investment in human capital is positive due to the value it yields, this research suggests a caveat to that conclusion. Investing to acquire/develop elite levels of human capital may benefit the firm, unless that effort is coupled with deployment decisions that effectively use that investment” (Sirmon & Hitt 2009: 1391). Thus, the field of decision-making drastically effects how productive and effective the dynamic managerial capabilities are within the given context.

This investigation led the researcher to a significant gap, one of which involves pairing the industry recipes theory to the dynamic managerial capabilities framework and recognizing industry recipes as a key influencer among the orchestration, adoption, and implementation of dynamic managerial capabilities within the strategic decision-making process. In addition, the coupling of industry recipes and dynamic managerial capabilities enabled the researcher to explore the interconnectedness between decision-making processes, dynamic managerial capabilities, and firm/managerial dominant logic.

Industry recipes are represented as the routines and processes inherent in a firm, which are used to compete within a given industry context (Spender 1989). Industry recipes are described as the, “problems that uncertainty creates in ways that are characteristic of that industry – part of what experienced managers take uncritically

as professional common sense” ultimately defined as the industry recipe (Spender 1989: 9).

Windeler & Sydow (2003) researched how industry structures and organizational practices shaped the firms operating in the industry, as well as how organizations shaped an industry. They found that, “industry change can take many routes, from slow drifts whereby conventions become subtly modified in and through the ways in which they are adhered to, up to disruptive events” (Windeler & Sydow 2003: 28).

Similarly, Aspara et al (2011) focused on the relationship between industry recipes and managerial cognition, investigating ‘executives’ (re)cognitions about inter-organizational cognitions especially when it comes to the effects such cognitions have on a firm’s strategic decisions” (Aspara et al 2011: 17). The results from a single-case study illustrated “certain cognitive heuristics in strategic decision-making may actually lead to fairly smart decisions” thus emphasizing the importance of the manager’s actions in the overall internal strategic process and external placement among the industry as it relates to the adoption and implementation of the recipe (Aspara et al 2011: 16).

Sirmon et al (2007) highlighted the adaption of decisions and a manager’s role within the firm and industry regarding the direction, orchestration, and acquisition of resources. Their study emphasized that “Industry recipes provide heuristics or decision rules that guide managerial actions” and these actions are representative of the firm (Sirmon et al 2007: 276). These recipes can blur as industries adapt to change or evolve over time, thus becoming less defined and resulting in an increase of uncertainty and volatility (Sirmon et al 2007).

Spender (1989) represented Industry Recipes as “a set of heuristics. It suggests the type of planning appropriate, and the balance of effort and expectation others find workable. It focuses attention on which of the firm’s many activities should be planned. It carries messages about how to deal with the uncertainties and unintended consequences that arise as the plan is applied” (Spender 1989: 184). He emphasized the need to “deal with uncertainties” relying on managers to exercise appropriate judgment. The use of judgment is a widespread amongst industry recipe theory. An additional focus included “the other part of thinking is creative, the application of human judgment in response to uncertainty judgment creates facts from uncertain data” (Spender 1989: 172). Judgment of managers regarding their resource allocation and reassignment can add or detract worth throughout the value chain. Research shows that “managers emphasize only on the competitive resources or capabilities to judge whether along the value chain they add or subtract value and if the strategic implication lies in their ability to enable cost leadership or to develop perceived uniqueness” (Braham & Chakraborty 2011: 15).

Recipes are often associated with entrepreneurial cognition as it pertains to decision-making, highlighting the importance of “the knowledge structures that people use to make assessments, judgments, or decisions involving opportunity evaluation and value creation” (Mitchell et al. 2009: 97). The relationship of cognition and recipes includes “judgments about organizational similarity, however, must be based upon a view of the environment and the organizations comprising it” (Porac et al 1989: 413).

Industry recipes provide an adequate stream of literature to associate with the dynamic managerial capabilities framework among decision-making managers. How the decision-making manager views the environment in which they operate must be addressed, including the firm's related competences and available resources within the context of the environment.

Powell (2011) highlights that decision making has taken two main paths in the field of strategy, 1) being in strategy practice and the need to integrate research with application and the 2) need to further understand decision-making as it relates to the context of the firm. It is also emphasized "decision making in firms seldom means an individual making a discrete choice, but involves complex judgments in a climate of goal conflict, group bargaining, politics, and compromise" (Powell 2011: 1492). This means managers must collectively make large, firm-shifting decisions with resources, capabilities, and capital to accomplish intended goals, while trying to mitigate against risk and uncertainty (Cornelissen et al., 2007; Brown et al 2006). The presence of recipes could act as influencers and share "inter-organizational cognitions about the corporation's businesses which are held by the firm's managers and its stakeholders, and which may also play special roles in managers' decisions about corporate business model transformation" (Aspara et al 2011: 4). Furthermore, the research on managerial cognition needs to determine where judgment intersects with cognition and how the use of intuition in dynamic managerial capabilities affects literature.

Eliashberg Swami & Wierenga (2009) implemented a decision support system in the movie industry relating to the problematic effort of scheduling the release of films. They state "the implementation is in an organizational culture that is dominated by

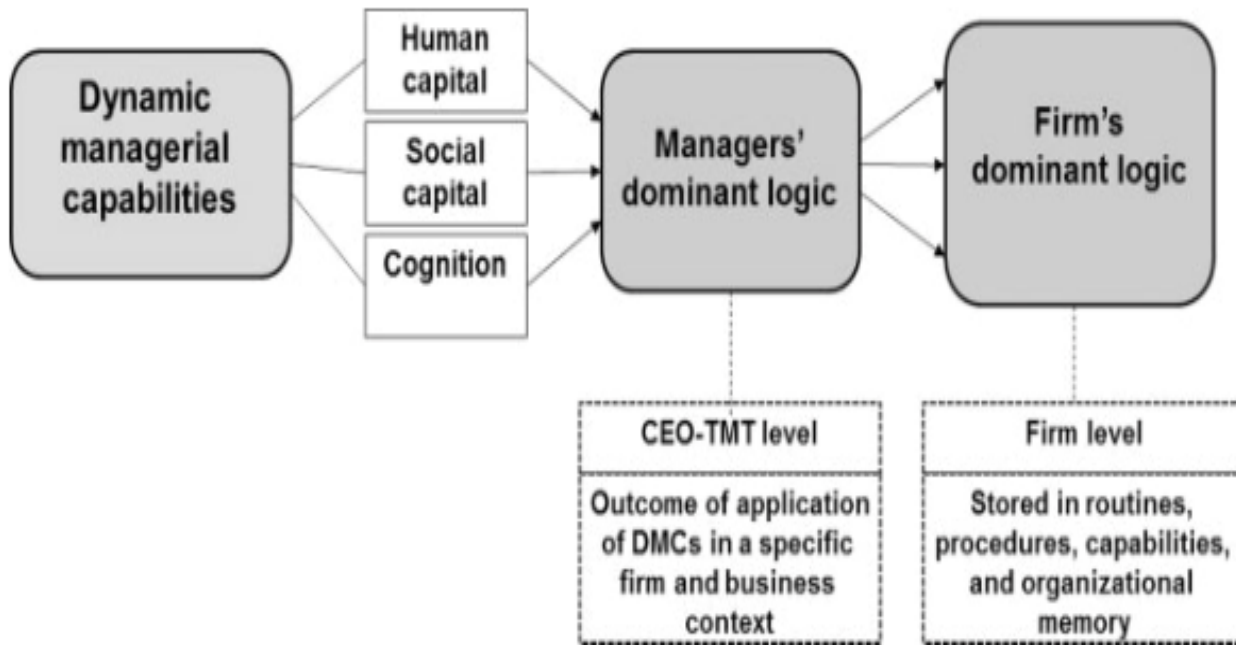
intuition rather than modeling and possibly not a positive a-priori attitude toward decision support systems” (Eliashberg et al 2009: 1). While intuition is highlighted, a more appropriate approach to the study would be through managerial judgment literature. Their analysis showing “decision support system was estimated to improve the net margin by over US \$900,000 annually” (Eliashberg et al 2009:1) acts as a tool to aid in the judgment of managers, but not a replacement. Similarly, Hadida & Paris (2014) state managerial cognition and belief systems are “influenced by industry contexts and managerial frames (industry logics), and by the collective mindset of an industry, defined as mental models shaping managers’ thinking within a given industry and influencing decision-making processes and outcomes” thus revealing a gap between how the manager perceives, processes, and enacts decisions and judgments within environments of high uncertainty and continuous change (Hadida & Paris 2014: 9). Given the recognized gap and moment of literature within the two respective streams, research questions emerge.

Additionally, Beck & Wiersema (2013) proposed a link of dynamic managerial capabilities to the overall firm strategy and strategic decisions made by individual managers. Figure 2.0 created by Beck & Wiersema (2013) illustrates the connectedness between the individual manager and their dynamic managerial capabilities, and the firm strategic decisions and ultimate firm performance. The underlying assumption of their research argued that managers “identify or measure the specific knowledge and skills necessary for better firm performance, past experiences that serve as likely sources for this knowledge and these skills will increase the probability that the required level of expertise in the requisite knowledge and skills will exist, and lead to higher levels of firm performance” Beck & Wiersema (2013: 3). While they highlighted the importance of firm and

managerial decision-making and the origins behind the dynamic managerial capabilities, these decisions were removed from the overall manager's dominant logic and context to which managers made decisions.

Building off the premise of recipes and decision-making, Kor & Mesko (2013) advance the current structure of dynamic managerial capabilities by linking in firm and managerial dominant logics into the framework as represented in Figure 2.0.

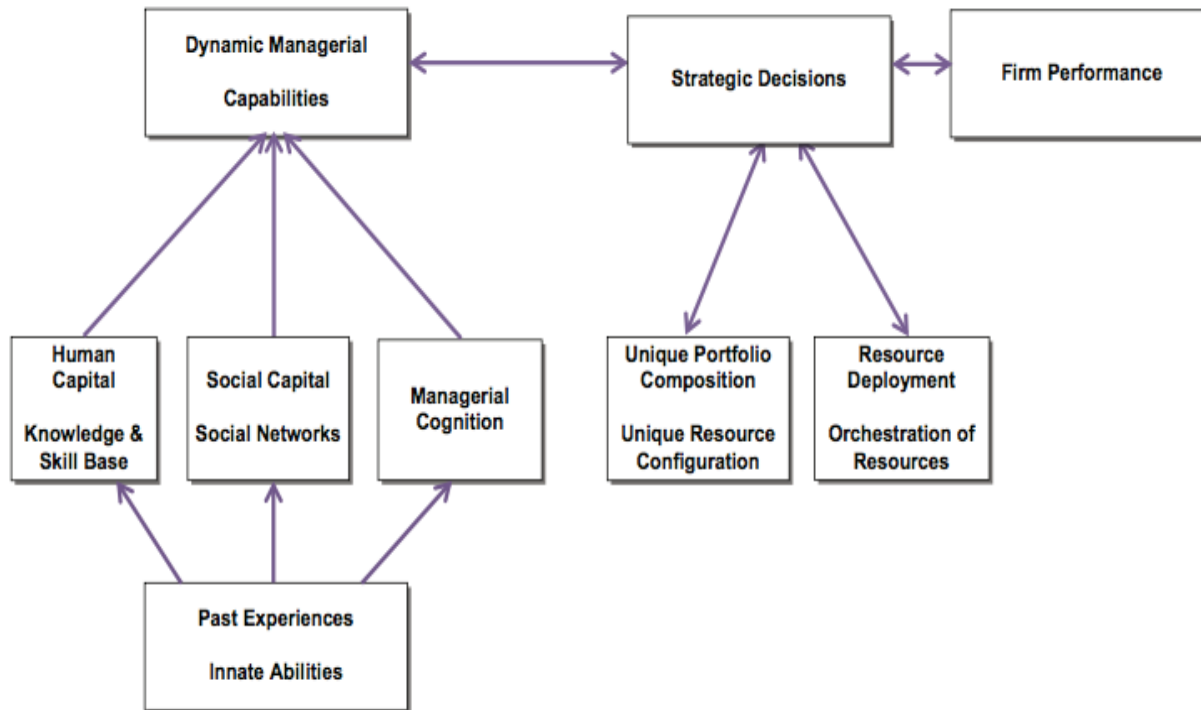
Figure 2.0 Managerial capabilities and the emergence of firm's dominant logic



Cited: (Kor & Mesko 2013)

Figure 2.1 illustrated dynamic managerial capabilities serves as an information filter and ultimately affect deployment decisions having a bearing on a manager's dominant logic. While Kor & Mesko (2013) identified a link between dynamic managerial capabilities and the manager's dominant logic, they did not identify how manager's dominant logic and a firm's dominant logic are affected after decisions are deployed. In addition, they argued that dynamic managerial capabilities are inputs to a manager's dominant and firm's dominant logic.

Figure 2.1 Dynamic managerial capabilities and firm strategy



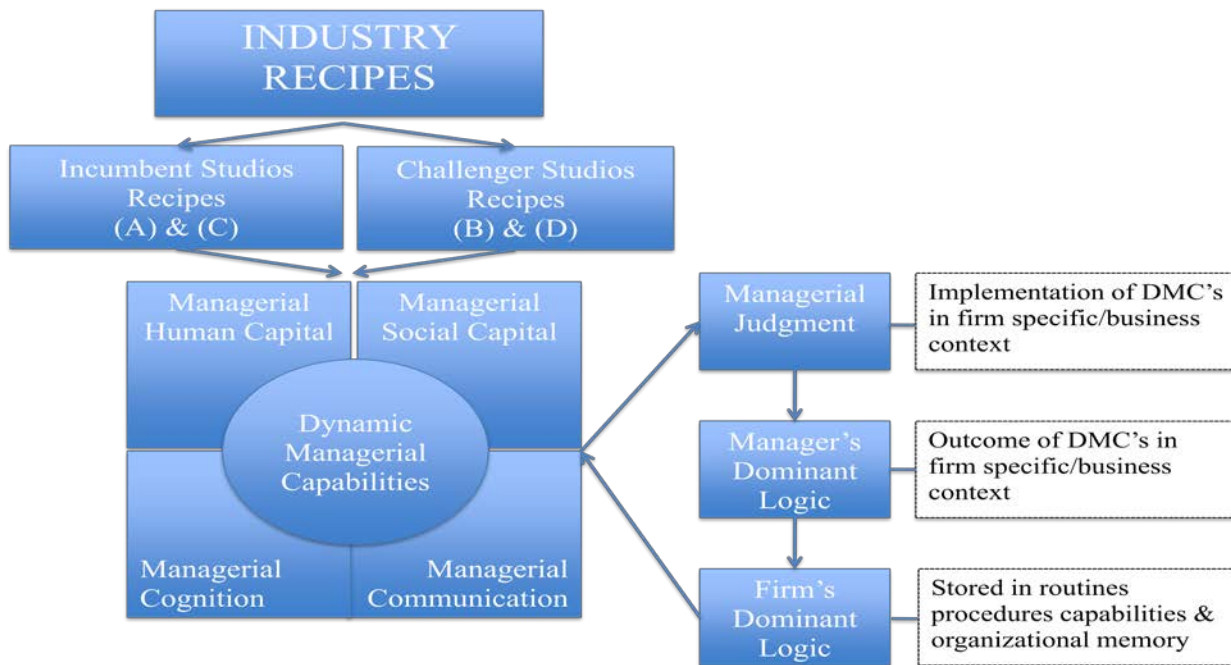
Cited: Beck & Wiersema (2013)

When managers encounter judgment decisions making them an envoy of the firm, they will likely draw upon their own understanding, expertise and mental models to support the process. The acquisition of “highly specialized managerial skills, expertise, and social capital can lead to enhanced knowledge absorption in a particular knowledge domain, but it can also weaken managers’ ability to recognize and utilize unfamiliar knowledge” (Kor & Mesko, 2013: 240). This limitation concerning unfamiliar knowledge may influence manager’s mental models and decision-making diagrams, coupled with their ability to make significant decisions towards the firm strategic direction. The call for further discussion and thoughtful debate surrounding the “co-evolution of dynamic managerial capabilities and the firm’s dominant logic” along with “the search and selection process that drives managers to invest in, acquire, and dispose of resources to be an important dimension that deserves further empirical investigation” resides in the pairing of the industry recipes theory to dynamic managerial capabilities as a key influencers on dynamic managerial capabilities. Further research could ultimately determine how strategic decision-making process (Kor & Mesko, 2013: 242; Beck & Wiersema, 2013: 10) interacts with dynamic managerial capabilities and industry recipes.

Recipes are used to assist in gathering essential ingredients for creating goods and services. However revising the recipes based on adopted dynamic managerial capabilities and the decision-making process, rests with corporate managers and their judgment on how product/service development relates to firm capabilities. Previously outlined, it was illustrated how dynamic capabilities evolved to incorporate the facet of the manager and their relationship to the firm. That relationship was additionally extrapolated through the decision-making strategies implicated by executives and high-level managers, highlighting how dynamic

managerial capabilities influence those decisions. In addition, a theoretical gap was identified, between industry recipes and their role amongst dynamic managerial capabilities. The following diagram (figure 2.2) is a proposed framework of how the different theories and literatures are inherently linked from the conducted study.

Figure 2.2 Industry Recipe Influence on Dynamic Managerial Capabilities & Dominant Logics



Cited: Author

This diagram represents the extrapolation and analysis of data with the working theories within the literature. Based on the data and prior literature, this framework illustrates Industry Recipes are a direct influence on dynamic managerial capabilities, meaning dynamic managerial capabilities are an output rather than input as prior literature suggests.

In addition, this figure illustrates that recipes are absorbed and process based on position within the marketplace and processed using the dynamic managerial framework. They are then decided upon through managerial judgment. This is the chosen course of action. This action produces an outcome, which is then assessed and appraised through the manager's dominant logic and reassessed and appraised through the firm's dominant logic where it feeds back into the arrangement and structure of dynamic managerial capabilities. The evolution of this topic is discussed in greater detail in subsequent chapters.

2.9 Chapter Summary

This study encapsulates research focused on understanding the phenomenon of managerial decision-makers and their dynamic capabilities as they relate to industry recipes and a manager's dominant logic. Table 2.1 outlines the summary of chapter two.

Table 2.1 Summary of Chapter 2

Chapter Section	Summary
Dynamic Capabilities Literature	Dynamic capabilities focused on processes and resources and removed the aspect of the manager from the equation. It was not until the early 2002's in Adner & Helfat (2002) paper that managerial intent was recognized
Managerial Intent	Managerial intent outlines the aspect and full intentions of manager's in their organization of resources, capabilities, and asset allocation. Managerial intent analyses the why behind the allocation and creation of resources and capabilities.
Dynamic Managerial Capabilities	Dynamic Managerial Capabilities included the aspects of the DMC paradigm, which are Human Capital, Social Capital, and Cognition through the manager's perspective. The DMC theory outlines that those three categories are major DM Capabilities that contribute to managerial intent
Industry Recipes	Recognizing the prior work on managerial intent, dynamic managerial capabilities, and dynamic capabilities; the researcher sought to further understand how all of this worked in the context of an industry. Since decisions often involve a product or service related firm, the researcher decided to focus on the creation of product/services. This recognition came in the form of industry recipes, which is a patterned or modeled behavior that creates a product or service.
Combining the two streams of literature	The framework proposed in the literature review argues that the three aspects of dynamic managerial capabilities, decision-making managers, and recipes all function with one another. The question involves how

Previous literature outlined how managers formulated decisions and what dynamic capabilities assisted in the process. The difference between dynamic capabilities and dynamic managerial capabilities centered on the identification of managerial intent, and how managers employed their capabilities. Those capabilities illustrated that dynamic managerial capabilities encompassed managerial capital, managerial social capital, and managerial cognition. While these three capabilities are established proofs, they are not conclusive or exhaustive in managerial capability functionality, given that managers employ dynamic managerial capabilities regarding decision-making, this research sought to highlight managerial–decision-making within an industry. Managers create or inherit patterns of thinking, reasoning, and frameworks applied to their decision-making paradigms as represented by an industry. These patterns and paradigms are based upon industry norms and adopted amongst managerial decision-makers.

The following questions were a result of the literature review and combination of industry recipes, dynamic capabilities, and incumbent/challenger firms:

(Q1): “What are the industry recipe factors adopted by managers of incumbent and challenger firms in a rapidly evolving environment?”

(Q2): “How do industry recipes of incumbent and challenger firms interact with manager’s dynamic managerial capabilities in a rapidly evolving environment?”

To identify these patterns within a given industry, this research seeks to understand the industry recipe, factors driving decision-making managers within the Hollywood

Film Industry, and how the recipes interact with a manager's dynamic managerial capabilities. This study will outline the methodology adopted to address the research questions and present the methodological structure to understand what recipe constructs are in the Hollywood Film industry, and how these recipes interact with a manager's dynamic managerial capabilities.

CHAPTER 3: INDUSTRY CONTEXT

3.0 Introduction

William Goldman (1983) stated, “nobody knows anything” in the movie business. His quote was altered by Richard Caves to read that “nobody knows principle,” essentially stating that all major and minor studio leadership and executive teams possess a considerable knowledge base regarding market movements and consumer tastes. The industry provides a unique perspective to understanding resource allocation and direction. Table 3.0 briefly summarizes this section, a comprehensive overview of the industry necessary to understand the context of the theoretical research. This ultimately could lead to financial success and critical acclaim in box offices (Caves, 2000, p. 371).

Table 3.0 A Look Ahead

Chapter Section	Summary
The Creation & Rise of the Industry	Outlining the rise of the film industry
Hollywood's Golden Era	Describing the Golden Era through production and structural management of the industry
Declining Studio System	Outlining how the industry transferred from a dominating force to one that was forced to restructure.
Problem Today	The decentralization of the industry has created a lag in evolution rapidity relative to it's sister industries.

3.1 The Creation & Rise of the Industry

The television and motion picture industry was first recognized as a hobby, but quickly grew into a market segment that developed a standardized process of filmmaking (Christopherson & Storper 1986).

The first signs of the motion picture industry within the United States were birthed in New York. This occurred at the turn of the twentieth century as an alternate form of entertainment to Broadway plays and vaudeville shows. As the trade began to circulate across the country, Los Angeles became the destination for independent producers and amateur filmmakers seeking to build a reputation and capitalize on a growing business industry (Alvarez 2005). Rather than being constrained by tiny studios, the cost of building, equipment, and labor in New York, up-and-coming filmmakers, producers, and production artists found the vast amount of open and affordable land of an early 20th century California appealing (Thompson 2006). In addition, filmmakers were not constrained by the size of studios and lots. Instead, they took advantage of California's temperate climate and diverse scenery, allowing for outdoor shooting and the building of large film sets.

Western films dominated the early filming days of Hollywood (from 1907-1920) being the most popular genre of the time (Jarvie 1990). The rise and development for the industry's first growth phase saw few filming operations occurring in Hollywood, instead, studios such as Warner Brothers, Universal, and MGM were located on the outskirts of Los Angeles including Burbank, Culver City, and Studio City. Large parcels of land were purchased to develop back lots, soundstages, offices, and production facilities. As the development of technology increased, sound was soon used as an integrated part of filming, forcing the studios to form a

vertically integrated and developed the first industry structure to what had been a hobby or craft (Kunc & Morecroft 2009). To move into a full service industry, members of the craft raised capital (from nickelodeons, vaudeville, and other areas of the entertainment industry) and filmmakers set their sights on a more diversified mass-market audience, those emigrating from Europe around the turn of the century.

The motion picture industry is traditionally seen as a service oriented creative industry, however, when sound technology became a fully integrated component into motion pictures, studio executives modeled their productions after the assembly line created by Henry Ford. Motion pictures were not seen as an art form rather, they became structurally defined as an entertainment product, which still holds true today. Executives viewed their studio as manufacturing products rather than providing a service, for example, in the early nineteen hundreds, rising studio Universal Film Manufacturing Company produced over 250 films in their first year of operations (Christopherson & Storper 1986). This turn in development prompted Griffith Art Studio to condense and consolidate their operations and move away from craft-based productions. They sold films based upon content and genre and created a fully integrated systematic motion-picture process production studio selling their films by the foot (measurement of length regarding film reels).

Two original founders of the studio system in the motion picture industry were key players in standardizing the industry. Adolph Zucker, the founder and CEO of Paramount Pictures in Hollywood, and Thomas Ince standardized the process of film production from conception to distribution. Ince adopted the assembly line model that became the standardization process throughout the industry. Realizing he

could create his own products, Ince set out and founded a studio in Palisades, California known as Inceville (Laemmle 1989).

3.2 Hollywood's Golden Era

From his studio headquarters, Ince created and produced over 800 western films. He was nicknamed the “Father of the Western” revolutionizing the role of producer within the production assembly process. He created what is dubbed as the formula picture which became an industry standard. Understanding the business, he shaped a management philosophy streamlining and separating the firm’s process from conception to execution. The result disrupted the production model of filming. The traditional model of filmmaking is a sequential process from the first scene to the last. Ince changed to out-of-sequence shooting using the same backdrop or structure to minimize cost of shooting and filming (Laemmle 1989). This was viewed as a more efficient way of filming as Ince worked from a cost basis rather than the traditional artistic method.

Along with streamlining the process and providing more defined roles (both creatively as well as business), Ince and his Hollywood colleagues established what The Star System to differentiate themselves from the competition and create a corporate and firm identity. Using this system of management, Ince and his counterparts sought out individual talent and signed them to a studio contract on a per-movie basis. Their appeal as a celebrity would determine the length of the contract, salary, and productions scheduled for shoots. Many of the studio heads sought out individuals who were not well known and established them as motion picture icons and stars. The structure of Ince’s management style and complete

vertical integration of production, filming, and distribution was the dominant business model until the end of the 1940's and further established the studio system. This period of Hollywood is known as the Golden Age due to the enormity of productions created and produced for the mass markets (Laemmle 1989).

Throughout this industry, business and social structures emerged, making movie production a territorial based industry centered within 50 miles radius. Studio executives and producers often mingled at social functions throughout Los Angeles fostering anticipation among all employees who expected steady work and stable employment environments. It also created rooted communities of craftsman, technicians, entertainers, and musicians. As reputations began to develop, skills and networks were handed down within families, the father passing his skill set to his son in the form of apprenticeships.

As Christopherson & Stroper (1986) stated "entry barriers to someone not already in the industry were enormous. Crafts were small, and, with the exception of a few occupations, exclusively open to white men," thus a firm socio-economic hierarchy was established throughout the industry making relationships and networks the currency of the industry. Structurally speaking, all studio capital was kept behind the organizational walls. Major unions and guilds successfully established a presence throughout the industry in the 1930's providing a more succinct framework to the physical production and creation of film projects. Vertical integration of the system reduced risk of financial loss on film projects, thus by 1944 the major studios, five in total, had a cumulated domestic theatrical market share for film rentals to theatres estimated at 73%.

These five major studios had financial and ownership stakes in roughly 4,424 theatrical cinemas, accounting for 24% of the entire theatrical cinema market. The theatres owned and operated by the studio included an estimated 70% of theaters known to conduct primary runs of film projects, meaning they were the first to get the property and showcase it to the market. These primary theaters or first-run theaters as they are widely known, represented approximately 92 cities across the United States with estimated populations of over 100,000 individuals. These figures equal over half of the total receipts from U.S. box offices. In some of the major cities across the U.S. the five major studios owned nearly 100% of the distribution rights.

These studio systems became so sophisticated in distribution, rival firms had large barriers of entry due to monopolistic control of the industry.

3.3 Decline of the Studio System

Two major events occurred to destabilize the studio model created at the turn of the century. The first major incident was the Paramount Decision lawsuit which involved the US Government vs. Paramount Pictures (1948). This lawsuit held that the studio system operated as a monopoly based on production and distribution ownerships of theatrical distributors. The outcome, which ruled against Paramount and the studios, ended the risk-free environment for the film studios. Each new film the studios now produced had an inherent risk of financial failure. The elimination of market control forced studios to be more selective and strategic with the material created and distributed. The studio responded by creating less material. The lack of

economies of scale contributed to the slashing of production and thus, studios had a difficult time containing the overhead and costs for large studio lots.

The second major event that changed the functioning environment of the studio model was a shift in consumer demographics and a dispersion of citizens to urban areas throughout the US. Cinema theaters were now concentrated in the city centers and television ownership was on the rise (Miller & Shamsie 2008). Television ownership initiated a new segment in the entertainment market. It provided all individuals in urban and city areas a second medium of entertainment. During the 1940's-1950's, television rose to be a significant consumer choice, while feature films declined in sales by almost 50% (Christopherson & Stroper 1986). To counter the rise of television and adapt to the urbanization of the country, studios began making market segmented features based on audience and demographical preferences (Gomery 1991). Differentiation between television and feature films became the focus of studio executives. Further product differentiation formed through new integrated technologies such as high definition color and sound, new cinematography shots, and inventive story lines, all unused by television at the time. As studios began to focus on the specific attributes of film and the skill sets differentiating artistic talent, a disintegration of the contractual agreements between creative artists and workers and the studio took place.

The industry crept from an employee-based to a project-based environment, contracting out to professionals working on a project basis rather than a contractual basis. Studios reduced a large portions of staff, but retained small numbers of contractual creative and management executives to develop immediate projects. The industry experienced vertical disintegration in area of production. Distribution

process for feature films stayed consistent until the first Video Home System (VHS) was introduced creating a new market for home entertainment (Mast 1992). Studios quickly calculated the cost of VHS sales into forecasts and capitalized on the technological revolution sweeping the country. While disruptions occurred in the production of film making, and the creation of new revenue streams via the home-entertainment through television and VHS tapes, the overall distribution process remained untouched throughout the life of the entertainment industry until the late 1990's.

3.4 Conclusion

The rise of the technological era brought about challenges and larger levels of turbulence for the entertainment industry. When new channels of distribution such as the Internet, file sharing, and the proliferation of entertainment via online platforms such as Napster or Limewire emerged from the technological renaissance, it disrupted and continues to disrupt the established entertainment markets. Piracy emerged making all studios victims, with a loss of 100's of millions of dollars in revenue. Another issue experienced by motion picture studios was the resurgence of television, particularly the television series. Cable companies began producing television series and full-length films. Table 3.1 highlights the summary of this section.

Table 3.1 Summary of Chapter 3

Chapter Section	Summary
The Creation & Rise of the Industry	The Hollywood Film industry started off as a craft in NYC during between shows on Broadway. This quickly blossomed into a movement which eventually moved out west due to the cheap land and wide spaces that were available for film lots and studios
Hollywood's Golden Era	The Golden Era consisted of studios maximizing their profits and influence due to their overwhelming control of the product life cycle within creation and distribution process of motion pictures.
Declining Studio System	After realizing the enormous amount of power and influence the studios possessed, the government stepped in to decentralize the process of motion picture creation and distribution. This transitioned the industry from a vertically integrated structure to a horizontally structured industry
Problem Today	Due to the decentralized structure of the industry and rapidly advancing markets and sister industries, the Hollywood film sector is failing to transition and successfully move into the 21st century given the gravitas of changes surrounding the industry.

In addition to the technological advances and challenges faced by the studio system, the emergence of the middle class and purchasing power of individuals in the overseas market shifted the focus of studio production teams from catering to the U.S. domestic market exclusively and onto larger profit margins from moviegoers overseas. International markets emerged as major cash cow markets for exported entertainment materials. According to the Motion Picture Association of America Annual Report of 2015, the international market grew 21% over the last five years (MPAA 2015). With the emergence of the international markets, the US domestic market was now viewed as a market to recoup costs and breakeven for blockbuster films.

As market power shifted and distribution channels and platforms disrupted the established distribution industry, film executives experienced high levels of volatility and turbulence. The levels of unpredictability were high and pressure mounted to close financial gaps affecting revenue, jobs, and the sustainability of the studio model of the 21st century.

CHAPTER 4: METHODOLOGICAL JUSTIFICATION

4.0 Introduction

The previous chapter provided a literature outline of dynamic managerial capabilities and industry recipes as it pertains to management. In addition, the literature is contextualized within the firm related issues of decision-making among studios in the Hollywood Film Industry. From the literature, two major research questions are outlined below:

(Q1): “What are the industry recipe factors adopted by managers of incumbent and challenger firms in a rapidly evolving environment?”

(Q2): “How do industry recipes of incumbent and challenger firms interact with manager’s dynamic managerial capabilities in a rapidly evolving environment?”

From these questions, the following chapter delineates and demonstrates the methodology utilized by the researcher. In this case, the rapidly evolving environment is the Hollywood Film Industry. The first section outlines the philosophical position based on the structure of the questions. The second section addresses how the study was conducted. The third section explains the chosen exploratory method, followed by an explanation of the various case study methods. The context for the study is the Hollywood Film industry, more specifically, incumbent studios possessing a variety of resources and capabilities and challenger studios seeking to disrupt those resources and capabilities. The Hollywood Industry is further explained and explored, providing justification and support of the case studies. These case studies are outlined along with the methods used to collect the data. In addition, a variety of techniques are outlined followed by the ethical position of the research.

This chapter outlines the justification for a comparative case study using an inductive and interpretive method of exploration and understanding based on the proposed research questions. Furthermore, the research questions are used to justify the methodological selection of four case studies, semi-structured interviews, and text analysis. The research questions are addressed once again to better explore and understand the process behind studio's inherent recipes within the Hollywood Film Industry. Finally, the cases are outlined and the methods are discussed regarding how the questions will be answered.

The research questions outlined are the what and how questions. When dealing with questions asking what, this presents a particular exploratory and descriptive paradigm a researcher must choose (Dubois & Gadde 2001). Similarly, a how question acknowledges the researcher will explore and understand a phenomenon, providing description surrounding its functionality (Strauss & Corbin 1991). Table 4.0 outlines a brief overview of the chapter.

Table 4.0 A Look Ahead

Chapter Section	Signaling
Philosophical Underpinnings	This section identifies how the research questions were constructed and how they will be answered
Epistemological and Ontological Assumptions	The researcher discusses different outlooks and positions of research avenues such as interpretivism, objectivism, positivism, and realism. In addition, various methods were discussed such as the Verstehen Method and hermeneutic approach.
Research Approach	The debate is laid out between deductive or inductive approaches to the research questions designed along with the type of data that would be collected
The Case Study Process	The case-study process was chosen and proper debate over single or multi-case approach is provided in this section
Data Collection & Analysis	Data was collected through semi-structured interviews using the snowballing method. Four case studies were chosen within the Hollywood Film Industry. Two incumbent established studios and two challenger minor studios. A break down of participants and their attributes are represented in this chapter. Analysis of the data was provided for using a two-part approach with SPSS Text Analysis software. This method focused on axial coding and understanding of patterns and procedures as well as themes
Research & Construct Validity	Credibility and ethical standards were adhered to base on the Academy of Management ethical guidelines as well as the University of Edinburgh Ethics form and standards. Validating constructs through prior theory is also outlined and discussed.

Since this thesis seeks to understand what the factors are for studio's industry recipes, and how those recipes interact among a manager's dynamic managerial capabilities.

4.1 Philosophical Underpinnings

While the core of this study was defined, addressing the fundamental issues required refinement. The research needed two components, one descriptive of the industry and the second focusing on the phenomenon of decision-making. To clarify how the questions should be framed, the researcher sought out information from philosophical paradigms. Paradigms are referred to as the adopted global perspective or belief structure that directs a researcher and their research archetype (Bak 2011). This is directly linked to the research questions addressing what and how in this thesis. The root of each research question within this study can best be described as the philosophical understanding directly impacting the research (Schwandt 2000). Thus, the questions dealing with what and how provide critical direction regarding the evolution of the research study.

The two questions possess a philosophical portion of research which refers to the conceptual roots undergirding the quest for knowledge and the implementations of paradigms that underpin the adopted philosophy. Both questions address "a set of interrelated assumptions about the social world which provides a philosophical and conceptual framework for the organized study of that world" (Ponterotto 2005: 127; Filstead 179: 34). Each question, along with the philosophical perspective and adopted paradigm, impact the approach to the study. In addition, the adopted paradigm influences the chosen research instruments, the participants of the study,

and ultimately the methods themselves (Denzin & Lincoln, 2000). When formulating these two questions, opportunities developed surrounding “which paradigm is the most suitable choice for the study under investigation” (Bak 2011: 76). The following section will highlight the adopted philosophy and various paradigms and archetypes explored.

4.2 Epistemological & Ontological Assumptions

A variety of epistemological positions were assessed before proceeding with this research study. Some of the more accepted archetypes include: positivism, interpretivism, and realism/critical realism. These three archetypes were thoroughly researched and interpretivism was found to be the best epistemological position based on the need to understand, describe, and interpret a phenomenon. Interpretivism is discussed in more detail along with the other corresponding epistemologies.

The first epistemological assumption investigated was positivism. Positivism was considered due to the description of firms existing as a part of society and existing within the society where data can be collected and analyzed (Pugh 1983). This method was seriously considered due to the nature that film studios existed in the Hollywood film industry and data on films was easy to gather. However, when researching the formal logic method, the researcher must develop hypotheses and compare them to one another then deduce new options while applying hypothetical-deductive logic. It was apparent that assumptions were necessary to move forward and this study was one that would emerge from the data (Copi 1986, Fiegl 1970, Barker 1969, & Hanson 1969).

Within the positivist realm, there are four propositional and theoretical requirements needed for positivist consistency. The first is falsifiability, which involves seeking observations not focusing on the confirming theory. It is possible for observations to confirm a multitude of theories, but seeking observations that disprove a theory is also conceivable (Erickson, 1986; Lakatos, 1978). Second, logical consistency, which includes observations, can be deduced for theoretical hypothesis before being tested in an empirical realm (Lee 1991; Taylor 1979). The third fundamental principle for positivism consists of the use of relative explanatory power. A proposed theory must decipher and describe the proposed theoretical outline as well as provide consistent thought development surrounding the overall subject (Bednar et al., 1992). Lastly, survival is the final requirement for positivist archetype, meaning the theory must be put through empirical testing and measured on whether the theory survives scrutiny. Within the context of the proposed research questions, the data and findings would emerge as a natural organic process. There was no need to outline a proposed theory if the data and theory itself was not set. While positivism presents a robust archetype for philosophical positioning, it did not suit this study so other positions were considered for the research study.

The second archetype considered for the research was interpretivism. Interpretivism illustrates methods utilized to study aspects of the natural world are incompatible for studying the social world (Lee 1991), and represents a substitute to the traditional positivist convention. This concept aligned well with the proposed research questions because the study focused on the social world of the decision-making managers within their given natural world being the Hollywood Industry. To describe, understand, and conceptualize the interaction of industry recipes and

manager's dynamic capabilities through the scope of the decision-making manager, the interpretist must use a systematic approach signifying the art of asking, listening, and interpreting (Upadhyay 2012: 125).

Interpretivism derives its beginnings from anthropology where Geertz (1973) utilizes the concept to understand social actors by "the interpretations to which persons of a particular denomination subject their experience, because that is what they profess to be descriptions of; they are anthropological because it is, in fact, anthropologists who profess them" (Geertz 1973: 4). Thus, the proposed research questions can be framed through an interpretivist position based on phenomenological sociology, hermeneutics, or ethnographies (Lee 1991). The phenomenological approach holds the position that meaning is derived and created from the human subject, and researchers should seek to understand the "social action in order to arrive at a casual explanation of its course and effects" (Weber 1947: 88) otherwise known as the Verstehen approach. This would provide the research with description and explanation of the phenomenon.

The Verstehen approach embodies two specific values. The first is represented as understanding from observation (Lee 1991). This attitude of understanding extends to learning how "people in everyday life come to interpret and understand how they function in the world" (Lee 1991: 348). In addition, the Verstehen approach accounts for the researcher's observation and point of view, making room for other interpretations and analysis (Lee 1991). Moreover, the Verstehen method focuses on "the common-sense thinking of everyday life, the life world, the natural world, and the scientific attitude" of life (Lee 1991: 348; Schultz 1973; Berger & Luckman 1967).

However, a criticism that social scientists encounter when applying the Verstehen approach involves the researcher's cognitive understanding when seeking to interpret the observations of the subjects (Berger & Luckmann 1991). The hermeneutical adoption of interpretivism is often represented in scholarly works within religious and literature manuscripts, focusing on meaning imparted by the writer within the text given the particular time and culture the text was written. Thus, the hermeneutical method is "used not only in the reading of texts, but also in the reading of human behavior" (Tice & Slavens 1983: 293-299). While this method may provide an opportunity to understand a greater portion of human behavior surrounding this phenomenon, the study does employ the use of testimonials of individuals acting within this social world.

One reservation of the hermeneutical approach is that a reader of the text may interpret a certain passage from the entire text, however one must read the whole text to have a contextual understanding of the totality of the passage (Bernstein 1983). Thus, if the passage is not seen or read in its totality, the researcher risks altering the contextual meaning through independent interpretation (Taylor 1979). In addition, understanding the human behavior and social settings of actors means these observations are "inextricably linked to the meanings of all other passages or the meanings of all the other human social behavior in the same setting" (Lee 1991: 349). Understanding this context, the hermeneutical approach was ruled out. The researcher could not assume the observations and behavior would be properly linked.

Finally, the ethnographic adoption of interpretivism involves the interpretation or understanding of human behavior within a given context or setting (Lee 1991). A

variety of authors cite that ethnographies illustrate distinctions between the observer's cognitive processing of events and subjects cognitive processing of events, thus drawing on the distinction of observer and the limitations experienced in emotion and vested interested versus a participant who may be emotionally and professionally invested in the studied phenomenon (Geertz 1983; Sanday 1979; Taylor 1979). Thus the two distinctive positions involve emotional investment similar to observed participants versus clear study parameters and boundaries that separate the participant from the events and social context (Schwandt 2003).

While an ethnographic approach would provide rich detailed observation and data, conducting a ethnography on four separate studios to answer two unique questions proved to be infeasible due to time, location, and policy constraints imposed on the researcher by the firms represented in the case studies. However, an interpretivist epistemology utilizing a phenomenological approach provided the best fit to answer the two research questions. While interpretivism may prove successful, it is still pertinent to examine the third epistemological assumption, realism.

Realism argues when employing suitable methods, the reality of the natural and social world can be understood (Bryman & Bell 2011). Bhaskar (1992) an expert on both realism and critical realism stated that realism "fails to recognize that there are enduring structures and generative mechanisms underlying and producing observable phenomena and events" (Bhaskar 1989: 2). Critical realism is an unambiguous category of realism that reasons the understanding of the world if focus of observers is centered on structures that generate innumerable social and natural actions and phenomenon (Bhaskar 1992). This epistemological position seemed satisfactory as it recognized a structured world, and independent actors who

govern social phenomenon. This equates with the formulation of the research questions. Critical realism requires a reluctance of the reader to detach from the discourse that true features of social realism are plausible (Mir & Watson 2001). Critical realism is a different technique undertaken amongst epistemological, ontological, axiological matters triggering the use of casual language to illustrate the existence of the world (Easton 2010). When seeking answers to the research questions, casual language is pertinent to understanding the phenomenon through the social actor's perspective.

In addition, Sayer (1992; 2000) is a principal voice in the critical realism approach and highlights several conventions about the methodology: 1) the world's presence is sovereign of our knowledge 2) the understanding and knowledge of the world is imperfect and theory laden 3) knowledge is not advanced completely through the assembly of truths nor is it similar to fluctuations amongst universal notions 4) necessity exists within the world 5) the world is differentiated and multi-faceted 6) social manifestations such as activities, language, and establishments are theory reliant 7) science or knowledge formation of all categories is a social implementation 8) the social sciences have a duty to be precarious of its research piece (Easton 2010).

While realism/critical realism may be an acceptable choice for this study, interpretivism is the best-suited epistemological structure to answer the proposed questions due to the need to understand a given social phenomena in a given context. In addition, this study will utilize the social actors to describe the phenomena from past and current experience. This highlights the personal connection and influence between the social actors and the phenomena.

With the review of three major philosophical archetypes represented as the epistemological foundations, the researcher sought to understand how the ontological coupling to epistemological positioning affected the overall validity of the research questions. When engaging in philosophical approaches otherwise known as the ontological considerations, a variety of research was considered. Two major ontological paradigms were considered: constructionism and objectivism. Based on the desire to interpret research provided by social actors from the first descriptive question, and the need to understand and explore the phenomenon of industry recipes and dynamic managerial capabilities, constructivism was chosen as the best ontological paradigm for these questions. The two major ontological paradigms are discussed below.

Objectivism is the first philosophical approach used to illustrate and understand social phenomena (Dick & Carey, 1996). This position emphasizes that the natural world exists, it is tangible, and can be understood by the learner. The questions posed address specific structures of identifying knowledge and understanding and how they are assembled and executed. Objectivism centers on the specifications of understanding the existence of knowledge and how it is attained (Bourdieu, 1977; Giddens, 1984)). Objectivism is centered amongst realism, which focuses on the reality of a world removed from human experience, but allows humanity to become learners and assimilate amongst the world Perkins (1998). This particular paradigm does not suite these questions due to the separation of the world from the human experience. The questions illustrated in this study are specifically structured to describe the factors related to a phenomenon and describe how it acts within the world and how the actors interact with it. Thus, objectivism focuses on “the purpose of the mind which is to mirror reality and structure” (Jonassen 1991: 7).

A firm or corporation can be assessed as a substantial object that has processes and procedures to achieve goals and produce products and services. Within those structures are individuals that are assigned to implement and carry out the duties. A firm is also comprised of values and ethics by which its ethos is formed. In addition, culture plays a significant role in objectivism positioning. These cultural circles or subcultures within society embody a set of ideals and beliefs having a variety of characteristics that are objective to the reality. While objectivists focus on understanding and assimilation into an external world, a critical focus of objectivist theory is learning and knowledge. It is recognized that “knowledge consists in correctly conceptualizing and categorizing things in the world and grasping the objective connections among those things and those categories” (Lakoff 1987: 163).

This knowledge or the process of educating one’s self on the world involves modeled structures that are consistent with the representation of the reality surrounding the existence of the world. In addition Objectivism views the human mind as nature’s computer processor, thus making the mind and human thought process separate from the actual human body that exists (Vrasidas 2000; Lakoff 1987). The integration of knowledge and the act of learning and knowledge absorption is “achieved when the abstract symbols that the learner came to know correspond to the one and only real world” (Vrasidas 2000: 3). Thus, this knowledge transfer is completed through some form of communication, which focuses on singular transactions amongst anonymous parties, outlining that “Human interaction and communication are stripped down to what is considered its essence — the transaction of disembodied objects” (Huizing 2007). The representation of objects existing in reality can best be described through the example of roses. Roses by definition are representation of flowers comprised of various chemical and physical

properties with represented colors and configurations with thorns. No human gifts a rose due to its inherent thorns; rather it is gifted due to the symbolic nature the rose represents (Tsoukas 2005). Therefore, objectivism focuses on the external reality and how knowledge is absorbed and communicated to human beings.

Constructionism or social constructionism as it is also known, emerged as a way to reconcile the relationship between reality and nature (Andrews 2012). Given the two research questions seek to describe and understand, constructionism is preferred because it espouses that knowledge and truth are produced rather than discovered (Schwandt 2003). This aligns with the adopted premise that concepts are adopted rather than constructed regarding the established reality within the world (Berger and Luckmann 1991). Reality through a constructionism lens is viewed as the everyday experiences of the natural world, thus emphasizing the senses that comprise individuals' humanity and what it means to be human instead of scientific facts (Hammersley 1992). This understanding of experiences relates to how the questions are constructed and to whom the questions are directed toward based on knowledge creation and construction. Constructionism focuses on the aspect of constructing knowledge through experience (Charmaz 2000), thus this research requires accounts from individuals associated and apart of the phenomenon to construct the what and describe the how. Berger & Luckmann (1991) specifically emphasize the use of knowledge relative to the relationship with nature utilizing research focused on labor division and the impact amongst economic variables regarding the rise and implementation of knowledge amongst people and society. With the proposed questions, the issue of knowledge gathering and understanding is expressed in the what and the implementation of knowledge is represented in the how.

Socialization and knowledge is a contributing factor amongst constructionism theory, illustrating that an individual's identity is formed through the social interaction and integration within a given society (Burr 1995). Burr (1995) further outlines that language plays a critical role in social constructionism and integration into society, providing a medium to express an individual's thoughts, feelings, experiences, and understanding of a given social context. Thus, Burr (1995) argues that language contributes to the structure of experience and how individuals view those experiences as it relates to the world. Thus, social constructionism emphasizes how individuals utilize language to create and assemble their reality. This particular paradigm fits well with the interpretive method of describing and understanding a social phenomenon.

4.3 Research Approach

Given the research questions of this study, the best approach involved adopting an ontological constructionist perspective based on how the world exists within the research question and is followed by an interpretivist epistemology, outlining how the knowledge is assessed. This line of philosophical reasoning aligns with the research questions and approach based on Jonassen (1991: 58). The scholar outlines a comparison between objectivist orientations with the constructionist paradigm in Table 4.1 highlighting the assumptions in both approaches.

Table 4.1 Assumptions inherent in Objectivism & Constructivism

	Objectivism	Constructivism
<i>Reality (Real World)</i>	External to the knower; Structure determined by entities properties and relations; structure can be modeled	Determined by the knower; Dependent upon human mental activity; Product of mind; Symbolic procedures construct reality; Structure relies on experience/interpretations
<i>Mind</i>	Processor of symbols; Mirror of Nature; Abstract machine for manipulating symbols	Builder of symbols; Perceiver/interpreter of nature; Conceptual system for constructing reality
<i>Thought</i>	Disembodied: independent of human experience; Governed by external reality; Reflects reality; Manipulates abstract symbols; Represents (mirrors) reality; Atomistic: decomposable into "building blocks"; Algorithmic; Classification	Embodied: grows out of bodily reality; Grounded perception/construction; Grows out of physical and social experience; Imaginative: enables abstract thought; More than representation (mirrors) of reality; Gestalt properties; Relies on ecological structure of conceptual system; Building cognitive models
<i>Meaning</i>	Corresponds to entities and categories in the world; Independent of the understanding of any organism; External to the understander	Does not rely on correspondence to world; Dependent upon understanding; Determined by understander
<i>Symbols</i>	Represents reality; Internal representations of external reality ("building blocks")	Tools for constructing reality; Representations of internal reality

Cited: Jonassen (1991: 58)

The constructivism approach emphasizes how knowledge is constructed and discerned within the research questions. The knowledge is constructed from the research questions first by description and then by action. When reviewing both objectivism and constructionism, objectivism was outlined as a position where social phenomena are completely independent and separate from the social actors (Vrasidas 2000). Constructionism emphasizes that social phenomena and the significance behind them are inherently linked to the social actors that execute the actions surrounding the phenomena (Eastmond & Ziegahn, 1996). When analyzing the phenomena and context behind the research questions, it became apparent the actors and the phenomena were linked. Thus, constructivism proved to be the best ontological approach.

The epistemological paradigm was determined based on the need to understand the descriptive factors for question one and the action taken through question two. Interpretivism was determined as the best paradigm for this project due to the use of social actors to understand the description of the overall industry recipe and interpret action of the phenomenon (Choo, 2006). Realism was not deemed as an appropriate approach for the research questions. The questions did not seek to understand reality because the social actors within this study are the ones who are explaining the reality of decision-making within the environment (Lakoff 1987). Positivism is a difficult paradigm to illustrate, with five major factors outlined such as knowledge confirmation through sensory awareness, hypothesis generation, fact gathering, objective gathering of facts, and distinguishing between scientific and normative beliefs and statements. While positivism could be applied to this study, the questions do not outline a hypothesis, so interpretivism was a better fit due to the use of social

sciences in understanding the subjective meaning of the social actors involved within the phenomena (Cobb 1994).

In addition to the various research archetypes presented, the ontologies and epistemologies represent a relationship between theory and social nature as it pertains to the questions (Bryman 2008). These relationships are defined as inductive, deductive, or abductive in nature (Blaikie 2008). When assessing the proposed questions and all three relationships, the chosen approach would ultimately determine the methods and correlation to the knowledge my research project would assume (Steedman 2000).

Deductive research is viewed as the most common relationship among theory and the social world regarding research (Upadhyay 2012). It answers questions that are primarily why in nature, focusing on prediction. This research perspective is often paired with a hypothesis drawn from an already established domain of research (Graham and Hardaker's 2000). Abductive research strategy generates an understanding of a social phenomenon from rich descriptive from everyday activities (Blaikie 2010). Abductive research strategy can be defined as “the construction of theories that are grounded in everyday activities, in the language and meanings of social actors” (Ong 2013: 422). These predominantly answer what and why questions.

While an inductive strategy maybe appropriate in addressing the research questions and the context, the study utilizes existing theory within the questions and seeks to better understand the fit between the theory and phenomena. Inductive research strategies answer questions that are what and why in nature. Thus, theory is

generated from the observations and findings employed throughout the research. Given the research questions are a what and how in nature with no hypothesis drawn, this is an appropriate fit for the study. Inductive research seeks to gather observations and findings from participants or primary resources before relating it to a theory (Maturana & Varela 1980). It is imperative the right research approach fit with the research questions and goals outlined and intended. Lincoln & Denzin (2005) along with Asvoll (2013) express the importance regarding how “paradigms equate with theory; and how the qualitative researcher approaches the subject with a framework (theory, ontology) and a set of questions (epistemology) that are examined in specific ways (methodology)” (Asvoll 2013: 294).

The research questions within this project embody an inductive research approach. Inductive research strategy blends well with the constructionist paradigm and is one of the reasons it will be adopted for this research project (Blaikie 2009). Inductive qualitative strategy refers to a stream of experience from different areas whose evidential value needs to be estimated by the investigator (Asvoll 2013: 293; Pierce 1960). Utilizing the questions of both descriptive factors and explanation of action, the study is able to draw on the common language and experience surrounding the participants of the phenomenon.

Language is a major precursor in to searching for patterns or meanings and as a medium of practical activity embodied by the subjects of analysis (Giddens 1976: 155). Inductive theory building “is connected to social constructivist paradigms and can be used for both theory testing and theory building” (Yin 2008), and yet “there is no distinction in describing the process steps even though the theory-tester and the theory-builder start from different points” (Yin 2008; Lee 1989; Asvoll 2013: 295).

The research questions posed in this study seek to explain and understand how incumbent and challenger firms define an industry recipe. In addition, the questions embody a need to understand how the recipe and dynamic capabilities of a manager interact when utilizing the recipe during the green-lighting process. This process is also known as the selection board for films. It encapsulates the studio's slate of investments for coming fiscal year. Out of this phenomenon, the two questions were forged involving what factors make up the recipe of these decisions, and how do recipes and dynamic managerial capabilities function within this process of both incumbent and challenger firms. For these reasons, and the need for the researcher to understand the pattern of the phenomenon, an inductive strategy was chosen.

With the research philosophy and paradigms established, it is important to discuss and determine the appropriate methods aligned with the study. In the following section, the researcher will discuss qualitative and quantitative methods and determine which method is best suited for the objective this research seeks to accomplish.

4.3.1 Determining Between Qualitative & Quantitative Methods

To advance work within the field of dynamic capabilities and industry recipes, the explanation of investigative methods will establish the type of information extracted from the research questions. The research questions help derive which particular method to use. Given the questions are inductive in character and seeks to understand the nature of decision-makers as it relates to dynamic managerial capabilities and industry recipes amongst the social actors, qualitative methods will be the dominant method utilized. This thesis began as quantitative in nature. The

original questions were formulated from quantitative data, however research from that data indicated a qualitative study was fundamental in understanding dynamic managerial capabilities theory and its affiliation to decision-making amongst a given industry. So the questions evolved into a qualitative approach with the quantitative data supplementing the qualitative data.

Qualitative research is a contributing factor to theory development in management-based research (Eisenhardt 1989; Weick 1989; Yin). It addresses research questions focusing on how, why, and who throughout the process (Doz 2011). A significant benefit to qualitative research is the ability to provide strong and deep descriptions of the phenomena being analyzed and studied and provides opportunity for a deeper thought process surrounding theory development (Weick 2007). In addition, qualitative research permits a researcher to apply a variety of theoretical lenses to intersect with the phenomena being analyzed and researched through data configuration, allowing for the testing of theory (Van de Ven 2007). Moreover, qualitative data also provides a contextual framework for the data.

Learning about context such as cultural differences between two countries or just the contextual difference between theories provides an opportunity to learn about the context up close and in-depth (Cheng 2007; Buckley & Lessard 2005). Finally, qualitative data provides an opportunity to see and decipher patterns within the qualitative data. Patterns as they relate to phenomena can have a significant bearing and contribution on the aspect of theoretical formation and evolution. Such evolution of patterns can contribute greatly to the overall theory a researcher is discussing, providing rich evidence for persuasive evidence regarding the theoretical

contribution of the research (Dubois & Gibbert 2010; Buckley 2002; DiMaggio 1995).

Quantitative research strategies focus on the quantification of data and their classification of analysis embodying a deductive approach to the theoretical and investigative relationship (Creswell, Clark, Gutmann, & Hanson 2003). Researchers who undertake quantitative methods are often seen as those seeking to apply measurement scales about social life (Bryman 2008). In addition, quantitative research highlights practices and norms embodied in the natural world and viewing the aspect of social reality as completely external to the recognized world (Tashakkori & Teddlie 2003). Thus, they are the ones controlling and steering the study with the data, versus a qualitative method where the data drives the study (Bryman 2008). It primarily centers on an ontological understanding of objectivism. This understanding begins with a theory and from the theory a researcher deduces a hypothesis. In addition, the hypothesis is tested followed by a research design selection.

During the testing phase, quantitative data can provide an opportunity to find correlations and relationships amongst data sets that might not be recognizable in qualitative data. If the hypotheses developed by the researcher is proved, strong literary sources coupled with theory, can provide strong evidence to support or disprove the assumed theoretical hypothesis. A primary distinction between qualitative and quantitative research is that research using quantitative methods is very distant from the participants and could utilize forms and surveys acting as a medium between the researcher and the subjects (Bryman 2008). Table 4.1 created

by Bryman & Bell (2011) illustrates the differences between research strategies that researchers may adopt.

Table 4.1 Fundamental Differences Between Quantitative and Qualitative Research Strategies

	QUANTITATIVE	QUALITATIVE
Principle orientation to the role of theory in relation to research	Deductive; Testing of theory	Inductive; Generation of theory
Epistemological Orientation	Natural Science Model, in particular postivism	Interpretivism
Ontological Orientation	Objectivism	Constructionism

Cited: Bryman & Bell (2011; 27)

Within the qualitative and quantitative paths are some similarities where both methods, under the right conditions could be united. One significant similarity amongst quantitative and qualitative methods involves the collection of large amounts of data and the need to reduce and enrich the data (Babe 1994). In addition, both sets of data are focused on the issue of frequency. The relevance of frequency within any study is a major outcome regarding data collection. It involves the understanding of recognized patterned behavior (Dick & Carey 1996). Once frequency is recognized, it must be related back to the literature to become relevant and expand the boundaries of a research contribution to a particular field (Nardulli 1978). Given the need for frequency, it is also essential that both qualitative and quantitative researchers deal with the potential of deliberate distortion. Deliberate distortion can occur when researcher's bias is injected into the data reduction process and analysis, causing a misrepresentation of the actual research analysis results. Finally, research methods should accurately address the research questions the study poses. This study presents a compelling case for qualitative methods embodied in an inductive approach, the next section will provide evidence of various types of qualitative studies and illustrate which best suits this particular research project.

4.4 The Case Study Process

Moving forward from the ontological and epistemological conventions presumed, this thesis and the questions in it, embodies a comparative case study approach based on the following explanations. A comparative case-study strategy is when the quantity of cases inspected surpasses one (Bryman & Bell 2007). This brand of inquiry is “a research strategy which focuses on understanding the dynamics

presented within single settings” (Eisenhardt 1989: 534). This trademark of research strategy indicated that a comparison of multiple case studies allowed the researcher to be situated in a more precise demonstration of the circumstances. This situation allows for analysis whether or not the constraints of a theoretical position were effective given the context of the research (Yin 1984; Eisenhardt 1989). When seeking to address the phenomenon of green lighting through the context of recipes and dynamic managerial capabilities, the questions posed provide a data rich opportunity to sample the industry.

The advancement of theory is a critical element for managerial research and scholars seek to tie interpretations, literature, and previous practice to produce data that will increase theoretical development (Eisenhardt 1989). Case studies usually merge a variety of data gathering methods through a qualitative, quantitative or mixed approach. For instance, Eisenhardt (1989) cites a study conducted by Sutton & Callahan (1987) who collected exclusively qualitative data on their study of bankruptcy. Dyer & Wilkins (1991) maintains that the researcher’s emphases on the differing of the case studies and information are specific to the context in which the cases are situated. This means the researcher must exhibit precise focus from the commencement of the study when a more open-ended method may be useful (Bryman & Bell 2007). Notwithstanding, the motives both intended for and contrary to the comparative case study method, show that “strong studies are those which present interesting or frame breaking theories which meet the tests of good theory or concept development and grounded in convincing evidence” (Eisenhardt 1989: 549).

Selecting a single case study methodology is not always perceived as an appropriate technique for methodical, theoretical, and phenomenological understanding

(Siggelkow, 2007). The multiple case study approach is a more suitable method for theory construction because the information collected is interpreted and recorded over a multitude of cases as opposed to just a single phenomenon (Yin 1994). It offers an enhanced depiction of the context through which the study takes place, permitting the researcher to present a more concise understanding of comparable and diverse factors. Utilizing the proposed research questions of “what” makes up the recipe and “how dynamic managerial capabilities interact with recipes, employing multiple case studies will offer an opportunity for a wide-ranging more elaborate inquiry of the research questions and theoretical development (Eisenhardt & Graebner 2007).

In addition, an ethnographic study was not conducive to this project because of time constraints and this being cross sectional research, not longitudinal (Bryman & Bell 2008). A longitudinal study would have required the contributors to interview several times across a period of time and an ethnography would have required the researcher to observe and watch the phenomena of managerial decision-making which was not conceivable due to the transfer of proprietary data (Yin 2003; Radley & Chamberlain 2001). However, the questions do fit an ethnographic paradigm, which may be a suitable option for a follow up study. Multiple case studies are frequently chosen for a precise purpose such as theoretical duplication, extension, elimination, or contrary imitation (Yin 1994). It is this reason that a multiple case study tactic is an appropriate method for this study. Furthermore, case studies allow for the utilization of numerous data sources in a multiple case such as interviews, archival data, ethnographies, and published reports (Eisenhardt & Graebner 2007).

This research thesis will apply a comparative case study methodology within the context of the Hollywood motion picture industry to answer the given research questions. A single case study would not adequately characterize the context of the theory and the industry due to a limited perspective and narrow description of the industry presented by one of many firms rooted in the industry. Thus, this study will encapsulate a multiple case study with an incumbent and challenger studio within the major studio category and an incumbent and challenger studio within the minor studio category. These classifications pertain to the area and market segment each studio caters to and how they compete amongst one another. An investigation amongst the social actors will be conducted to discover the decision-making process as it relates to the practice and implementation of industry recipes and dynamic managerial capabilities theory when applied by decision-making managers to new film opportunities.

This thesis will offer a robust understanding of the factors surrounding dynamic managerial capabilities. This will account for four major cases as designated by Brown & Eisenhardt (1997) being the minimum threshold of cases for analysis including “collected data through interviews, questionnaires, observations, and secondary sources. The primary source was semi-structured interviews with individual respondents” (Brown & Eisenhardt 1997: 4). One incumbent and one challenger major studio throughout the Hollywood industry have been designated for investigation. Equally, one incumbent independent studio and one challenger independent studio operating in the Hollywood industry have been selected for examination. This classification of “leader-challenger action dissimilarity is defined as the degree to which leaders and challengers differ in the actions they carry out” within the same industry or producing similar products (Ferrier, Smith, Grimm

1986: 376). The thesis will explore the phenomenon of film selection through the industry “recipe” and extend the theory of dynamic managerial capabilities as it relates to industry recipes amongst the four cases. It will illustrate how industry recipes influence a firm’s dynamic managerial capabilities.

Using a comparative case study for the research approach is appropriate because it allows for the theoretical development of dynamic managerial capabilities theory throughout the firms. In addition, it provides a wider range of sampling versus a single case study as suggested by Yin (1994). Moreover, it will offer the researcher a more precise depiction of the industry and influencing factors surrounding dynamic managerial capabilities as it relates to the industry’s recipe.

Given that the researcher has a precise concentration of investigation already in mind, the comparative case study offers a concrete foundation to conduct the research permitting a specific focus surrounding a particular business activity. Thus, the method will allow for a thorough understanding of the industry landscape, and provide an opportunity to narrow in on specific capabilities represented through the case sample within the industry. This focus on capabilities amongst specifically selected firms that directly compete with one another in the same industry will provide a broad picture of how the firms operate and what capabilities become manifest amongst the firms.

4.4.1 Research Design

A comparative case-study approach was developed due to the number of cases necessary to scrutinized and comprehend the incidences at hand (De Massis &

Kotlar 2014; Baxter & Jack 2008; Bryman & Bell 2007; Yin 1984). Multiple case study research presents, “a research strategy which focuses on understanding the dynamics presented within single settings” (Eisenhardt 1989: 534). This single setting offers perspective with which a “case could not be considered without the context” thus emphasizing the requirement to be rooted within the setting of the Hollywood motion picture industry (Baxter & Jack, 2008: 545).

A single case study approach was considered but not a suitable method for systematic, theoretical, and phenomenological understanding for this particular singularity due to the limited sample size relative to the context (Siggelkow 2007). When consenting for the single case study, an ethnographic approach was considered due to the in-depth richness of multiple data sources (surveys, financial figures, and observations) that could be extrapolated over a given period of time, however time and access were major constraints (Eisenhardt & Graebner 2007). Thus, a multi-case study provides opportunity for engagement amongst firms rooted within the industry. The choice for a multi-case study offers development of theory, a critical piece for organizational research. This selection still permits the researcher to link observations, literature, and previous understanding to produce data that will enrich theory development (Blaikie 2009).

Case studies usually combine a variety of data collection methods through a qualitative, quantitative or mixed approach (Ghauri 2004). Utilizing a qualitative comparative case study with four cases rooted in a given industry allows the researcher to focus on the difference between cases, and data specific to the context in which these cases are situated (Dyer & Wilkins 1991). A quantitative methodology was considered via surveys, but rather than suggesting a hypothetical

explanation to the phenomenon and quantifying the results, the researcher decided to explore data through a station of specific-terms of case context. This allowed for an open exploration and interpretation of data (Blaikie 2010). Despite the case for and against the comparative case study approach, it was ultimately adopted because “multiple cases not only pin down the specific conditions under which a finding will occur but also helps us form the more general categories of how those conditions may be related” (Miles & Huberman 1994: 173).

4.4.2 Selecting Cases

When utilizing the case study method, “a very critical decision is the selection of cases” (De Massis & Kotlar 2014: 17) focused on explaining phenomena in a real life context (Yin 2003; Pettigrew 1973). The selection of cases is particularly enlightening because it can provide clarification on the theoretical relationship regarding data output (Graebner & Eisenhardt 2004; Miles & Huberman 1994). A single case study sampling can be conducted due to strong ties between the researcher and the end goals as well as providing a distinct opportunity to measure a single phenomenon (DeAngelo & De Angelo 2000; Siggelkow 2007). A multi-case studies “typically provide a stronger base for theory building or explanation” (De Massis & Kotlar 2014: 18). It is also recognized that a researcher “selects multiple cases to show different perspectives on the issue” (Creswell et al 2007: 238).

With this study “the sample cases must be selected for theoretical reasons, i.e., because they allow the prediction of similar results (literal replication) or contrasting results but for predictable reasons (theoretical replication) or because they allow the elimination of alternative explanations” (De Massis & Kotlar 2014: 18; Yin 2013;

Eisenhardt & Graebner 2007). In addition, since this study seeks to understand an industry phenomenon and reaction among the social actors throughout a myriad of studios, the study draws on a paper by Ferrier, Smith, & Grimm (1999) highlighting incumbent challenger dichotomy.

Using the work of Ferrier Smith & Grimm (1999), the incumbent challenger action is represented through “variables measured between-firm action differentiation, or the extent to which leaders and challengers differed in the actions each carried out” (Ferrier Smith & Grimm 1999: 380). The research seeks to understand the decision-making phenomena as it relates to the selection and scrutiny of potential film projects in the Hollywood film industry; the selected cases represent the established management culture and the rising management culture of film studios. Their study outlined that “market share erosion and dethronement can be explained by the characteristics of leaders' and challengers' competitive actions, as captured by several new action measures” (Ferrier Smith & Grimm 1999: 383).

While prior research focused on firm characteristics, their research highlighted competitive market forces and the implementation and response within the market. Similarly, using this model, the research will analyze the characteristics of incumbents and challengers and how they respond to market forces through the perspective of the manager and their dynamic capabilities.

Primary data sources included the selection of two major studios, one incumbent to the established industry and one challenger, and two minor studios, one incumbent to the industry and one challenger. Studio A and B represent major studios. The

classification of an incumbent major studio, Studio A signifies the firm has control surrounding the recipe and all necessary constructs required to create, produce and distribute a film. A challenger major studio, Studio B is a studio that understands the recipe to create and distribute a film, but control some of the constructs that are critical and necessary resources but are not under the firm's total control.

Studio C and D are minor film studios well known throughout the Hollywood film industry. Studio C is an incumbent minor studio well rooted in the Hollywood Industry and can be defined as a studio with established networks to access resources to execute the recipe for film project development and distribution, and also has an established niche market for their specific products. Studio D is classified as a challenger amongst minor studios where it has an understanding of the recipe necessary to create and distribute film projects but lacks the established network and defined niche market to create a sustainable presence.

These cases were selected due to their proximity within the Hollywood industry and that they serve and cater to the same market audience, the mass public. In addition, as stated by Yin (2003), De Massis & Kotlar (2014), and Stake (2005), the researcher's personal network and relationships were utilized to secure access to the cases.

4.4.3 The Unit & Empirical Unit of Analysis

When defining my research questions I had to determine the unit of analysis. While it may seem simple "determining what the unit of analysis (case) can be a challenge

for both novice and seasoned researchers alike” (Baxter & Jack 2008: 545). It is defined that a phenomena within a given contextual setting, is effectively “your unit of analysis” (Miles & Huberman 1994: 25). Building off this premise, the implementation of a multiple comparative case study “will allow the researcher to analyze within each setting and across settings” (Baxter & Jack 2008: 550; Yin 2003). Thus, the phenomena that will be studied and represented, as the unit of analysis is the decision-making strategy utilized through the studios to source and appraise potential film projects.

The empirical unit of analysis is the individuals situated within the studio who are involved in the decision-making process on behalf of the studio. This follows the outline of unit classification laid out by Yin (2003) and Stake (1995). The classification defines the firm as the unit of analysis and an empirical unit known as a sub-unit rooted in the case. Thus the studios selected as a sample are the unit of analysis and individuals within the unit as well as supporting documentation to each firm. They will be considered as empirical units.

4.4.4 The Cases

This section will provide justification for the selection of each case as well as a brief profile surrounding each case. In addition, due to confidentiality agreements, the researcher will not disclose any information regarding the name of each studio. Since the study focuses on assessing what the recipe constructs are for Hollywood film studios and how those constructs influence dynamic managerial capabilities, the focus of a comparative case-study must embody firms recognized as incumbents to the industry and firms that are challengers to the industry. These studios were

selected because they are representative or typical cases as represented by Ravenswood (2011). Moreover, a typical cases priority “is to capture the circumstances and conditions of an everyday or commonplace situation” (Yin 2003: 42).

4.4.4a Studio A

Studio A was selected because of its original presence during the critical formation years of the Hollywood Industry. It is considered an incumbent major studio due to its overwhelming presence and influence within the marketplace and industry. The classification of an incumbent major studio means the firm has control surrounding the bundling of the majority of its own marketing, production, distribution, and content assets through owned subsidiary companies.

The studio has a long history of film production and releases between 15 to 20 films per year. With a comparable lot nestled in Los Angeles, Studio A produces, markets, distributes, acquires, and develops featured film entertainment consisting of live-action and animated films throughout the US domestic and international markets (Annual Report). Studio A also produces solely owned and created content for feature films as well as joint ventures with other studios, production companies, or entertainment entities. Studio A’s film products are marketed and distributed through their owned companies, but do acquire distribution rights to films created and produced by outside parties, specifically if a film caters to a particular geographic region. Studio A also conducts co-financing deals with other parties that include, but are not limited to other studios, production companies, non-studio entities, and any party that may seem fit for a particular project.

The primary method of distribution for all the produced and acquired content for Studio A is theatrical release. After the film is released, licenses for the films are sold using a plethora of methods and networks. In addition to the US domestic market, the international market is a key source of revenue for this studio. Ensuring broad international appeal for a movie is seen as vital to this studio and its future success within the industry. Distribution of films are global by selling the films in DVD format to retail outlets, kiosks that allow customers to rent and return the film, and subscription by mail providers that allow customers to mail in orders and requests that will then be replied to with the requested film they desire to watch.

In addition, electronic copies are also made and sold/rented out using online distribution platforms such as Amazon.com, Apple, Hulu, and Video on Demand services. Other mediums of distribution such as the licensing of films to cable and channel providers allow the film to be played in mass-market mediums. Studio A's revenue from feature films oscillates based on timing of when it discharges the films into movie theaters, when the product is accessible to the market via DVD, and agreements that are reached for online digital distribution. Timing and distribution release during the vacation or holiday period is a critical factor for Studio A. Determination of release dates based on timing and seasons, revenue is resultant of seasonality and increases during the peak seasons of summer and holiday periods.

For the year 2014, revenue for Studio A decreased from 2013 due to the number of screens open for exhibition, cost of tickets, and the percentage of revenue retention kept by the exhibitors as well as increased competition of titles for the small space of theatrical distribution. Decreased cost of programming and production contributed to Studio A's revenue pitfall from being greater that would it could be.

Payments made out to guilds and labor unions also contributed to the cut in revenues, as did participation payments and payouts for co-financing third party agreements. Increased operating and administration costs increased due to the integration of new technology. A significant cost to Studio A is the marketing, advertising, and promotion of each film. Momentous costs are incurred from market and promote each individual film that involved Studio A.

Competition for filmed entertainment is strong and Studio A competes for the audience's attention for its films and entertainment content with other major studios, minor studios, and to a lesser degree the independent film market. The competitive positioning of Studio A is relative to the number of films it produces, the distribution and marketing success, and finally how the consumer responds to the overall film package and production. The studio also competes for creative, technical, and performing talent, which includes but is not limited to actors, directors, writers, producers, and scripts for respective film projects is a crucial component in this business. In addition to the search for talent, Studio A is also subjected to keeping up-to-date on laws that effect the distribution and sale of filmed content in the domestic and international markets. Studio A is subjected to the "trade practice laws" which are in effect throughout several U.S. states and the territory of Puerto Rico related to the sale and distribution of motion picture projects. Based on a range of judgments, federal and state anti-trust laws and unwarranted competition laws, motion picture production companies have limitations placed on trade practices within the United States. The rules outside the US vary from country to country, but Studio A is still bound by the same standards of laws based on the location by which their products are distributed.

The legal parameters of the motion picture entertainment business provides an ebb and flow of legal processes to understand and master the creation and distribution of content, however piracy and illegal distribution of content through unauthorized channels such as peer-to-peer file sharing and the burning and distribution of content on unauthorized sources creates a problem for Studio A in the loss of revenue that is caused from black market profiteering. While legal entities exist to ensure the protection of copyrighted and intellectual property material, Studio A is vigilant in enforcing and doing what is within the firm means to combat piracy and illegal activity regarding their intellectual property.

Studio A manages an extensive portfolio of films every year. Producing up to twenty films a year requires significant human capital. The firm size is based on United States and international employees and is estimated at 10,000 making this one of the biggest studios in Hollywood.

4.4.4b Studio B

Studio B was selected due to its recent emerging presence within the Hollywood Industry. It is considered a challenger major studio due to its limited size but immediate impact regarding their product and firm scope within the marketplace and industry. The classification of a challenger major challenger studio means the firm has control surrounding some of the bundling of assets, but relies on external studios for the remaining resources.

The studio has a strong profile of major animated film productions and releases between two to five feature films per year. This is a relatively new studio and was

founded at the turn of the 21st century. The studio operates in four major business segments consisting of feature films, television series and specials, franchised and consumer products as well as other media ventures (Annual Report). Studio B creates and develops their own original content used to enhance their other business segment streams that ultimately generate comparable revenue for the studio. The current business plan and model instituted by Studio B involves releasing an average of two to three animated features films a year unless timing and opportunity presents itself for a great release of products. As of 2015, production of feature films has totaled seven and is currently utilizing a third-party to help complete and distribute a feature film that will debut in 2017.

The primary method for distribution of Studio B's feature film is using an external party. Since a majority of Studio B's earnings are derived from the feature film segment of their business, the exploitation of the studios feature films on a global scale by their distribution partners is necessary on a multiplatform front such as theaters, home entertainment, digital operations, and pay per view/network broadcast agreements. In addition, revenue is generated through the licensing and merchandise agreements amongst Studio B's distributors and retailers for their consumer goods and products. Studio B's primary method of feature film distribution is through partnerships set up with other studios that have established distribution streams. These deals encompass the continued revenue generator for use of intellectual properties under the established parameters. In addition, the franchises developed and marketed as feature films are often turned into a TV series or animated series distributed on other digital and multimedia platforms. This provides an opportunity to reach a more diversified audience and generated greater revenue from one particular property.

Currently, Studio B is producing seven feature-animated films that have release dates spanning from 2015-2018. As with most studios, Studio B reserves the right to alter their release dates based on the slate of competitive films and the uncertainty surrounding the process of production and development of full-length animated feature films. Two distribution deals were successfully negotiated in 2012 and renegotiations took place over terms where another partner was acquired as of 2014. While major distribution relationships shifted in 2014, terms of agreement with distributors were still held and honored based on the feature films falling under the slate of distribution during the stated time period. Throughout the distribution agreements, Studio B still retains the rights to oversee and make all creative decisions or to commence any act regarding the reformation and redevelopment, or reproducing and acquiring films regardless of the distributors say about the product. The first agreement, distributors were entitled to 8% of theatrical gross receipts and home video gross receipts, while the second distribution agreement allowed Studio B's distributors to retain an 8% of revenue (without deducting distribution and marketing costs and fees associated with distribution) and allow for the recovery of all the distributors costs regarding distribution and marketing on a per movie basis.

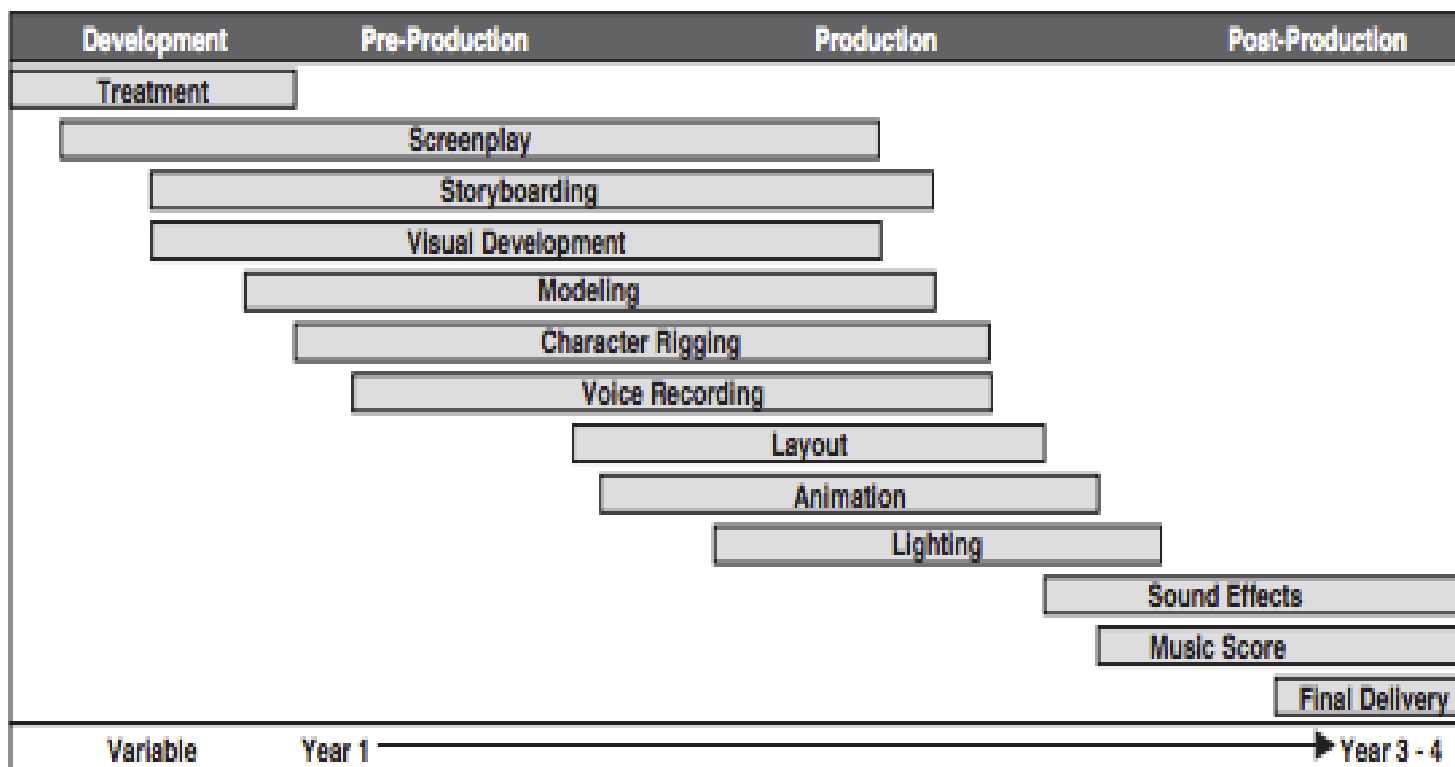
Competition amongst feature film exhibitors is fierce. While Studio B indirectly competes amongst all forms of entertainment, primary competition stems from the movie goers who frequent wide-release promotions amongst film related activities throughout the theatrical market. Due to the competitive nature of feature films, Studio B purports that the opening weekend is crucial for the overall success of a film project. In addition to wide release films, Studio B also competes for prime release date slots amongst theaters and face serious competition amongst other studios for talent such as animators, writers, and creators of content. Not only does

Studio B compete directly against animation productions, they also compete against live-action films, thus Studio B's strategy of producing two films a year plays to the concept of event or production films where they can attract a wide and large audience due to the buildup of marketing and publicity that has been invested into the intellectual property.

The process for feature film animation development is long, tedious and costly. Every film begins with an idea or concept. Ideas and concepts come from a variety of sources, including employees, books, events, historical time periods, or any other avenue that involves human understanding. Concepts successfully presented and pitched are presented and vetted through story description, then written into a screenplay. Once the screenplay is thoroughly developed, storyboards are created and once the storyboards are completed, production on the idea begins. Eliminating the process of script creation and the pre-production stages, a full-length feature animated film from the storyboard phase to the final cut of the project can take anywhere from three-to four years.

Throughout this process, Studio B positions employees into teams based on profession and aptitude to produce the best work possible. These teams will initiate the process of development by vetting ideas down various creative channels and estimating the probable budget and schedule barriers that may be encountered throughout the process. Each project is unique and no one project is identical to another, thus Studio B purports that adjustments need to be made based on each individual project. Illustration 4.0 depicts the entire approximate process for feature-animated films.

Illustration 4.0: Animated Feature Film Process



Cited: Studio (B) Internal Document

Employees at Studio B specialized in animation development could find themselves having to process film animation from a matter of months to years. Production on an average length feature can last up to two years and even then, timelines are not fully set in stone.

This entire operation put forth by Studio B encapsulates a work force of an estimated 3,000 employees comprised of various specialties ranging from screenwriting, development, character creation, animation modeling, and sound/music specialties. Studio B's employees range both domestically and internationally, as they create content for various geographical regions.

4.4.4c Studio C

Studio C was selected due to its recent emergence with limited resources and brand recognition into the Hollywood Industry. It is considered an incumbent minor studio due to its limited size, length of time in the industry, and the niche market the studio has carved out for their given audience within the marketplace and industry. In addition, it has made a notable impact within the industry and possess assets such as financing capital, physical locations, distribution networks, and marketing resources, however the scope of which the studio has control over those resources is less than an incumbent or rising major studio.

Studio C is a minor incumbent studio within the Hollywood Film Industry. The studio has a strong and well-known presence in theatrical feature live-action films. Studio C releases on average 13 to 15 feature films a year throughout the United States and international box office. This studio operates in two major segments, the

first is theatrical box office productions and the second is television entertainment. Studio C creates develops and acquires their own original content to market and distribute through theaters, major media platforms, and television.

Throughout the history of Studio C, theatrical features became more prevalent to the strategic portfolio of the firm. Studio C has moved toward a business model that embraces and produces franchise model films. As of 2015, 12 of the next 25 feature film wide releases were either franchise properties or had the ability to become franchise properties based on continued and diversified investment. In addition to the strategic focus of franchise development, Studio C maintains a forward thinking, yet disciplined approach to the acquisition, creation, and distribution of theatrical feature films. A significant portion of that approach depends on team meetings. During the process of green-lighting films, the primary team will meet to converse about a motion picture's initial reaction amongst critics, the feasibility and focus of marketing the production, and the potential for overall box office success as well as costs that are required to acquire, distribute, and market any other aspect of the film.

Studio C views distribution as a key component to the success of their theatrical productions. After the release of a film in theatrical areas, the distributors inquire about the best possible means to release movies surrounding their release date windows and usually, bar any studio from releasing their product through other means of distribution for a set period of time.

Studio C defines their ability to distribute as a means of marketing and promoting a feature film into the U.S. theatrical market that coincides with the exploitation of products and promotional paraphernalia associated with the feature film through

commercial and retail outlets. Distributors and those promoting the feature films (theatrical outlets) engage in contractual agreements by which a determined amount of gross box office receipts are retained by the distributor and theaters. The same situation plays out with international distribution. Studio C will engage with distributors and theatrical parties to negotiate appropriate fees for each given region. Traditionally speaking, as depicted by Studio C, distribution into theatrical venues first occurs in the U.S. domestic market, however due to rising issues of piracy, and the expansion of international territories and the ability to exploit and develop global markets, usually, the films are released simultaneously in each region or sometimes released internationally before domestically.

Studio C will create schedules for each film and release dates that will account for the potential moviegoer based on previous patterns of the audience and competition established by information collected from a third party. Then, information will be crosschecked and a determination of whether or not the release will be wide (more than 2,000 theatrical screens nationwide) or limited (which could be anywhere from one to a few hundred). Studio C possesses relationships with distributors who negotiate deals based on the target market of the film and the distribution team organizes around the film to better understand the identity and determine the best strategic approach for distribution.

Regarding the use of production, Studio C seeks out projects with disciplined budgets with a potential for high market appeal to a particular audience base. In addition, Studio C seeks out scripts and concepts that will attract a high caliber of talent. The studio finds this to be a crucial component when dealing with creative construction of teams for various projects. In addition, the studio also develops their

own scripts and intellectual property to process through various channels and networks for development. The goal behind the film and production development of Studio C is to enhance and improve their reputation amongst the Hollywood industry, ultimately seeking better access to top talent, script, people, and entertainment projects/packages. In so doing, they have carved out a niche in a particular market to develop a competitive advantage as a successful studio for young-adult entertainment projects.

Studio C seeks to mitigate their financial position on film projects and often engages and enters into shared financing deals that provide an opportunity to mitigate against the risk of a solely owned property and project. In addition to mitigating against large budgets and over exposure, Studio C also seeks to develop creative ways to minimize production costs. For example, Studio C will create structured payout agreements for the talent involved in a project based on the commercial and financial success of a film in exchange for a guaranteed salary. Structured yet creative agreements such as these have allowed Studio C to attract a broad range of talent that has provided an opportunity for future development and growth of the studio.

Studio C operates a lean production of individuals with an approximate total of 650 employees throughout the ranks, focusing on creative, business, and legal skills that provide the basic framework of operation for the studio. The entire history of Studio C has allowed the employees to exploit the library of titles under their control to distribute and grow various brands and franchises providing a plethora of varied revenue streams. Such streams of revenue have evolved from their ability to leverage their brands in various geographic markets across the globe. With only two

major business segments, Studio C has carved out a particular niche for itself within the Hollywood ranks and have found opportunities to exploit that niche across various market spaces across the globe. In addition Studio C has developed the ability to acquire franchise intellectual property and still run a lean operation and deliver a product, providing the means and opportunity to grow and develop a brand that is recognized on a global scale while grown and operated at a local level. As the television segment begins to grow and with the rise of better quality and longer developed television productions, motion picture development still seems to be a critical component for their portfolio and will remain so over the next 15 years.

4.4.4d Studio D

Studio D was selected due to its emerging presence and ability to carve out a market niche audience for their products. It is considered a challenger minor studio due to its minute size and narrow market base for their products. The classification of a challenger minor studio means the firm has few controlling assets under their corporate umbrella. Their primary resources are scripts; other resources must be gathered for each individual project.

Studio D is a challenger minor studio in the Hollywood Film Industry. The studio focuses on niche film productions that are live-action and audience oriented. Studio D releases between two and five pictures a year, focusing primarily on content and script development. Studio D is mainly concerned with acquiring the right content to produce, marketing, and distribution of their film product throughout theatrical distributors. This studio has one business segment, which consists of film. Their

primary focus is feature productions, which create a need to further develop and assemble teams for each individual project they acquire and decide to produce.

Studio D does not have any in-house marketing, distribution, or operational capabilities. Rather, it has several creative heads that are responsible for seeking out intellectual property and stories to assess and evaluate whether or not the studio will move forward to produce and create the content. When an idea comes to one of the executives at Studio D, it often comes in the form of a script. The script is then read and handed around to the executive members for review based on factors such as audience attraction, creative message, market niche, and financial estimates of the project. When the project is vetted and approved, the executives begin to put estimations together concerning the total cost of production and distribution projections. Once Studio D has the projected numbers, they seek out the necessary talent and creative capital to execute the desired vision for the project. This entails, making calls to agencies and using relationships to find the right talent for the production.

Once talent is tentatively secured, financial backing must be acquired from outside sources to produce and market the film. Studio D does not have freestanding capital for their own productions so they must go to financial entities, larger studios and financial companies, as well as strategic partnerships to find the desired funds to execute on the production and distribution of the film product.

Similarly to production, Studio D must negotiate distribution deals with large studios or distributor platforms to move the project into theatrical arenas. Once a package has secured financial and creative backing, negotiations begin with

theatrical distributors to negotiate the number of screens, dates, and cost of theatrical distribution for the film package. When the right distribution package is negotiated, the legal team at Studio D draws up the paper work and enters into an agreement with theaters on distribution strategy for the film. Because the studio is consider a smaller minor studio within Hollywood, all major working pieces are often outsourced and take time to accomplish. In major studios, each working part would have a certain time period of initiation based on the creative package. Studio D has to begin most parts simultaneously while factoring in uncertainty of whether or not financial backing will be approved and processed through. This includes uncertainty that talent may pull out of a project to pursue another project or a higher profile opportunity from another major studio.

Studio D's creative packaging seeks to purchase and acquire intellectual properties that have a message-oriented theme. This theme will often limit or focus the studios audience and allow them to pursue the proper course of action for that particular property. All executives voiced the importance of the intellectual property content and whether or not the message of a script as well as the creative vision can accurately be translated and portrayed on the silver screen. To do so requires teams and direction that can successfully execute on this need. Studio D competes and positions itself for the same intellectual property that major studios seek; however they do it with much fewer resources and networks at their disposal.

As a minor studio, Studio D operates with an estimated ten full-time staff that are responsible for running the day-to-day operations as well as, develop, and distribute the creative content that executives secure. With such a tight working staff, the necessary pressure to carve out specific roles and niches in the ever chaotic industry

of Hollywood film making makes it imperative to stand out amongst studios with a much larger reach and wider footprint throughout the local and global industry. Despite the size difference amongst the studio compared to its competitors, Studio D is subject to the same process and procedure regarding distribution of content as a major studio. Theatrical release can be anywhere from four to eight weeks for the feature debut, locking up any other opportunity to exploit revenue from other distribution platforms. Once the time parameters are met, Studio D can aggressively pursue agreements and distribution deals for their content across a variety of platforms. These platforms include, video-on-demand markets, network streaming on cable and satellite television, rental deals, and kiosks that allow the consumer to access the content from given locations. In addition to these streams of distribution, digital download has proven to be a profitable medium for Studio D. Websites such as Apple iTunes, Amazon, and Hulu have proven to be a profitable stream of revenue for Studio D.

While Studio D may be a small minor studio, it still competes directly with major studios for the same space and time slots for their content. Individuals within Studio D have relationships with all their major competitors, both major and minor studios, due to the need for trained employees. As stated before, Studio D is a minor studio that focuses on creating content for niche audiences. A part of that classification as a niche content studio means that employees that have worked with and developed relationships with leaders amongst other competitive studios within Hollywood, provide employees at Studio D with the necessary skill set to acquire and obtain the resources to position itself as a competitive and viable studio within the Hollywood Film Industry. In addition to being a minor studio, the total amount of employees at Studio D is estimated at ten. Studio D along with all the other studios researched

within the study provides an opportunity to understand and explore how an industry operates from those within the industry.

This section introduced the four distinct cases and outlined the various business segments, firm size, and products/services each develop and release into the marketplace. In summary, Studio A has over 10,000 employees throughout the world and produces and distributes between 15 to 20 animation and live action feature films per year. Studio A also operates within four major business segments. Studio B has an estimated 3,000 employees and produces and distributes three to five animated feature films per year. Studio B operates in four major business segments. Studio C has an estimated 650 employees throughout the film studio and produce and distribute between 13 and 15 live-action feature films a year. Studio C operates in two major business segments. Studio D has an estimated 10 employees and develops between two and five live-action feature films a year. Studio D operates in a single business segment. More information on business segmentation is illustrated in Table 4.2.

Table 4.2. Summary of Case Findings for the sampled Hollywood Studios

STUDIO	EMPLOYEES	FILMS PER YEAR	BUSINESS SEGMENTS
(A) Major Incumbent	10,000 est.	15-20 est.	Feature Film Television Consumer Products New Media Platforms
(B) Major Challenger	3,000 est.	3-5 est.	Feature Film Television Consumer Products New Media Platforms
(C) Minor Incumbent	650 est.	13-15 est.	Feature Film Television
(D) Minor Challenger	10 est.	2-5 est.	Feature Film

Cited: Internal discussions and documentation from interviews

This categorization provides a unique opportunity to explore how dynamic managerial capabilities and industry recipes interact with one another amongst established and challenging firms rooted within one industry. The information was provided by internal interviews and discussions by interview participants and verified through external sources. In terms of total market share, the total studio composition is approximately 30% of industry output.

In addition, the makeup of industry leaders and challengers follows the example and definition put forth by Ferrier, Smith, and Grimm (1999). The authors illustrate that “sustaining industry leadership, dethroning the current leader in their industry, or closing the market share gap between themselves and the current leader are key organizational objectives” (Ferrier, Smith, and Grimm 1999: 372). The paper illustrates how market forces encourage competitive behavior among one another for industry validation and positioning. Thus, the studios selected provided are two established firms as a major and minor studio and two challenger firms recognized as a major and minor studio.

The comparison between Studios A and B and Studios C and D resulted in the placement and similar consumable market share of the industry via feature film market each studio captures with their products. Studio A directly competes for the same market space as Studio B because of the size and scope of productions created. While Studio B is a challenger major studio, it does not have the solidified market presence and resources as Studio A, thus the two compete for dominance within marketplace using their products.

The comparison between Studios C and D was symmetrical because they compete within the same minor studio structure with similar niche products. Their products seek to capture the same niche market and thus are direct competitors for the same consumer. This consumer seeks message and niche based films that Studios C and D satisfy. They create very different products than Studios A or B. Given this understanding of the marketplace; the researcher saw the comparisons necessary to further understand the phenomenon throughout the industry.

4.5 Data Collection Tools

When undertaking this research project, the researcher considered a number of data collection tools and techniques. Consideration regarding the employment of methods relied on questions the researcher seeks to answer. Given this is a qualitative study in nature focusing on case studies; a variety of collection methods could be employed. Some common qualitative methods of choice involve participant observations, interviews, focus groups, and documents (Bryman & Bell 2008; Meyers & Newman 2007; Fontana & Frey 2000; Blaikie 2008).

Participant observation method is considered a high standard form of qualitative data collection, involving the researcher-observing participants over a given period or multiple periods at a time (Spradley 1980; Fetterman 1989; Atkinson et al 2001). This method is best employed when conducting ethnographies, so it was ruled out. Focus groups or group conversations were the next possible method for consideration.

Focus groups are predominantly used in marketing research and provide a unique and robust opportunity to understand individual opinions and why they are held (Berg 1995; Krueger 1988; Kamberelis & Dimitriadis 2005; Blaikie 2008). While this would have been a suitable tool to use, trying to coordinate several schedules with high-level executives that compete with one another in the same industry was not possible. Documentation may have proved to be a viable source, however documentation is limited in description and does not provide intrinsic emotional and personal understanding of the actors involved with the phenomenon (Bloor, Frankland, Thomas, & Robson 2001).

Additionally, interviews are another contemporary form of data collection. Some interviews can be classified as unstructured, in-depth, or semi-structured in nature. The qualitative interview prevents the researcher from being involved or a part of the setting being researched. It allows for the researcher and the participant to establish a common dialogue about the phenomena and for the back and forth to take place between the researcher and the participant (Britten 1999).

Given this information, the semi-structured interviews seemed to be the best tool to use to conduct the research. More information regarding preparation for the interviews and how to utilize the tools will be discussed.

4.5.1 Semi-Structured Interviews

Numerous categories of interviews used on participants include: structured, semi-structured, and unstructured, with unstructured interviews providing the interviewee with the greatest power in an interview condition (Cassell 1980; Fontana & Frey

2005; Morse et al. 2002). Unstructured interview experiences entail the researcher and participant gathering together to cultivate a context of verbal understanding and security between one another so the participant can express their story (Ramos 1989). Current academic research recognizes the qualitative research interview as a dynamic form of interaction that produces information, narratives through researcher and participant communication, and understanding of experiences (Holstein & Gubrium 2003; Kvale & Brinkmann 2009; Riessman 2008). Furthermore, this project considers both the researcher and the research participant's key entities that affect an interview and the course of the interview.

In addition, the association cultivated by the researcher and research participant is ever increasingly viewed as a power relation (Kvale 2006; Tanggaard 2007) one that stresses mutual understanding but also recognizes differences (Ikonen & Ojala 2007; Corbin & Morse 2003; Ramazanoglu & Holland 2002). While this research project adopts a semi-structured interview research tool, the researcher will elaborate on the steps necessary to undertake and prepare for semi-structured interviews regarding this project. Several of the key areas the researcher focused on was the role of the interviewer, the interviewee and the power they exercise, and the aspect of building rapport amongst the interviewee due to the need to interact with their colleagues and acquire more interviews.

4.5.1a Interviewing Elites

Before a transfer of material commences, an initial solicitation by the researcher must be protracted to the research participant. If the invitation is accepted, one must be able to develop a line of dialogue to retain the participants interested and set a

date for the interview. As soon as the processes, small talk, and understanding are established, the interview will initiate (Corbin & Morse 2003). Participants vary significantly. Some tend to be very conversational with interviewees divulging life stories and biographies of occurrences at great length, while other participants and interviewees only limit their information to the facts the interviewer desires. Furthermore, environment plays a critical role in interviews particularly unstructured interviews.

Situational context and setting can affect the sort of data released throughout an interview. Hewitt (2007) defined a list of factors encompassing the interview that result in the styles of information extracted from the research participants. Those factors are, but not limited to: age and appearance, social class and inequalities of knowledge/power, culture, environment, and gender (Baxter & Eyles 1997; Richards & Emslie 2000).

Participants may be uncertain of circumstances and how to discuss them, so to relieve any nervousness they might have, the interviewees may make side conversation or take a few moments to think through questions and respond accordingly. Corbin & Morse (2003) outline these diversions are not trying to detract from the story, rather they are seen as a train of thought in which the interviewees make sense of their stories. Some cases of revelation may include the expressiveness of a painful or emotional experience and the interviewer will select to stop, move on, or not answer questions. Kvale (2006) summarizes the choice of not responding to a question as exercising a position of power. To recover control of their feelings or situation, the interviewee may pose questions to the interviewer to

produce a sense of control. This is recognized as counter control actions offering the interviewer opportunities and choices for addressing questions.

A brief profile of the interview participants is below. Table 4.3 outlines a descriptive summary of each participant, their role, position, length of time in sector, age, and gender.

Table 4.3. Profile of Interviewees

Studio Profile	Interview Participant	Position	Age	Time in Sector	Gender
Incumbent Major Studio (A)	1	CFO	58	31 years	M
	2	COS-Chairman and CEO	35	13 years	M
	3	VP-Content Management	43	10 years	M
	4	Director-Business Development & Strategic Planning	35	8 years	M
	5	Director-Film Strategy & Operations	41	15 years	M
	6	Director-Financial Systems & Planning	45	17 years	M
	7	Manager-Marketing and Brand Assistance	35	11 years	F
	8	Director-Digital Media	37	11 years	M
Challenger Major Studio (B)	1	CEO & Founder	66	35 years	M
	2	Pres. Marketing	52	15 years	F

	3	COO	61	25 years	M
	4	EVP Motion Picture Business & Legal Affairs	45	21 years	M
	5	CFO	48	23 years	M
	6	Director-Marketing	42	12 years	M
	7	Creative Development Executive	43	15 years	F
	8	Character & Lead Animator	35	13 years	M
Incumbent Minor Studio (C)	1	Pres. Domestic Distribution	Mid 50s	30 years	M
	2	EVP Strategic Planning & Operations	41	15 years	F
	3	SVP Strategic Planning/Bus. Development	42	17 years	M
	4	SVP Distribution & Marketing	41	18 years	M
	5	EVP Domestic Distribution	55	25 years	M
	6	Manager-Exhibitor Relations & Theatrical Distribution	31	8 years	F
	7	Manager-International Distribution	32	9 years	F
	8	VP Production/Development	34	10 years	M

Challenger					
Minor Studio (D)	1	CEO	64	38 years	M
	2	President	38	13 years	M
	3	Founder/Principle	46	20 years	M
	4	Creative Writer & Content Manager	30	6 years	M
	5	Business Manager/COS to Founder & COB	38	13 years	M
	6	Manager-Business Operations/Creative Assistant	30	7 years	M

In addition to profiling the interviewees learning how to build rapport proved to be a critical element in a successful interview. Rapport has a distinctive past in the field of qualitative research and is frequently included in research positioned on faithfulness, friendship, compassion, partnership, and trust (Pitts & Miller-Day 2007; Patton 2001). Research has moved from the rudimentary interaction of researcher and participant to encourage a specific sagacity of trust and mutual acceptance (Pitts & Miller-Day 2007). Researchers undertake investigations within in a peculiar condition are characterized as possessing a dual identity; a researcher who is interrelating with a topic or person of study, and a genuine individual interested in the research members and their story (West 1993).

4.5.2 The Researcher's Role

Understanding the precarious dynamics of relationships as it relates to influence and trust are essential to navigating the uncharted waters of a given interview condition (Wallerstein & Duran 2003). Furthermore, interviewers should take the time to comprehend the power they retain throughout the progression of unpacking the personal power of self. In addition, the interviewee can hold significant exercise of authority through how much data they choose to reveal based on uncontainable factors. Moreover, the formation of rapport is critical for a constructive communication interchange between the researcher and participant.

The researcher prepared for these interviews by taking an interviewing course provided by the University of Edinburgh PhD Program. This course consisted of understanding various types of interviews and situations one may encounter as a novice researcher. Throughout the course it was emphasized that interview questions should be properly formed and ensure translation into the environment to be study.

Prior to performing the bulk of the interviews, the researcher conducted sample interviews with close contacts to ensure the questions being asked were understood and easily translated to the professional languages. In addition, the researcher sought out advice from industry experts regarding the best approach and interaction with the elites in this industry.

The sample interviews provided significant insight. For example, the researcher found the need to be more specific regarding the decision-making process of feature films. The researcher had to narrow down questions structured to include the total project and ensure they were specific to the interviewee's experience, opinion of their job and understanding of the industry.

Moreover, the researcher realized having three main questions was crucial for capturing the main goals of the study. However, having five subsequent follow up questions to each main question provided a vehicle for the progression of the interview. This allowed for semi-structured guide, but still provided an opportunity for the interviewee to provide an opinion and steer some of the interview regarding their perspective of the phenomenon.

As the researcher began to prepare for the interviews, he first outlined the goals necessary to answer the research questions and tested them on a close personal contact within the Hollywood film industry to ensure the language and context were correct. Once the questions were finalized, the researcher reached out to direct contacts and then employed the snowball sampling method to gather and network to the specific individuals that would have firsthand experience with the phenomena being researched (Snijders 1992; Hendricks & Blanken 1992; Spreen 1992).

The aspect of snowballing the context of the interview allowed for an immediate assessment as to the best approach for each individual. Snowballing is when a researcher “makes initial contact with a small group of people who are relevant to the research topic and then uses these to establish contacts with others” (Bryman & Bell 2011: 192). The researcher began with the desire to reach out to specific firm level managers at targeted studios and used the network to identify the necessary individuals needed to complete the study. One issue raised with snowballing is that sampling can represent a skewed aspect of the population a researcher seeks to explore (Bryman & Bell 2011; Venter Boshoff & Maas 2005). This was mitigated in this study by identifying the previous selection of studios rooted in an industry. The researcher used his small network of people to specifically target colleagues and connections located at the desired firms.

Understanding the structural significance of an interview is crucial for key information mining. Authors also highlight the significance of self-reflection for the interviewer (or self) before directing and accepting a research interview. This also includes the important aspect of situational changes that may evolve between the researcher and the participant (Bondi 1999, Avis 2002). Social scientists must constantly be conscious that qualitative interviews can expose personal stories of individuals who offer sensitive, individual, and situational experiences that can often-illicit conditions the researcher may not anticipate (Kvale 2006).

Furthermore, well intentioned and neophyte interviewers may disregard the power element of interviewing, and lack adequate training for situational surprises (Wengraf 2001). Addressing this issue, Kvale (2006) shapes several facets among the change in equilibrium of power between the interviewer and interviewee. In

addition, he states that researcher's objective is not to produce an uncluttered and free form of dominant dialogue amongst the researcher and the participant, but emphasize the importance for a prudently constructed form of discussion to take place concerning the researcher and the participant where the researcher creates the setting and script founded on the research interests. The researcher experienced this with interview participants that held very high job titles. Often if the connection between us was not as strong, or done as a favor by a colleague, there was a layer of skepticism and protection the researcher had to overcome. This was often overcome by reassuring the participant of the intentions, purposes and credentials in addition to talking about them for several minutes and their relationship to the industry.

4.5.3 Data Collection Technique

The research questions indicate a qualitative approach utilizing semi-structured interviews of participants (social actors) engaged in the film green-lighting decision-making process. Upon setting up the interviews, the researcher conducted the majority of the interviews in person. Twenty-four interviews took place either in the participant's office, a coffee shop near the office, or at lunch. The remaining six interviews and ten expert testimony interviews took place over Skype. Each interview participant was screened regarding his or her job description and role via LinkedIn. Each participant was familiar with or engaged in the decision-making process surrounding the selection and deliberation of film projects. The researcher was associated with a few initial sponsor informants within the industry and utilized those informants to obtain successive interviews often identified through the snowballing effect (Patton 2002). Additional notes were taken during the interviews

surrounding particular components of the green-lighting process surrounding film production selection.

Before each interview the researcher would spend the night before preparing the materials necessary to execute and collect the data (Kvale 2006; Wengraf 2001). The interview questions were printed out and a recorder was used to capture the dynamic interview between the participant and the researcher. Only one participant was uncomfortable with recording the interview, thus copious notes were taken to ensure the data transferred from the participant was not lost. Interview questions were formed from the intention of the research project and were revised after conducting a few test interviews with executives in the industry, to clarify language and meaning.

In addition to transcriptions, financial reports, scenario trees, and inside reports were supplied from all the case studies. These reports include projections of film revenue and costs, options surrounding distribution strategies, and cost spreads/strategies for marketing campaigns. These reports were triangulated and analyzed alongside the responses given by the participants to provide context and understanding of the decision-making process. It was triangulated with the transcripts to provide a holistic perspective of the managerial perception surrounding decision-making. The majority of these documents were financial scenarios, forecasts, and reports of various strategies a studio may implement if deciding to create and produce a movie. These documents show potential costs of production, marketing, distribution, and possible revenue streams such as DVD/online sales, rental revenue, merchandise, and other various streams. They provided a good contextual overview when looking at the whole process.

The research questions indicate a qualitative method and “good qualitative data is as unbiased as possible. However, because people are interested in certain things and not others, selections are made” LeCompte (2000:146). The researcher was cautious of the power struggle and rapport that was needed to build with the interviewee. Conceding the right to choose where the interview took place, allowed for a neutral understanding and rapport to be established between the participant and myself (Clarke 2006). It is necessary to know that some interviews will provide more information than others; so being aware of the respondent’s answers and attitude regarding the interview is pertinent.

When the interviews began, the researcher asked about the individuals career and some highlights before delving into the main questions. This allowed for a lightening of the mood and an ability to connect with the individual on a personal level. As the participant spoke, the researcher listened intently and asked them to clarify any unfamiliar process or procedure. The researcher allowed respondents room to express themselves and acknowledged their expression before moving on to the next question. Adherence to the interview procedures as prescribed in the prevailing literature was followed. (Bondi 1999; Avis 2002). Some participants allowed a tour of the facilities and an opportunity to take notes on the infrastructure, resources, and capabilities the studios possess and employ during the decision-making process. All notes were analyzed and compiled with the transcripts throughout the analysis process.

4.6 Data Analysis

The two major questions embody the type of analysis performed. The need was to understand what the common factors surrounding the creation of a common recipe were throughout each studio. In addition, coding for how the recipes interacted amongst dynamic managerial capabilities. This provided an opportunity to seek out process coding which allows the researcher to “identify an emergent theme, configuration, or explanation” (Miles & Huberman, 1994: 69; Pope et al., 2000). Once the necessary data points were gathered, the analysis process began. The questions spearheaded the analysis, which began on March of 2015 and ended September 2015.

The analysis of the research is twofold. The first focused on understanding and extrapolating a broad industry wide recipe or patterned process the firms follow. This is highlighted in chapter five. The second analysis focused on comparative aspects and idiosyncratic differences through the assimilation of an industry wide pattern among each individual studio. This is detailed extensively in chapter six. Separation of the two analyses was necessary in order to understand the industry topography, and the individual identity and actions taken by managers in the selected case studies. This separation is classified based on the research questions presented where the first focuses on an overall industry with an understanding of normal practices and procedures, and the second question, which highlights the similarities and differences that each case study embodies within the research.

During the several months of transcribing and organizing data, the researcher sought out methods of analysis that coincided with the research questions. The questions would drive the appropriate method for the study. A variety of data analysis

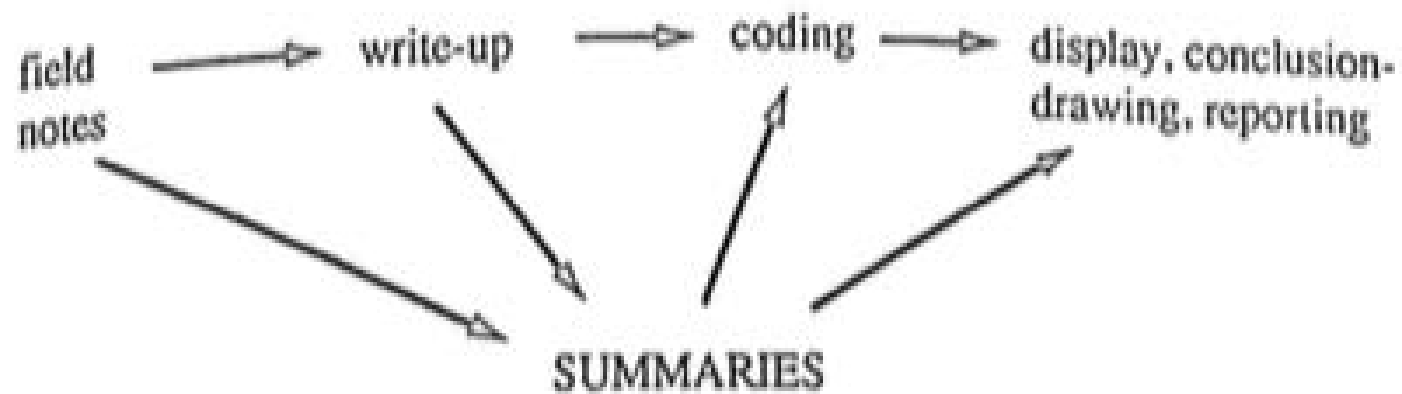
methods were considered as well as data analysis tools. Several strategies were considered in answering both questions before undertaking the analysis. The first was a traditional analytical induction method, which is generally affiliated with research questions involving social controversy and issues (Robinson 1951). Within this process, the research questions are vetted through the necessary case. The case is reviewed and explored through investigation and the data should fit the hypothetical situation, but if it does not, more cases are needed to see if the hypothesis should be retooled (Bryman 1986). The second strategy is recognized as Grounded Theory. This strategic approach has certain aspects associated with inductive analytics regarding the amalgamation of theory and the collection of data (Bryman & Bell 2008). Glaser, Strauss and Corbin provide a detailed analysis of grounded theory and the development of the strategy over the previous decades that describe data as a “theory from discovery” (Glaser & Strauss 1967; Strauss & Corbin 1990). Neither methods fit the criteria of the questions posed because the study did not begin with a hypothesis nor was theory being discovered. Rather, this poses a question to existing theory and development between frameworks.

Finally, the last strategy outlined involved pattern modeling through coding from the responses to the interview questions. Coding is a third form of analysis, which allows data to be categorized and sorted (Charmaz 1983; Bryman & Cramer 1994). This process allows for dissemination between the data from each research question, and allows for descriptive coding as well as process/pattern coding. The questions posed in this project what and how being descriptive and illustrative in nature, providing an opportunity to “summarize, synthesize and sort many observations” from the data based on each question (Charmaz 1983: 112). From both questions, the researcher constructs a variety of categories from the data, which will then be

used to conduct axial coding. This involves implementing “a set of procedures whereby the data are put back together in new ways after open coding by making connections between categories” (Charmaz 1990: 96). Utilizing figure 4.0 below by Miles & Huberman (1994: 79), the researcher followed a process of interviews and field notes, followed by the write up of those interviews and notes, then coding the specific data and then drawing the conclusion.

Figure 4.0 Summary-Aided Approach to Analysis

Summary-Aided Approach to Analysis



Cited: Miles & Huberman (1994: 79).

To discover what recipe was posed by the first question, the researcher followed the definition of an industry recipe put forth by Spender stating a recipe is “synthesized together to create a universe of discourse attached to a particular industry, so making statements about the firm’s situation and experiences possible” (Spender 1989: 66). In addition, a recipe is “a set of operationally meaningful standards against which the firm’s rationality and performance can be measured” (Spender 1989: 182). To answer the first question and define what the industry standards are regarding the factors of film production, the researcher asked for the descriptive recipe each studio followed within the industry, then asked for an overall industry recipe all studios roughly followed. Thus, the researcher utilized the discourse of the participants to identify the process.

Using the analysis outlined from Miles and Huberman (1994), the study sought to accomplish first-level coding by “summarizing segments of data since the thesis focuses on understanding process and exploring patterns (Miles and Huberman 1994: 69). The coding process for each question utilized a process to initiate and observe patterned behavior (Miles & Huberman 1994). Pattern modeling involves the combination of explanation and description (Hammersley 1989). This type of modeling was used to answer the second question that involved the need to explore and discover the process of film selection and creation. It is often cited that in data analysis, explanation and description are separated (Blaikie 2008; Bryman & Bell 2008); however pattern recognition identifies the symbiosis of both (Williams 1976). And while this strategy of analysis offers a more advanced level of induction analysis as well as grounded theory, there are few guidelines when dealing with data sets (Bryman 1994).

Using an inductive examination method, the study sought to accomplish pattern-coding focusing on first level coding procedures utilizing SPSS Text Analysis as explained by Miles & Huberman (1994: 69). The following examples in Appendix 4A and Appendix 4B depict several of the factors and notes used in the SPSS Analysis of several case studies.

Interviews were transcribed and grouped into responses via question and congregated each response within an excel table. Appendix 4C and Appendix 4D depict the excel tables used to sort the data.

Once the data was grouped, the researcher uploaded the file into SPSS Text Analysis and began to code each response line by line, seeking out the process pattern these managers and executives utilized and believed to be the industry-accepted process for creating and distributing a feature film. This process revealed themes, causes/explanations, and relationships among the interviewees.

The first phase of coding provided the opportunity to identify the process of green lighting, creating, and distributing a film. The coding and analysis process provided the necessary data for the identification of factors necessary and critical to the film creation and distribution business. When the observations were put into the occurrences of film selection and the green lighting process, an emerging pattern and theme was recognized. Each studio followed more or less the standard that was set regarding the creation production and distribution of films. However, each studio adopted their capabilities and processes differently regarding the assessment of

projects. This recognition required a second level of analysis into the how which transitioned into the second question.

Secondly, this analysis process of pattern coding helped to “identify an emergent theme, configuration, or explanation” (Miles & Huberman, 1994: 69; Pope et al., 2000). Pattern codes allowed for the coding of major themes, configuration of data, and its explanation. When dealing with the second question, actions on how the process factors were utilized and implemented emerged. By utilizing this process of analysis, it allowed the reduction of large amounts of data such as long descriptive prose of the selection process and elements that went behind that process, into smaller segmented units for analysis and provided an environment for “the theory to emerge from the data” (Strauss & Corbin 1998: 12). Through the use of this method, description of how the factors identified from the first question emerged in great detail providing an opportunity to capture the major themes that drove the factors into actions.

When dealing with difficult-to-code items such as intuition, the researcher associated respondent’s claims of gut feeling or instinct as intuition. Overcoming this obstacle provided an easy platform to code intuition as it related to an interviewee’s feelings. Gut feeling or feeling as superlatives for intuition were utilized to allow for a decisive data reduction process throughout the first and second phase. This provided a transition that highlighted managerial judgment and showed the link between the two areas.

This analysis allowed for concentration on fieldwork as an anthology of data with a goal-free schema and no self-imposed assumptions (Scriven 1991: 56), allowing for

drivers and patterns to emerge from all four cases. This pathway of analysis allowed a diagnosis of the decision-making factors and action taken on the part of the studio. Once each diagnosis was identified amongst the studios, supplemental data such as the financial reports, notes, and private documents were implemented into the analysis. In addition the data “described the actual program effects, not just planned effects” including the process orders of the recipes and dynamic managerial capabilities, thus providing a foundation for the cross-case analysis (Thomas, 2006: 238).

The next step involved data reduction (Bryman & Bell 2008). The researcher reduced the data sets by finding comparable associations amongst the studios with regards to the phenomena studied known as the green-lighting process (Miles & Huberman 1989). These associations involved the identification of intellectual property, the need for financial capital, and the use of a decision-making process when deliberating on whether or not to approve the production of a film. While the factors regarding the industry recipe were outlined in the first round of data analysis, interview participants were asked to walk the researcher through how each of the categories are realized and executed. This provided significant opportunity for interview participants to further discuss the internal process and procedures of the firm as it relates to film project development.

Focusing on the selection process of new film projects provides a segmented section for thematic analysis and understanding surrounding how and what the four studios view as dynamic managerial capabilities and the capabilities and processes necessary to execute decision-making for the selection and approval of film projects. The researcher was able to format raw data and perform an in-depth review of each

response related to the question and context. This process followed adopted inductive pattern coding procedures utilized by previous scholars (Bryman & Burgess, 1994; Silverman, 2000; Kerse, et al. 2004). The next step associated with developing categories involves assessing of whether or not “upper-level or more general categories are likely to be derived from the evaluation aims. The lower-level or specific categories will be derived from multiple readings of the raw data” (Thomas, 2006: 241). Amongst the four studios assessed, the upper-level categories of process and lower-level themes were derived from the data, outlining an opportunity to move back and forth amongst the upper and lower tiers of data. Thus, the themes that were identified were relationships, judgment, and communication. Table 4.4 explains the relationship of the themes to the recipe factors.

Table 4.4 Relationships & Theme Association Factors

Themes	Studios	Recipe Association	Application
Relationship	ALL	Associated with all factors of the recipe	Relationships utilized in all factors of the film making process. Relationships recognized as the "Currency of the industry." It is what the Hollywood industry is built on. Relationships and rapport effect how and who a studio does business with.
Judgment	ALL	Associated with all factors of the recipe	Judgment plays a significant role regarding the selection of a film. In addition, getting the film at the right price, choosing the right production team, and ensuring the right distribution and marketing strategies are selected
Communication	ALL	Associated with all factors of the recipe	Communication can make or break a film and the studio that backs it. All studios have a bifurcated system of communication with the "creative's" speaking their professional language and the "managers" speaking theirs. An inability to communicate to either side can result in massive financial loss and failure to execute on a successful production and release strategy.

Cited: Author

These themes were then reviewed through internal documents and articles to ensure accurate interpretation and representation of the constructs amongst the research data and the themes derived from the interviews (Miles & Huberman, 1994). An intention to guarantee the analysis was thorough, and there was no concern in “getting locked too quickly into naming a pattern” in trying to understand the what and how of this particular phenomenon (Gregor, 2006). Once the process and themes were identified, the researcher reverted back to the interview responses to see how the themes affected the process of film selection and distribution. As the data was being sifted through, the two research questions were once again highlighted. The questions call attention to the need to explore and understand how industry recipes influence the formation and process of dynamic managerial capabilities regarding the decision-making process for product development within a rapidly evolving environment defined as the Hollywood Film Industry.

4.7 Research Credibility

Research validity is an imperative question when undertaking a research project. Often times “the concern is with the researcher’s decisions about what data to gather and interpretation of the data gathered” (Matthews & Ross, 2010: 39). The utilization of the methods described follow the guidelines set forth by a variety of authors (Bryman & Bell, 2008; Blaikie, 2010; Ghauri & Gronhaug, 2010) and explicitly follow that process of inductive research through pattern coding as described and outlined by Miles & Huberman (1994). “The credibility (or believability) of the researcher’s interpretations of the data gathered is tested by the transparency of the analysis and interpretation of the data. For example, by testing out the interpretation of the data with the research participants or by setting the

interpretations alongside existing theory,” the researcher sought to outline the whole analysis by modeling the study after the methods and research put forth by Miles and Huberman (1994). Their work pertaining to qualitative data analysis provided a consistent guideline for the researcher to follow.

The researcher first, reflected on the information sought, which included understanding a phenomenon. He returned to this position as suggested by Miles and Huberman (1994: 51) before moving on to deciding the interview questions. The interview questions were then constructed to tease out the description and explanation of a process, but then understand and explore the drivers behind that process, thus the phenomenon. This allowed the researcher to be “clear about what was need to know about a particular field” (Miles & Huberman 1994: 51). As explained above, the researcher selected the cases based on incumbent/challenger dichotomy in the industry. Thus, incumbent firms can “reduce the likelihood of being dethroned by first, taking more new actions, second, carrying out a broader range of actions, and third undertaking actions more quickly than challengers. The inverse is true for challenger firms” (Ferrier, Smith, & Grimm 1999: 385). This positioning allows for further understanding of how these incumbents and challengers initiate action.

Then the researcher utilized personal contacts to reach out to individuals within the four studios to conduct semi-structured interviews. The questions were asked then entered into an excel sheet where they were then uploaded to SPSS Text Analytics for coding. To reiterate, the researcher undertook a two part coding analysis. The first process, coded for an understanding of the film selection creation and distribution process. Each participant was asked to explain the process of film

selection as it pertains to his or her studio. The responses were coded for description known as descriptive codes. This allowed for the layout of industry-wide adopted factors as well as firm specific factors to address the first question which “entail little interpretation” because “you are attributing a class of phenomena to a segment text” and allow for the layout of factors related to film selection.

The second phase of coding consisted of the “same segment of responses” and was handled more interpretively. This segment of responses provided that actions corresponding with each firm behind the descriptive factors representative of the recipe. Utilizing the second phase of coding provided an opportunity to “became more knowledgeable about local dynamics” of the decision-making process between incumbent and challenger firms in the Hollywood Industry. This interpretive and in-depth examination provided a “more complex, more ‘backstage’ web of motives that turned up” (Miles & Huberman 1994: 57). This led into another set of codes that sought patterns from supplemental material provided by the studios and external sources along with the analysis to verify the results that were discovered through prior coding. It was this stage the themes emerged and the researcher began to revert back to the theory at hand.

4.8 Validating Constructs

To ensure the constructs validity throughout the process of data collection and analysis, the questions used to extract responses from interview participants were tested throughout the market amongst experts within the field as suggested by leading scholars (Eisenhardt 1989; Bryman & Bell 2008; Blaikie 2008; Yin 2009). This process provided an opportunity to understand the contextual frame of

reference many of the participants outlined, and allow for the triangulation of articles and firm reports within the case study databases. The collection of different data sets involved the initial patterned analysis of interviews, which was followed up, by analysis of corresponding to public articles, internal documents and reports, as well as historical records of each studio. Ultimately, this enabled the constructive, chain of evidence that links qualitative data with the appropriate software i.e. (SPSS Text Analysis) to properly appraise and assess the data for themes and patterns (Yin 2009: 43).

When the interviews were completed and transcribed, the documents processed, and articles gathered, they were stored in a database to triangulate the documents and articles against the interview transcripts. Notes were also taken after interviews regarding any recognized patterns or data surprises that were revealed in interviews and later corresponded with supporting data collection materials. These analysis results were then linked to existing literature on relevant theoretical backgrounds to create the chain of evidence as described by Yin (2009).

4.8.1 Internal & External Validity

Researchers must strive to establish relationships that are both intentional and genuine to generate unambiguous and consistent findings from coherent case study analysis (Bryman & Bell 2008; Ghauri & Gronhaug 2010). Data analysis is undertaken through intricate and detailed cross-case analysis (sorted into case-based data bases) that focuses on discovering and paring similar patterns amongst the data before constructed and coding takes place. The relationship linking the cases to the pattern was first explored when the researcher began exploring various theoretical

frameworks amongst the data until the factors and data until the analysis was complete. Through patterned coding, the researcher could recognize configurations that corresponded with the appropriate theoretical frameworks (Miles & Huberman 1994). The amalgamation of varied data sources and materials provide further evidence of pattern validation amongst the observational relationships amongst case studies as codes were categorized and established. For example, when deciphering the factors related to the recipe, interviewees immediately associated with the necessary resources and actions for the factor to take place. When discussing the sourcing of intellectual property, relationships were regularly brought up among interviewee participants. In addition, these provided the necessary link for the internal “chain of evidence” as purported by Yin (2009). Interview respondents further confirmed internal validation through cross-sectional comparison of data to further explain and understand conflicting statements or explanations.

External validity focuses on the data findings and whether or not they can be applied and linked to prevailing theories within various streams of literature (Cronbach & Meehl 1955). To further rationalize the existence of general findings with theories, rich and deep description is necessary to observe social phenomena or the green-lighting activity. The large detailed descriptions of the phenomena can provide the researcher with adequate context and understanding regarding the importance of the observed phenomena. Within this thesis there are four major case studies regarding the phenomena of industry recipes and their influence on decision-making manager’s dynamic capabilities. The results from all case studies were compared amongst each other. Regardless of variations that exist amongst the cases, the commonalities and emergent patterns can be applied to incumbent and challenging firms in other industries.

4.8.2 Ethical Issues

Researchers utilizing any methods and undertaking any study must consider the ethical perspective of methods, implementation of methods, and conduct throughout the entire process (Wengraf 2001; Bryman & Bell 2008). Utilizing qualitative methods in an ethical manner is critical due to the level of deception and manipulation that can occur through distortion of data or analysis (Oakley 1981; Blaikie 2008; Matthews & Ross 2010). One such form of deception involves the interviewer utilizing a listening/recording device without the participant knowledge. (Gudmundsdottir 1996). This practice, if undertaken can significantly damage the interview participants and challenge the credibility of the research as well as the researcher.

The research outlined in this thesis sought to follow standard ethical guidelines as explained further. Regarding the solicitation and procurement of the interviews, each participant was informed about the intention behind the interview and asked if they were comfortable with the interview being recorded. All interview participants agreed except for one, and during that interview, copious notes were taken as to ensure authenticity and accuracy of all data supplied by the interview participant. In addition, all participants were reassured that anonymity would be adhered too and any personal or traceable information provided in the interview would be excluded within the final study. Finally, this research follows the guidelines provided by the University of Edinburgh Ethical Research Framework that outlines research ethical practices in social research within the university ethical guidelines. The guidelines were first presented to the researcher in year one and were given approval by the university after the first year review. In addition, the ethical guidelines were signed off every following year during the course of the research project.

Additionally, ethical guidelines put forth by the Academy of Management Code of Ethics as this data collection was carried out within the United States. See Appendix 4.0 for more detail regarding ethics adherence and guidelines. Overall, there was a stringent intent and effort given on the researcher's part to ensure that all ethical issues and concerns were addressed prior to conducting the study, especially given the gravity of the research subject.

4.9 Chapter Summary

This chapter outlined the methods utilized by the researcher as well as the choices made between the data collection and analysis. Table 4.5 provides a brief summary of the chapter.

Table 4.5 Summary of Chapter 4

Chapter Section	Summary
Philosophical Underpinnings	Illustrated how philosophical underpinnings root how and why questions are formed for research.
Epistemological and Ontological Assumptions	After an extensive review of various ontological and epistemological assumptions, the author decided that based on the type of research required for the project, an interpretive perspective followed by analysis using the Verstehen Method was the most appropriate approach.
Research Approach	The researcher decided to do a qualitative study approach rather than a quantitative, which influenced the type of research, conducted. The research conducted was semi-structured interviews with respondents within the Hollywood film industry
The Case Study Process	The multiple case-study approach was chosen accompanied by a comparative analysis of cases. The discussion provided insight about single versus multiple case study approach was thoroughly discussed
Data Collection & Analysis	Data was collected through face-to-face, phone, and skype interviews with participants. Four cases were undertaken, two incumbent and two challenger studios rooted in the Hollywood film industry. Executives and managers were selected within studios that are directly or associated with the green-lighting process of a film. The interviews were collected through the snowballing method of reaching out to individuals within the selected studios
Research & Construct Validity	To undertake this research, ethical considerations and validity of research were taken into high consideration based on the ethics rules and standards set out by the University of Edinburgh and the Academy of Management Society

This study embodies an interpretivist position illustrating that truth is embodied from experiences and sensory information, thus making truth subjective in nature. This results in people assembling subjective realities, which may be presented based on a particular role or context. This means the constructivist method illustrates that the construction of a particular standpoint surrounding the way in which industry recipes a manager's dynamic capabilities can be understood from a qualitative perspective, which allows researchers to pinpoint processes and procedures and the influencers among them to gain a better understanding of the manager's decision-making process. The researcher chose to use an inductive qualitative method that utilized semi-structured interviews to learn and understand a particular industry (Hollywood film industry), how that industry selects and creates their products, and the underlying dynamic managerial capabilities employed and deployed throughout the firm.

The selection of four studios based on their position within the industry was conducted. Two established firms and two challenging firms rooted in the major and minor studio category were selected based on information obtained through individuals that worked within the industry. Semi-structured interviews were utilized amongst the interview participants from each studio. These participants were managers, VPs, and C-suite executives that were responsible or knowledgeable of the green-lighting process within their studio and the industry. Each interview lasted between 40-90 minutes. The interviews were then transcribed and uploaded into Excel and SPSS Text Analysis for coding and review. The first round of coding involved understanding the green lighting process, fairly descriptive. However, the

second round involved taking the description and teasing out the themes that were identified within the process, and utilized by each studio.

Finally, the last phase involved understanding and identifying the themes and patterns across each studio within the industry through the integration of supplemental data such as closed source documents from the studio and open sourced information on the studios such as news and journal articles. In addition, ethics and credibility were highlighted citing the use of the Academy of Management code of ethics and ESRC Research Ethics Framework as the tools used to ensure the strictest of ethical standards and practices through this course of research. Official approvals of the study and data collection methods were approved initially after the first year, and every additional year when the researcher updated the university on the project. Finally, this chapter provided the methodological justification regarding an exploration and understanding of the dynamic capabilities and industry recipe theoretical research. The methodology is a road map to ensure the research practices aligns with the research questions that emerged from the prior literature and provides the road map to the output known as the analysis, which is illustrated in the next section.

CHAPTER 5: FINDINGS 1-INDUSTRY PROCESS
IDENTIFICATION ANALYSIS

5.0 Introduction

The methodology was systematically presented in the previous chapter illustrating how the research questions were answered. Question one, “What are the industry recipe factors adopted by managers of incumbent and challenger firms in a rapidly evolving environment?” is exhibited in Findings 1: Industry processes and Findings 2: Dynamic Managerial Capability Identification & Manifestation. This first section effectively describes the recipe of film selection and procurement for each studio using inductive examination through first level coding procedures. This process of coding strategy provides an opportunity to “identify an emergent theme, configuration, or explanation” from the data (Miles & Huberman 1994; 69). Table 5.0 illustrates what aspects will be discussed in this chapter.

Table 5.0 A Look Ahead

Chapter Section	Summary
Recipe Description	In this chapter, the information is outlined regarding the factors of recipe creation and absorption throughout all the studios within the industry
Incumbent Studios	The recipe factors are illustrated and described via comparison of studios (A) and (C). As represented by an incumbent firms within the major and minor studio system
Challenger Studios	The recipe factors are illustrated and described via comparison of studios (B) and (D). As represented by a challenger firms within the major and minor studio systems
Major Studios	Studios (A) and (B) were compared because they occupy the same territory however one is an incumbent and the other is a challenger
Minor Studios	Studios (C) and (D) were compared because they occupy the same territory as a minor studio however one is an incumbent and the other is a challenger

While focusing on the extrapolation of patterns, it is important to set the scene through the data and understand the industry recipe factors used amongst all four cases. Once this is complete, the researcher will endeavor to identify industry recipes and firm-level recipes. Upon completion, the researcher will then compare the relationship between the recipes and capabilities. It is clear from the data put forth by the collective interviews, that several factors are indicative to all studios with regards to the creation and completion of feature films. The following sections will describe the relation to those factors amongst each individual studio.

5.1 Industry Process Identification for Incumbent Major Studio (A)

The film industry is one of varying and complex relationships, resources, and people. Each studio has a specific identity that aligns with their chosen target markets. As Studio A has been described in detail within the methodology section, a brief summary will be given. Studio A is an incumbent major studio in existence since Hollywood's early days and golden era or 1940's through 1950's. Studio A has a control on all resources and assets necessary to create, market, and distribute a film with a wide array of international resources and networks. Studio A's long-standing history within the industry provides a wide platform of influence and accessibility of resources due to its name brand and reputation. The following sections will outline critical factors identified by each studio that are necessary for creating, producing and distributing a feature film.

Sourcing/Developing Intellectual Property

The first major category recognized for Studio A within the process is sourcing/developing material. The researcher sat down with a variety of interview

participants from Studio A and they described the process behind movie making. Intellectual property procurement and purchasing played a significant role in the overall industry process. When interviewing the CFO from Studio A about how they make films interviewee A1 stated:

“...it can happen any one of a number of ways. But you have a development department that is either buying the rights to books, or buying scripts, or buying options on writers...all of the studios have development deals or certain arrangements with producers or they can exercise some influence in trying to get their movies made.” –
=A1

This interview, along with others highlights the decentralized process, resources, an avenues Studio A pursues to acquire intellectual property. There is a great desire on behalf of Studio A to find a good story or project. One particular individual who was interviewed for this project and heads up the development team is Interviewee A3. Interviewee A3 illustrated the importance of sourcing materials such as books, stories etc. but added a different element to the process stating “there's another dimension to this that I can talk about which is, do we think that this is a good project and an interesting story?” (Interviewee A3). Supplemental documents provided to the researcher by Studio A outlines significant resource investment into the acquisition and allocation of intellectual property procurement. Respondents illustrate the need to source and find material that provides a product to not only entertain, but also earn a profit as illustrated by the Director of Digital Media for Studio A when interviewed. The VP's response surrounding the process of filmmaking illustrated the acquisition and turn-around for projects.

“Evermore so these days, or it seems, the notion of sort of the recognizability of a franchise, of intellectual property. It seems to be evermore important in means of cutting through the clutter, and in means of providing some degree of perceived confidence around the financing decision as well, which is to say - things often times, things

often won't get green lighted unless they are based on a known book or even more so, based on a known franchise that proceeded it in the theater somewhere before." -(Interviewee A8)

Here, the interviewee connects the need for sourcing good intellectual property (IP) with the need for adequate financial capital/funding to develop the IP. The VP of Content Management (Interviewee A3) heavily emphasized this particular point due to the potential draw of the target market within the market place. As Interviewee A3 stated:

"Whether it's a book, a magazine article, just a pitch from writers, whether it's turning intellectual property into a movie – ideas can come from anywhere...some of them are on the shelf - they just own the rights - some of them are in active development where they have writers writing treatments or rewriting scripts. And then some of them are in pre-green light which means that the studio wants to make them and that they're basically getting it to a spot where they're comfortable putting it into project." -(Interviewee A3)

Once Studio A acquires a script, the team and members are responsible for appraising and providing, "another dimension to this [project] that I can talk about which is, do we think that this is a good project and an interesting story?" (Interviewee A2). The discussion surrounding the intellectual property, in addition, recognition regarding how projects or ideas reach the desk of Studio A can be as varied as the projects themselves. Interviewee A4 emphasized and highlighted the need for various relationships and routes to be developed and solidified so the free flow of ideas and intellectual properties could occur.

"So the films come from like a lot of different avenues, you have – we had our own development team within the studios that was looking at books, scripts, developing stuff internally, we had our own creative executives, we had producers on the lot with whom we had a first look deals or development deals and they were also working on stuff for us" –Interviewee A4

Finally, a failed film or failed execution of a film project can be traced back to the beginning steps of when and how the script was assessed and flushed out within Studio A. as described by Interviewee A6:

“But in terms of say good or poor execution, well... A lot of it is how well the script is flushed out before your film the thing and how well that’s actually done – how well is it filmed, how well is it acted, how well is it put together, and then how well is it edited. And then, especially if it’s something that is quite visual that has special effects or whatever, after filming it – you’re doing special effects and you don’t know how that’s going to come out till the special effects are done.” –Interviewee A6

In conclusion, Studio A recognized the significant impact of sourcing intellectual property as a first step in the process to producing and distributing a film project. The recipe for sourcing material for Studio A involves finding the owners of the IP for the projects, bidding for the creative rights to the projects, and assessing the financial projects of the project.

Financing

When interviewing participants about the process of filmmaking, nearly all participants stressed the need for capital financing or budget allocation from the studio for various projects. As well as finance to make the movie, potential financial profit projections are a major determinant behind whether or not a movie will be allocated financing.

First, Studio A has to ensure the film makes “financial sense” as stated by Interviewee A3:

“A film is very capital intensive, it’s very labor intensive, then it’s difficult to find alternate ways to get something like that out there

and have it be something that is viewed as financially positive.” - Interviewee A3

Making financial sense involves creating projects of similar projects that were released into the market place and understanding the financial dilemmas those projects encountered. This information was gathered through confidential financial forms. This coincides with what the Interviewee A1 stated, saying once the film clears the preliminary area for screening within Studio A “you start out with putting together comps. So comps based on the genre, comps based on the director, comps based on the star or stars, and then there is enough data out there that you can kind of get a pretty good trend line as to how it will perform. Then you have to factor in, is it a global release? Are you just keeping domestic and selling foreign rights?” Breaking this down, “comps” are recognized as comparable, meaning the studio puts comparable costs together of what they believe will financially succeed given a variety of scenarios. These financial comparables factor global and domestic release as well as marketing and production. In addition, relating the comparables back to similar IP’s is necessary for understanding how untested IP’s can perform in the market place. They allow Studio A to provide a framework for a movie as stated by Interviewee A7:

“They just try to forecast as best as they can how this film is going to do based on like past films that they’ve already done. That’s why I’m saying most studios pretty much stay within the strain of the type of movies they produce” –Interviewee A7

In addition to comparables, the executives throughout Studio A cited the “tent pole” model, which is best described as a film where the studio invests a significant portion of its revenue into the production and distribution of the product knowing it will be financial-success. Thus, this film will account for films that may cost less but

have a greater risk of financial success throughout the domestic and global box offices. Interviewee A2 of Studio A cited this and stated:

“I think that’s [portfolio of investments] is the best analogy because you obviously want to diversify your risk so you know, most Hollywood studios today work on the tent-pole model. Where they have a few big blockbusters every year that they’ll plug \$200 million into both production and marketing costs that will give – hopefully – a windfall of revenue that will hold up the other movies. Then you have the other range of low-budget movies” -Interviewee A2

Similarly, the department also conducts, “financial forecasting models for what we think the best version of that is going to be. And then, revenue cost assumptions and when the two meet at the top of the pyramid that I sort of mentioned before, and the right creative package meets the right risk/reward conditions for the investment in a film, that’s sort of when something goes forward. Everyone signs on a piece of paper and you agree to spend production – cash flowing itself, right – again, the package that the creators are trying to put together, there’s sometimes a couple hundred thousand or even a million dollars spent ‘wasted development money’ to try to make that package as appealing as possible. Again, I think that the movies get green lit when all those stars align creatively and when the model ‘makes sense’ to the business leaders. You have to own the P&L’s, own those investments, right,” as spoken by Interviewee A5. The process is explained, detailing the tradeoff between risk/reward and the financing of a film. The need for a film to “make sense” financially is proverbial saying that the tradeoff between investment and profit are adequate.

In addition, when assessing the comparables and financial costs of a film against the potential upside, if the upside is great enough to entice a studio such as Studio A but there is still hesitation amongst the managers, one may resort to a co-financing deal.

Interviewee A6 for Studio A stated, “Co-financing is a big one. A lot of times if you have a parent company that’s in other industries or you’ve sort of got, if you’re industry’s down you’ve got other industry’s to keep the cash flow going – that’s a thing. It’s... you sort of know you’re going to have a batter go up to bat and strike out. It’s tough when you get two batters in a row striking out. Like you’ve... generally you’re going to have at least one film a year that’s going to tank. You just hope it doesn’t tank really bad, you hope you have something that’s good to offset it. You just don’t want to have a couple things in a row tanking. That’s tough. It’s really kind of hard to deal with that.”

Within the realm of financing as it relates to the filmmaking process, it is viewed from both the cost and profit perspectives. Participants emphasized the need to justify financing costs as well as potential profits when showcasing and pitching for new projects. This justification was often brought about through deliberation and debate within the green lighting meetings. The financial recipe involves assessing the potential strategies and financial outcomes for the potential property, deliberating co-financing deals and partnerships, and deciding how much capital to invest. When considering both film and finance, one must think both long and short term regarding the longevity and sustainability of the film financially within the marketplace and its future.

Production

The production of a film was recognized as the next critical factor within the feature film process through the participant’s responses. Production can consist of the filming, selection of cast and crew, postproduction, editing, and final cut version of the feature film. For example, the Interviewee A1 of Studio A stated, “I think the

talent attached to the project is important...” meaning the actors, crew, and all those who have a bearing on the direction of the quality and success or failure of a film. While noted in many of the interviews, production was not a crucial or critical factor to Studio A due to the large amount of resources Studio A possesses. According to their annual report from 2014, they occupy several hundred acres of property containing the technological equipment, sound stages, editing and videographer equipment. Their resources, (as outlined in their report) provide the known factor of adequate production and editing resources. Interviewee A3 went on to further affirm what was outlined in the report by stating:

“There’s so many different roles involved, there’s so many different types of creativity involved to make something really special. And you have to respect all of the different arts that all of those different people bring to the table to really pull off the kind of projects that people want to see.” –Interviewee A3

Part of producing is not just sourcing the material, but lining up the right resources to execute the vision put forth within the script. Interviewee A8 emphasized this by saying “the quality of the material, the availability of talent, the budget at the right level, and then just sort of the logistical element of, does the location line up with the tax credits, line up with the schedules, and sort of things like that.” When referring to the complexities of production, respondents would often refer to a particular department that would handle the logistic issues previously listed. For example, when speaking with Interviewee A2 of the studio regarding sourcing and production he responded by saying:

“They usually have a team of production executives who then work with what is called ‘term deal producers’. And they all have budgets that allow them to go out and buy material.” –Interviewee A2

Thus, for Studio A, production of the product and the creation of the material were a factor, but not one that was out of the control of the studio. All the necessary resources and relationships are within the studio's confines to produce the product. The recipe for production for Studio A involves hiring a director and acting team. The next step is to gather the right staff and support team for filming. Finally, the team gathers all the filmed material and processes it through postproduction, which will involve editing, sound editing, image processing, music accompaniment and a final cut. They control the internal corporate environment.

Marketing

When a film is complete and ready for the mass market, a studio must utilize various marketing techniques to promote the product within the given and intended marketplace it seeks to maximize. Studio A has extensive networks and resources under its corporate umbrella when marketing a film. Marketing of the film involves understanding the genre of the film and which genre appeals to each demographic.

Interviewee A4 outlined the discussion that took place when a film first hits their desk by stating, "How do we think we can market these movies? Who was going to be our target audience? Who was going to go and pay for this movie in theater and sit there right?" This highlights the need to understand who the market demographic is for the film. Interviewee A1 adds to this conversation by mentioning a tool used by the study with regards to the marketing of a movie:

"You try to get a four-quadrant movie – so that's males, females, young, and old- that's your four. Who's going to come see it? And factors like that." -Interviewee A1

Studio A has a four-quadrant segmentation utilizing the quadrant to determine potential returns and audience draw for the variety of movies they decide to produce. This quadrant system is used to create generalizations and structure to a very heterogeneous environment as illustrated by Interviewee A3 who stated:

“It's sort of a built-in audience for that. People like cars, they like car racing, they like kind of spectacular car crashes, they like the story that goes along with that. You kind of bank on that's going to do x number of dollars.” –Interviewee A3

The core component for Studio A within the marketing area is linking the audience with the genre of the film. Interviewee A2 of Studio A reinforced this premise of the studio by stating:

“Marketing people will read through the scripts before they get green lit and say ‘okay, what can we sell here? What is the core idea? What is the elevator pitch? What is the wall line? What are we going to tell people to see this movie?’ because marketing has changed but the reason why people go see the movies hasn’t changed. They want to experience something they can’t experience at home. They want an escape. They want to laugh. They want to connect. Those things haven’t change.” –Interviewee A2

In addition to the link with audience is a requirement to time the release and message accordingly as stated by Interviewee A8:

“Perhaps, obviously, the overall message and marketing of the film. How clear and thoughtful and effective it is? And then I would add to that a sort of X factor – right place, right time, kind of thing – is there something in the Zeitgeist or something to the timing of a release?” - Interviewee A8

In regards to the connection with the audience, Studio A embodies a wide variety of platforms such as social media, traditional advertising, multi-media platforms,

prints, and television advertising. Interviewee A6 provided critical insight to this aspect of the process by stating:

“There’s all this buzz ‘hey, how come we can’t... there’s people wanting to see it that can never get in.’ well that then puts it in the press. Then the trailer, they never showed a shot of the movie, they just showed a film of the audience. And there’s this entire Internet buzz – all this social media buzz on it. And so for a small amount of money, there was a lot of buzz when that thing finally hit the theaters.”-Interviewee A6

In addition to the interview excerpts, Studio A stresses the need to link their marketing messaging with the message of the film. If the message of the film is different from the marketing material, the wrong audience will be targeted and potential losses for the film could incur. The recipe used for marketing by Studio A involves assessing who the target market is for the particular film project. Once the market is determined, a strategy is formed as to how to build awareness surrounding the release of the property. This awareness will target moviegoers on a wide variety of mediums and platforms. The audience and markets are determined and the campaign is launched.

Distribution

Studio A highlights the necessity and importance of distribution, but in particular, regional distribution of products based on who and what demographic is targeted.

Interviewee A7 of Studio A stated that:

“Every movie considers distribution. Whether or not it has a life cycle beyond just the theatrical window is the question.” -Interviewee A7

Thus, the lifecycle of a film has to transcend traditional audiences and increase exposure even after the theatrical release. This is determined through scenario tables and projected costs of distribution for the film based on prior distributed films with similar attributes as illustrated by Interviewee A4:

“So we would say ‘this movie looks like these other 10 – 15 movies’ we would look at the performance of those movies in the box office, both in domestic and international, and based on the domestic and international box office you could basically infer all other revenues the company was going to get from the movie.” -Interviewee A4

Many times, as revealed through the annual report and from the participants of Studio A, different regions of the world could provide a greater return based on the types of films distributed within that region. For example Interviewee A1 of Studio A highlighted one particular region:

“International has grown in proportion, it has been greater than 50% I think for a while now. You know China is a potential huge market – obviously there’s a language issue there - so those are opportunities. So, it's a challenge of, is something truly global? I think that's where Disney with the superhero stuff, I think those themes play across all cultures so I see it as an opportunity.” –Interviewee A1

China has become a particularly lucrative market for Studio A due to the increased purchasing power of the continent and the demand for entertainment goods. The annual report and several recent articles outlined increased deals with Chinese entertainment firms. In addition, Studio A anticipates future consumption within the Asian region of the world and has actively sought to distribute films catering to the tastes of that region. In addition, the global box office has become more lucrative for Studio A than the domestic. Interviewee A2 of Studio A stated, “The international box office for Hollywood now surpasses domestic revenue.” Meaning, markets for

continued growth and studio performance for Studio A rest within the emerging markets and global arena instead of the US domestic market.

Thus, with the international market as a main player for Studio A the quality of film and the product and marketplace condition are critical. The “success in releasing a film is dependent on the project quality and marketplace condition,” thus giving critical emphasis to the link between project and marketplace position. Interviewee A5 illustrated the concept. The change in where films are distributed along with how they are distributed contributes to the continued evolution of an industry as explained by Interviewee A6:

“Well, first of all is good product, is knowing how products going to potentially change in the future, but also knowing how to respond to different changes in distribution.” –Interviewee A6

From the interviews, secondary public information, and data collected, it is clear that distribution is a contributing factor to the process of feature film selection and development. The recipe for Studio A regarding distribution first involves understanding the movie and whether or not it will be a limited or wide release. Once the release strategy is decided upon, Studio A assesses the film and determines the appropriate release time within the calendar year. When the day and season is agreed upon, distribution links up with marketing and crafts a strategy that compliments one another regarding the release.

5.1.1 Industry Process Identification Summary Studio A

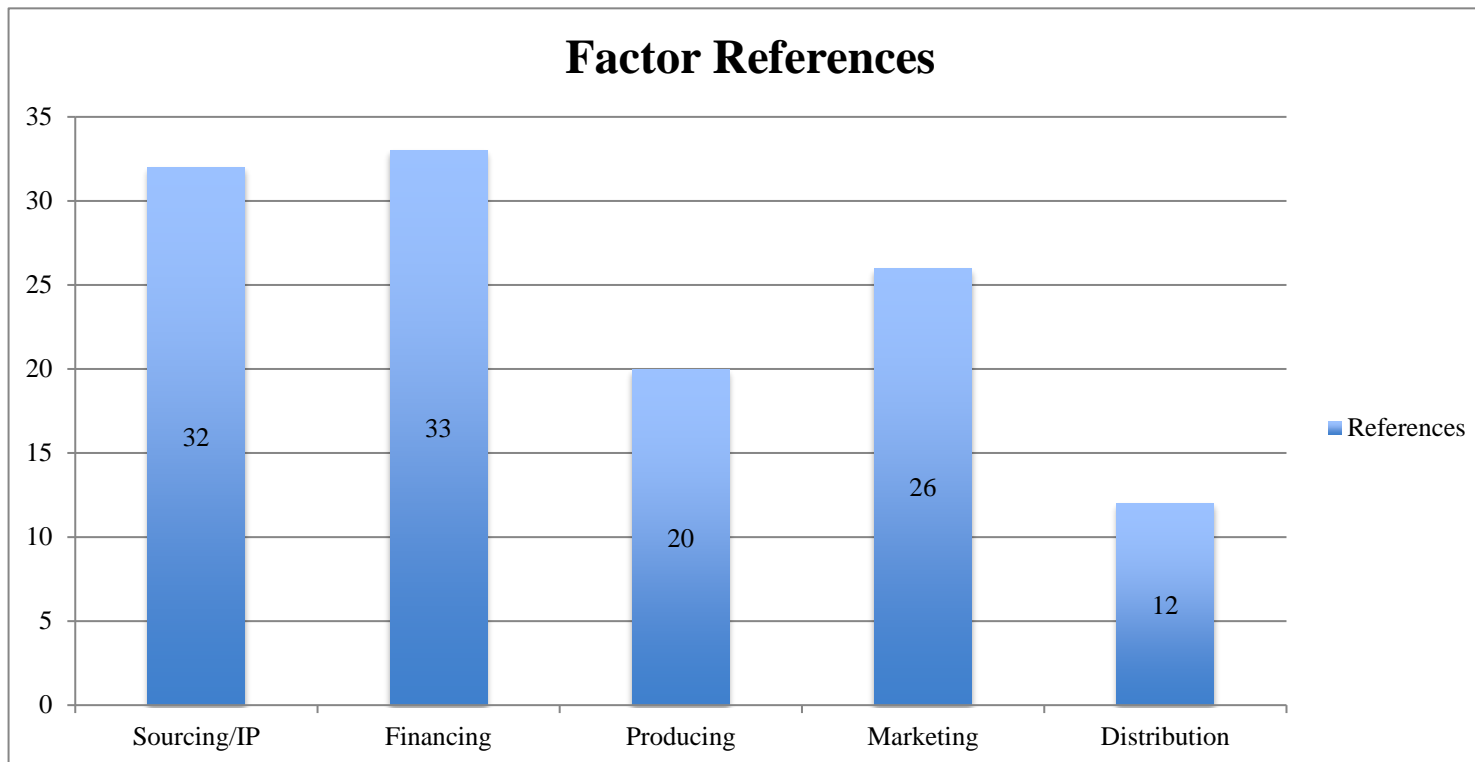
The areas of intellectual property/sourcing, financing, production, marketing, and distribution are all common factors represented throughout the four case studies,

however the interaction with these factors on a firm level are all unique. With regards to Studio A, the above-mentioned references, and those listed in the appendix, the researcher compiled a list of all references pertaining to these factors within the interview and systematically graphed the references to illustrate an emphasis for the given factor set amongst the firm. Each reference to the factor was measured as an individual thought or statement within the interviews. The following information is represented in Table 5.1 and Graph 5.1.

Table 5.1 References of Factors for Studio A

Factors	References
Sourcing/IP	32
Financing	33
Producing	20
Marketing	26
Distribution	12

Graph 5.1 Factor References of Studio A



Factor references for Studio A are represented through sourcing/intellectual property (IP) acquisition, development, financing, producing, marketing, and distribution. Within Studio A, references toward the factors of IP and financial capital appeared to be the most critical to an incumbent major studio. Nearly all references mentioned the need for a good script or a well-written idea or concept for theatrical transformation. In addition, there was a desire to acquire franchised-based IP or established entities possessing an intellectual property footprint in another market for production at the right cost.

Emphasis of sourcing and financing were noticeably and similarly referenced and were common throughout interviews, highlighting the importance of scripts, ideas, and the aspect of the written screenplay and development. This is due to the fact that, production, marketing, and distribution is secondary thoughts due to the security of those resources amongst the firm. Knowing full well the capabilities of the marketing, production, and distribution teams, the uncertainty of failure rests within the script and the financing that is procured within Studio A. Thus, the decision-making in script selection/development and capital financing/revenue to Studio A is the identified critical factors.

Factors mentioned, but less emphasized were production and distribution. These factors, though part of the recipe and a part of the process were not referenced as often as the constructs of finance and sourcing/IP because the capabilities with regards to implementation and output are known and are measurable factors. With the emphasis of two major factors of the recipe process for Studio A, the two main factors critical to Studio A are the sourcing and development of IP and the cost

versus revenue/financing of the property. Further understanding of why these two factors from the recipe appear to be dominant will be further explained in the comparison.

5.2 Industry Process Identification for Studio B

Within the film industry are incumbents and challengers. The incumbents have the high ground, the advantage of history and experience while the challengers seek to match or overtake the incumbent's position within the marketplace. Such is the case for Studio B. Studio B will briefly be outlined, however a more detailed explanation of the studio and the industry with which it occupies is listed within the methodology chapter. Studio B is a challenger major studio. Studio B has control of a majority of resources and assets necessary to create, market, and distribute a film, but lacks critical stability and structure regarding some resources necessary to complete the process similar to an established major studio. Studio B identified a particular market in the feature film arena, focusing on the creation, production and distribution of animated feature films. While this studio may market fewer and more expensive films than its counterpart in Studio A, they compete across the same vertical boundaries for market space and playability amongst a similar audience. The following sections will outline the critical factors identified for Studio B and how they interpret these factors.

Sourcing/Developing Intellectual Property

The structure of movie making is unique to each studio, but as Interviewee B1 of Studio B states:

“Each one starts with the creative spark of a great idea that is then developed into a script and executed with a unique combination of direction, performers, cinematography, etc. All of these elements must be assembled anew for each project. Coke famously has its secret formula. Filmmaking has no formula, secret or not!” – Interviewee B1

The illustration of Coca-Cola replicating their formula across a long period of time and over a vast array of markets does not stand up when it comes to the creation and distribution of feature films, particularly in Studio B. It is further stated, “of course, every new idea is not great, so you need to consider many in order to find the gems that have the right creative/commercial possibilities...You must be open to new, interesting ideas, otherwise you risk being the executive who turns down the next [name redacted].” Thus, ideas and finding the “diamonds in the rough” are critical for Studio B’s survival due to their nature of developing their IP’s instead of acquiring them. So to find the gems and weed out the rocks, a process was put in place for Studio B as outlined by Interviewee B2:

“Every studio has slight deviations to the process, but overall for this studio there are a group of – every studio has a group of development executives - and what the development executives job is, is exactly that - to develop the new material. So, it might be that they are... so it could be everything from having relationships with people who are established in the field and working with them on what their next script or project it is to being somebody who scans the literary world and having relationships with publishers and having access to books that are still in galley form.

There is a group of people who are developing material and are working on ideas to turn into movies. Scripts to turn into movies. You know, what have you. So it starts with the development process actually developing movies. And the flip can happen where writer – well known writers – is writing something and then the agent insists on admitting it into the studio system. So some projects are developed internally and some projects are developed externally and then pitched to the studios.

So a project goes through that development process and when the development and creative team feels like it is ready to be viewed, read, by a larger group of people then usually the head of production and the top creative teams, they have what they called 'weekend read'. Where everybody gets 'this is the stuff we're reading this week' and then they discuss it and it continues to get honed in 'how do we get it to this is the movie that we want to make?' When they get it to that point in time, it gets... it lands on, as you put it, the desk of a decision maker." –Interviewee B2

This process is fairly straightforward when appraising scripts, however Studio B primarily develops its own IP, meaning they have to create their own stories, characters, plots, and audiences. In addition, awareness of this new IP and cultivation of a marketplace must be conducted. As represented by comments made by the Interviewee B6:

"Now if the movie is a new franchise, new IP, and then it gets a little more complicated because then you also need to create the awareness of what the movie is about, right. And you have to have... That's where you'll see like when we have a movie coming out in a couple months called [name redacted] that's a completely new franchise, completely new IP, it's voiced by [name redacted] and there's a character for [name redacted]." –Interviewee B6

Thus, with the development of new IPs, it is imperative to get the details right because it takes an average of three to five years to successfully create and finish a full length animated feature film. Studio B will systematically tie in the marketing details with the financial and IP. Details are the story, plot and characters that make up the newly established intellectual property. Intellectual property development is highly stressed amongst the respondents. Interviewee B8 of Studio B had this to say regarding the IP development process:

"You're coming up with an idea, you're storyboarding it, and you think that you have the best that you can." –Interviewee B8

In addition, the COO of Studio B goes on to describe the process of developing IP within the studio and the interpretive feelings behind it. This ultimately ties into what marketing audience they are seeking to attract with their product. The interviewee states:

“it’s incredible to watch these storytellers, and a lot of these, you know – producers, directors – tell a story and how they see the world, and how they see a film before anything else is on paper when they do a storyboard run. That they envision this entire process, this entire movie – soup to nuts – and then tell the story and then everyone begins to get on board with that.”-Interviewee B3

The IP development process for Studio B is seen from the participants as creative, interactive, and ever evolving to coincide with a long-term vision for the product. This is accomplished through meetings, discussions, and sample sets of characters, ideas, and settings. Thus, the emphasis on the screenplay is greatly stressed by the studio within the creative process of IP development. Interviewee B4 had this to say regarding films and scripts:

“All the great actors in the world can’t do anything with a crappy screenplay. So producers that are what producers are working on for two years when they’re really working on trying to get this film right, is the screenplay. You need a really good screenplay to make it work. And it’s got to, you have to kind of have a vision. Like the thing that I’m thinking of in connection with this is the Lego Movie. Which is actually done really well, but they struggled with that script because they’re like ‘okay this is a toy, and it’s not a toy that really lends itself to a movie, like there’s no history to it. Like what’s the history of the Lego... there’s no story there, you just kind of create things’. So it took them a long time wrestling with that screenplay, like ‘what is this movie going to be about? Is this a bunch of bricks?’ and they got it right. They hit the right note.” –Interviewee B8

As participants from Studio B began to discuss IP development, the author was able to see there was significant attention paid to the message, theme, and audience of the IP, how the IP was structured and who the IP would target. The aspect of

storytelling permeated the ethos behind IP development. Internal documents and public information surrounding Studio B frame the majority of their products and are all newly created IPs, not film adaptations from a different market. As mentioned before, Studio B is an animation studio, meaning they are also responsible for creating the characters for each film and the story line. The creation of IP is not just a huge creative burden, but a strategic one as well. Each movie takes an average of three to five years to make according to internal documents. The recipe for IP development in Studio B involves a creative team inventing characters and providing personality/context to them. The second portion is revising those characters then adding a backdrop or story. The third involves revision of the story and graphics, and finally the last part involves combining the characters and story together.

Financing

Studio B considers financing a film and garnering a profit to be an intertwining contributing factor within the movie making process. Interviewee B1 of Studio B illustrated the analogy between investment and profit when interviewing the CEO for this project by stating:

“Understand the particular value of a concept – Everybody I know who works in this business loves movies and wants to make great ones. But these movies also need to be profitable. So, before green-lighting a project, it is important to understand its commercial potential.” -Interviewee B1

Interviewee B1 highlights the need to understand the value of a concept before agreeing to produce or distribute any product. This type of value is both the cost of the product and potential return. Interviewee B1 makes light that Studio B uses valuation of cost and profit and emphasizes that the potential lies for further creative

development through other avenues for profit. This valuation extends to the assembly of cast, crew, and seeing if the assembled budget is doable before the green light takes place, described by Studio B's Interviewee B5:

“Once you have something that comes out of production and development, then you have to decide whether or not you can put together cast and camera talent such as director or producers that are worthy and if you will be able to put together the financial investment.” -Interviewee B5

Interviewee B2 highlighted the aspect for profit generation after the green lighting committee has agreed upon the film. Interviewee B2 stated:

“So that person or persons who ultimately has that green light authority has had that input not just from production on what they think the movie is, and what it's going to look like, and who should make it, and who should be in it, but the people who are responsible for generating the revenue off of it and making sure that they believe they can sell the movie, that they can find an audience for the movie, that they're doing productions on what they think the movie's potential revenue is – and that's consistent with how much money it costs to make – and then all of that information is made available to that person and the decision whether or not to make the movie is based on all of that information” –Interviewee B8

Among the leaders within Studio B, the individuals and teams responsible for observing the product must determine the audience and territorial geographic access in making the film project a success. These estimations and scenarios play a crucial role in the further development and securing funding for stories and movies within Studio B. For example, Studio B's Interviewee B3 explained how the executive team worked to secure financing for their vision of a mega blockbuster during the studios inception. Interviewee B3 stated:

“The creation of movie starts, as far as the funding goes, first they threw half a million – half a billion dollars or 750 million dollars together between the three of them and their names themselves got banks on board to say ‘yea we'll back that’, because you put [name

redacted], and you think about back then, it was what – late 90’s...’96...’95. [Name redacted] was extremely hot then.” – Interviewee B3

Thus, financing and valuation are often attached to the relationships associated with the projects. These relationships ultimately provide financing and access to capital. The recipe of financing for Studio B is taking the property and running the financial scenarios, second is looking at the value and potential value of the property, third involves the cost of production/marketing/distribution, and four ultimately measures the life run of the product. Once the financing is together as explained by Interviewee B1, production begins, however production for Studio B differs from their counterpart Studio A.

Production

Production for Studio B is slightly more time consuming and strenuous than other studios, given this studio specializes in animated features. The production for animated features is both labor and time intensive. As Interviewee B1 stated about production an animated feature film:

“When developing and manufacturing beverages, there is a standard approach that involves filling identical containers with different blends of water, flavoring and other ingredients. There is no such standardization involved in the production of a successful movie.” – Interviewee B1

Given that all movies are unique with their own individual story line, Studio B must undergo an extensive development process that involves an understanding of the setting, time period, storyline, characters, and plot development all encompassing the creation of an animated feature. Executives from other areas of production will

contribute to the process by bringing in the aspects of their area needing to be addressed in the production, as described by Interviewee B2:

“And it might be that I would say ‘look this is great, but this is a movie where we would need a cast. Give me something like this actor or that actor. Or this is a movie where I think we’re going to be challenged with this segment of the audience so can we think about what the music component is to it?’” –Interviewee B2

In addition, since the creation of the project and progress of it rests within the control of the studio, executives can direct the project at the pace they prefer. This allows the executives creative power to control the content, vision, and storyline of the creative product. Interviewee B7 of Studio B stated:

“I mean movies all the time that have a release date, get killed and then don’t get released ever. So you know, I think the feature side is really difficult because it’s this constant process of having to prove over and over and over again to the executives and the studio that the movie is getting better every time they screen it. That it’s moving in a direction that like, that people start to trust – that like okay, by the time the release date happens and by the time we have to lock this film, it’s going to be a great film, even though there are these areas where it’s still really... and we’re a year away – you know whatever it is, it’s like, so it’s a very, very different process than feature film making, that much I can say.” –Interviewee B7

Studio B highlights the size and scope of a project and often various aspects of the production are assembled with various teams. These teams often work together to achieve the collective vision of the studio to produce a feature film. Studio B thrives on team-based environments that are divided based on role and expertise as represented by the Interviewee B3:

“So a lot of production team’s work together, and the nebulous of that team is that they don’t go off and pick their own but that they’ll stay together and just kind of move with the same groups.” – Interviewee B3

When speaking about the production of a film, there are continual assessments that take place amongst the executives to gauge whether or not the film will be a hit in its current creative form and projected track. Interviewee B4 outlined how this assessment is viewed through the department and fellow executives:

“If you’re really worried about something, you’re like ‘okay, this could be a huge hit or it could be a huge miss and if it’s a huge miss we’re like screwed’, so then you just split the production cost with another studio” –Interviewee B4

Throughout each marker in the development process, creative and senior executives will enact changes or modifications to the script, characters, or plot if they believe it is necessary for the success of the film. In addition, marketing of a newly created IP is a significant challenge, one that all executives are aware of and stress. This will be highlighted in the next section. The recipe for production factor of Studio B involves the assembly of creative artists, creation of characters, formation of story/setting, and revision of the script.

Marketing

The marketing of movies from Studio B was emphasized by all participants within the study, but Interviewee B1 set the tone by stating this about the marketing of their products:

“[Film project creation] culminates in a worldwide marketing campaign in more than 40 territories and languages. This campaign must build awareness and interest to drive a huge number of people to consume this product during the three days of its opening weekend. Most often, within two months, the product will no longer be available in theatres.” –Interviewee B1

From the onset surrounding the creation and production of IP, Studio B viewed their product as marketable on a global scale dealing with multiple languages and

cultures. In addition they had a time period to raise customer awareness and drive targeted individuals to the theaters. Thus, the aspect of marketing a newly created IP rests with Interviewee B2 and her statement regarding the marketing of Studio B's feature films. The executive addresses the issue of new products with several questions:

“For me - the question was always, who's the audience for this movie? In some ways, that is almost as important as how good is the movie. Because if you don't know who you're making a movie for, then you can't sell. So you have to know who that audience is. So I always approached it from, 'yes, I wanted to know if it's a good story, if it's a compelling story, but who's the target audience for this movie and is it a target audience big enough to sustain this budget?'”
–Interviewee B2

Identifying the target viewing audience is critical for marketers in Studio B. If the marketing message does not align to the intended audience, then the studio risks losing financial profit and receiving negative reviews based on a population it never intended to target. Interviewee B6 emphasized this by saying:

“The consumer needs to want to be able to see or want to see a movie for whatever reason – and that's a whole 'nother million answers right there – and then the product needs to deliver on what you are saying that, kind of keeping true the... You know the best examples is dealing with like a Marvel movie, right – the movie really has to stay true to what the consumer is expecting” –Interviewee B6

Given Studio B is an animation studio, their primary target audience is children and young adults, and however marketing to children requires the need to market to their parents as well. Thus, products become something that should be entertaining for the children as much as adults. Interviewee B3 illustrated this as the marketing and overall philosophy for Studio B:

“And that’s another driving force is being able, from a marketing standpoint, from a... people go to movies for a multitude of reasons but [name redacted], and again, [name redacted] philosophy...[name redacted] philosophy was to always ‘lets get the kids to want to go and they’ll drag the parents’. [Name redacted], I think, bigger philosophy was ‘if we get the parents to go, they’ll drag the children along with everybody else and they’ll go multiple times’.” – Interviewee B3

In addition, the cost of marketing a film can often exceed the budget to make the film. A common rule of thumb cited by internal documents and industry experts is that one should observe the cost of the budget and double the amount to obtain a rough estimate regarding the cost of marketing and distribution. When discussing the concept of value, often times the financial value is incorporated in the cost of marketing and production. Interviewee B5 stated:

“Typically studios spend more to market films than to make them. If you are making 50MM film you are going to at least spend 50MM before you distribute.” -Interviewee B5

Cost aside, all interview participants stressed the importance of marketing throughout the process of feature film development and distribution. Even executives in the legal department acknowledged the necessity of marketing as well as its powerful influence as it relates to movies, but in particular animated features.

Interviewee B4 stated:

“One of the things that I have realized over my years working at a studio is just how extremely important marketing is. Marketing is so crucial to the success of a film. Sometimes, even as important as what the content of the film is that ends up on the screen, the marketing is so important.” –Interviewee B4

There is no doubt that Studio B recognized the critical factor of marketing within the process for creating and distributing feature films. This is a major player with other factors and works in tandem to achieve the overall goal of box office impact and

maximization for their feature films. The recipe for the marketing factor of Studio B's recipe is, identify target viewing audience, select a marketing release strategy based on international territories and chosen distribution method, assess other lines of revenue, and run the numbers on the proposed plan.

Distribution

Another aspect besides marketing for Studio B is distribution, which is often inherently linked with marketing due to the need to serve different international targets. Those areas of marketing will be specific to the areas designated for film distribution. Interviewee B2 illustrates how important and intrinsically linked marketing and distribution are:

“I think one of the things that is key in the decision making process now and probably not so much 15-20 years ago and that is, does the movie travel? What's the international appeal? The international marketplace is so important to our business. And having a movie that has global appeal is critically important to the box office success of the movie on a global level.” –Interviewee B2

Global market distribution has become the key to financial success for Studio B and so producers need to prove that the film has staying power and ability to garner international appeal to make up the cost for international distribution:

“So now, I'd say a big difference that's happening in the last couple years is that we're looking at movies more of, 'okay there's a domestic box office and that's kind of the tried and true, but also the global box office is now becoming just a huge component of the bigger picture. So here's an example, so we have [name redacted] as [name redacted].” –Interviewee B6

“So you have to get your movie into the best theatres and the best theatre chains, and that's what the distribution team is doing. And part in partial with that is getting a good release date. Which means many different things, but a key of that is avoiding competition on that day.” –Interviewee B4

When it comes to driving the product to market, Studio B means they will deliver the feature to various territories, and this delivery mechanism is done through distribution channels that are unique to each territory and country:

“That he felt he needed to drive that product to market on the marketing side and the advertising side, and they were brilliant guys that he just went and got and paid them for however long just until he had something to market because that was the team he wanted to put together.” –Interviewee B3

“The independent approach is focused on spreading out their portfolio by increasing territory size and lowering risk on one failure. A big studio who has a 300MM write down may not be a big deal.” – Interviewee B1

Thus the distribution areas the film chooses, can often affect the way in which a studio such as Studio B will market their product within that given territory. Thus, the recipe for distribution among Studio B is deciding on a limited or wide release strategies, assessing what calendar date and time is best for the most playability, negotiating playtime agreements with theaters, and finally linking the marketing strategy with the distribution strategy.

5.2.2 Industry Process Identification Summary Studio B

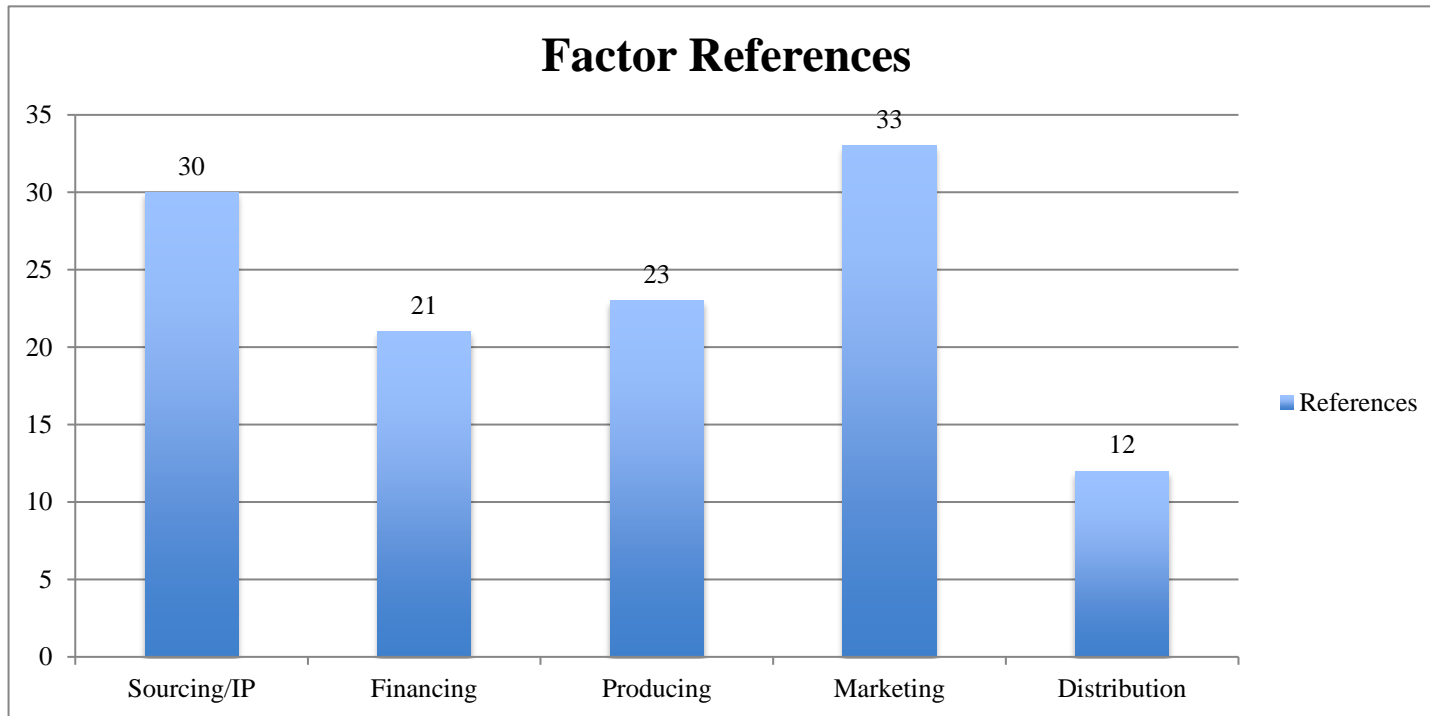
Studio B is a unique challenger to the incumbent studio systems throughout the industry. Given its particular specialty, it requires an emphasis on particular factors that are associated with the success of the animation feature films. With regards to Studio B, the above-mentioned references and those listed in the appendix, the researcher compiled a list of all mentions relating to these factors within the conversation and systematically graphed the references out to illustrate an emphasis for the given factor set amongst the firm. Each reference to the factor was measured

as an individual thought or statement regarding within the interviews. The following information is represented in Tables 5.2 and Graphs 5.2

Table 5.2 References of Factors for Studio B

Factors	References
Sourcing/IP	30
Financing	21
Producing	23
Marketing	33
Distribution	12

Graph 5.2 Factor References of Studio (B)



Factors for Studio B are represented through sourcing/IP acquisition and development, financing, producing, marketing, and distribution just as in Studio A. Within Studio B, references toward the factors of marketing and developing IP appeared most throughout the interviews with executives, managers, and directors.

Emphasis of intellectual property and marketing were heavily referenced and were represented across a plethora of mediums surrounding the film industry throughout interviews, highlighting the importance of scripts, ideas, and the messaging behind the marketing of such scripts and projects. Studio B extensively relies on the two because the properties they develop are new and thus, they must create awareness for their new product throughout various markets. While Studio B does not actively seek IP or potential projects from outside the studio walls, Studio B creates all content and must continually develop new IPs with the goal of turning the IP into an established franchise. Much of the IP development is marketed after it is created and produced, thus Studio B emphasizes the need to have strong IP and properly developed and worded messaging/marketing behind their products in order to make a profit at the box office.

Factors mentioned but less emphasized were financing and distribution. Studio B is less concerned with distribution as a major challenge to the execution of the recipe and with the financing of the film projects, however revenue generation and whether or not an intellectual property can generate enough return is always on the forefront of executive's minds. Thus, the two prevailing constructs most concerning to Studio B are the intellectual property and the marketing of the property.

5.3 Comparing Studio A & Studio B Significant Factors

When examining the two major studios the incumbent and challenger studios the two major factors for recipe construction and formulation were IP and Finance, along with an outlier of marketing for Studio B. Interviews along with closed source documents on process structuring were used to understand how each fact of the recipe was utilized in the overall industry recipe. The first two processes involved in the IP and Finance world of Studio A & B couldn't be more different. Studio A's process of IP identifications involves working with agencies, individuals, and organizations to source material from publishing houses, individual experiences, and historical testimony. Agents from Studio A will meet with individuals within these various markets and propose renting the rights to the property for a given period of time. Renting the rights requires a studio to pay the owner of the IP a set fee for a certain period of time to investigate the property and see if it is something the studio would like to purchase. This investigation is the green-lighting process and it will not begin unless a property right is secured.

The second major contributing factor to the industry recipe is financial capital. The firm adopted recipe of the financial factor for Studio A will be discussed. Financial capital is interchangeable between intellectual property sourcing. Financial capital will determine the amount of money one is willing to pay for a property, develop the property, distribute the property, and gain potential profits. After the first factor of IP sourcing and development is complete, financial scenarios are assembled based on the desired attributes and outcomes of the property. These scenarios contribute greatly to whether or not the green-lighting team will decide whether or not the movie is a good investment. A team from Studio A will assemble with characteristics and aspects of the property. Once these characteristics are outlined,

scenarios are created with the financial figures. These figures involve all aspects of the motion pictures process. Scenarios using the finances will be created and appraised, then proposed to the overall committee based on the type of investment they want to choose.

Studio B's factor for intellectual property embodies an entirely different recipe and structure. As a challenger with a specific market niche, the studio embraces a different strategy. When speaking with interviewees, Studio B creates their IP. The creation of IP involves a different process than purchasing rights to an existing IP. Studio B will call in the heads of their creative department and begin examining ideas of characters. Once characters are created, a story is generated as the context for the characters. The story has to be written from scratch and goes through numerous amounts of rewrites. Vast amounts of people are used in the development process from writing, to graphic design, and story development.

Similarly, Studio B creates scenarios of financials regarding what potential profit, loss, and costs could be regarding a new project. Rather than utilizing similar films as a benchmark, Studio B will negotiate each financial component of the film individually. The films created by Studio B are projects that take four to seven years to create. This means the development and pricing of each phase will happen as the studio moves through different stages of the development process. Scenario development for financial possibilities significantly involves marketing.

Marketing was the necessary outlier factor critical to Studio B. The recipe for the marketing factor involves identifying and understanding the target audience regarding the property. Next, it involves estimating what specific marketing

campaigns will cost and estimations of how many people are expected to view the film on opening day. Marketing estimations and financials are linked within Studio B because they are necessary for creating awareness of a new intellectual property, developing hype for the characters within the movie, and creating various marketing and revenue streams so the film can succeed.

The next section will provide process identification for minor incumbent and challengers studios in the Hollywood Film Industry.

5.4 Process Identification for Studio C

The previous two studios Studio A and B are illustrations of incumbent and challenging major studios. Studio C however is an incumbent independent studio. This studio grapples with issues pertaining to increased brand recognition and market share to maintain its position as a minor studio leader. Simultaneously, it must challenge incumbents for their position and resources. The following characteristics display Studio C as an independent studio with a smaller number of feature films released, fewer studio assets than the major studios under their corporate umbrella. Studio C has a niche market for its features focusing on the horror film genre throughout the industry. This niche has significant product advantages of low cost high return movies, a dedicated season in the calendar for the genre, and a wide consumer market. However, this niche can cause serious issues such as brand recognition to this particular genre. In addition, development capabilities are a specialty in this genre, causing a gap between the remainder of the consumer market. They represent a smaller scale studio with no direct controllable distribution asset. Their market specific products, as well as name recognition for

their niche strategy throughout the industry, classifies this studio as an incumbent independent studio. While an independent studio is different and distinct in both size and shape, it seeks the same resource maximization as the major incumbent and challenger studios.

Sourcing/Developing Intellectual Property

The sourcing recipe for Studio C involves sourcing material presented to the executives through agencies in the form of scripts. These scripts are attached to agents and in a fairly raw state. Interviewee C6 highlights, “For the most part we have a production group and they have creative executives and a team that looks for material and they get that material through agencies and through their relationships with people that work at CAA (Creative Artist Agency) or WME (William Morris Endeavor) or Gersh (Talent Agency) or wherever and they get submitted scripts all the time.”

Studio C will utilize this group to sort through the different project offerings and opportunities available. Due to the limited size and resource of Studio C, they rely on outside IP to create and distribute films. The process by which the scripts are screened in Studio C is outlined below. Interviewee C7, Interviewee C8, and Interviewee C4 stated:

“The scripts go around, all the executives read it, the development and all those like top guys will go read through it and then whatever is of interest, you end up buying the script and then producing it, and you know, going with that.” –Interviewee C7

“I mean, obviously IP – intellectual property – has a huge value so people are always looking for that. Whether it be old books, TV shows, anything you can think of that has an awareness in the marketplace. And then anything else – you know stuff that can come from anything from a Reddit article, to a New York Times article, to a book, to a spec script – really anything – or a pitch. An idea

essentially, which is not as common but definitely regularly happens.” –Interviewee C8

“We have a large, you know, development and production department. And they’re bringing projects in, though, you know, agents are presenting projects to them. Scripts are, you know, being sent in. They’re auctioning, you know, rights to, you know, book rights for example or scripts themselves, and sort of developing upward from there. And, they, you know, they introduce those, the projects, and the executives at that department introduce the projects to the larger group, you know, to try and package them and put them together.” –Interviewee C4

Studio C focuses on procuring intellectual property already possessing a significant presence in another marketplace. They will pitch and bid for strong showing properties because of the exposure the property will lend to the studio in the motion picture industry. Politics, relationships, and favors effect how properties are discussed and acquired. Studio C executives stated it could be quite political. While this happened with the primary target as horror, they broadened their genre demographic to include new product segments. This offers access to new IPs and mitigates the political situation. Interviewee C5 stated touches on this sentiment:

“People loved the book, they loved the property. So that piece of IP was already established in the marketplace. So we had a head start, we knew exactly who our audience was and there was already that built in. So that helped us.” –Interviewee C5

In addition, sourcing recipes identified by several executives highlighted a black-market for script IP’s that development executives at Studio C tap into for first bids and rights on new scripts. Interviewee C2 highlights the role of this black-market:

“There’s a whole black market script world that happens. We have these young, up and coming, creative executives. They are called coordinators. Most of them are called coordinators. They have their finger on the pulse of that market of scripts that gets passed around very secretively. There’s also a blacklist of scripts, which is a list of the super duper hot scripts that are being passed around. So, those, I call them kids because they’re definitely in their early twenties; they

know where all those hot properties are. And if they can get their hands on them, we will bring them in the door, if not, we still tell our other higher-level creative executives what's going on and then they will figure out a way to get it.” –Interviewee C2

The sourcing of IP is a significant component to the success of Studio C because the type of development executives and skill set they possess determine how and who they have access regarding material. In addition, personality and soft skills often excel above others within this part of the business. When the script is secure a production committee conducts the assessment.

“One of them is by looking at a project script-wise, treatment-wise, and going through the green-light process, which is the heads of each of the divisions, which would be myself, production, the folks in TV, and the ancillaries. There's like seven or eight of us that get into a room at the same time. The project is put in front of us; usually it's a completed script or screenplay. Somebody may pitch it or describe it and tell us a feel for what they think it's going to look like.” - Interviewee C1

Thus, the managers and executives of Studio C will:

“...make their own estimates on it. At that point in time we'll talk about the possibilities of cast, possibilities of director, and when all that could be put into play, so that the part that I would contribute is, what is the atmosphere as far as the play date is concerned—if we're looking at a particular time on the calendar that we're looking for the film to be released. So that's the green-light process” -Interviewee C1

The recipe for sourcing IP includes the procurement of property rights through various channels such as the black list, securing the rights, and then justifying the integration of the property within the studio slate. Once the projects are received the ancillaries and numbers are put together.

Financing

With regards to the financial appraisal of a film for Studio C, “There's always going to be a very large financial and legal component to the discussion, because, that's

obviously, yeah, it's, 'What's the deal going to be?' It could be that, or it could be an acquisition. It could be a movie that's already, either been produced or is being produced, and then they're going to go in through our acquisitions department, and through that team, who will evaluate whether it's something that we might want to put through. And those are a little bit easier because you already know what the project is, it's already, are done, in the can, or on the way," as stated by the Interviewee C4

The recipe for financing factor amongst an overall industry recipe for Studio C involves the work of securing the IP and running quantitative calculations and scenarios on each project. While the aspect of financing and financial profit are crucial, profit making and investing are at a point where a return should be yielded as illustrated by Interviewee C5:

"So there's many factors in the success of one of those in all of the releases that we handle. But the most important factor is that - we're in obviously a business – so the most important factor is that you make money." –Interviewee C5

Given that making a substantial profit is crucial and the cost of making a film is significant, getting the right investment to profit ratio is crucial for maintaining an incumbent position or ascending to become a major studio. This ratio aspect is done through the scenario planning. Various films of similar caliber will be assessed and a multitude of numbers will be tested until the desired ratio is achieved. In addition, part of that assessment involves observing various territories that might drive the most profit as explained by Interviewee C2:

"Since we pre-sale international territories and we have outside deals (we have about 15 deals in place, where 15 territories pay against the budget), we almost know automatically the value of those territories.

So any of the rest of the international that we pre-sale, we just have to go to [Name Redacted]. We go to the markets and our international sales team sells the movie. We kind of have a feel for the movie, such as “Oh, this is going to have a huge star” and “This star does well internationally.” –Interviewee C2

Moving from scenarios, the analysts assess the territories and predict how the film might play out in the given territory. The budget of the film will also help determine the release strategy ultimately determining the financial success of a film.

Interviewee C2 stated:

“If we have a large budget movie, we will release wide. If we have a small-budget movie, we might release wide but we also might do a platform release, we might do a day-to-day theatrical preview release, we might go direct to video. It depends on how the movie turns out and how we envision the release strategy working out...our bigger movies, the big blockbuster type movies, huge budget movies, we typically, even though we have bigger gaps, meaning the amount of the budget less the amount of the presale, so we can get . . . we look at that number, and the higher the number the more you want to get a partner, potentially. But on the big blockbuster movies that gap is much higher than it is on smaller budget movies. However, if you bring in a partner, you know you’re giving up 50% of your upside. And the blockbuster movies are the ones that we feel like have huge upsides.” –Interviewee C2

Thus, when discussion of strategy surrounding the cost of distribution, it can be directly tied to the amount of cost and/or return on investment for the project the studio undertakes. The genre of a film also plays a role in whether or not the financial aspect of the movie will make sense, and whether or not the studio believes they can recoup their costs and turn a profit.

“The number one thing is the model at [name redacted] is let’s make a movie for really cheap that’s going to make a lot of money so traditionally [name redacted] always made horror movies. Horror is very lucrative because it’s got a very small budget and usually will take a lot of money. Usually no-namers, all filmed in one set location, you can make it quick and dirty. I think though that things are sort of changing because with this like booming internet age and with people

being able to binge watch content on television, I think there's less of an urgency to see things in the theater." –Interviewee C6

While genre and models are effectively necessary to make a successful film due to market assessment and appraisals, investment along with the return on investment is highly considered in the development of films, as is production quality and assets. The recipe involved for financing involves negotiation of property, analytic models, scenarios, territorial play, marketing and distribution cost, and ratio assessment.

Production

Similar to prior studios, Studio C recognizes the value of production capability, how that can affect the overall development of the project, and how it may be received. Production of films within Studio C is completely live action, meaning it involves individuals and real settings. The aesthetics, type of equipment, and image portrayal of the product can be a contributing factor to the success or failure of a film. Knowing what appeals to the audience is crucial. Interviewee C7 stated:

"It's just seeing what works and what draws people into the theater. Do they want the heartwarming movies or more action, you know? Who sees it, guys? Girls? Can both guys and girls see it?" – Interviewee C7

Knowing how content, acting, writing, and character development are messaged to the audience is crucial to a successful film. Thus, when Studio C seeks out individuals to develop and produce a film, they utilize their relationships to cultivate those who specialize in each individual skill set allowing them to stand out as the top performers within their respective fields. Interviewee C4 stated:

"The producer, you know, let's say it's a producer, you know, that has this project because they own the rights to the script or something

like that. “They have a script, you know, they have perhaps a director attached and they’re talking about talent attached and all that, usually things come fairly well, packaged together. So this producer will come to, you know, the executive that they have a relationship with here, and say, “Well, I’ve got this that we’re trying to put together,” and they might shop it around town, you know, the agencies, you know, kind of are involved in that as well. But they might, and they’re just trying to do that. And so like, for example, if, you know, some big producer who’s got, like, he’s got a project, he’s got a script for it, he’s got maybe a director attached, he’s got ideas about who’s going to be in the cast, who’s gonna bring that in and flesh it out with us. And, you know, we might buy that, and, you know sign on for that.” –Interviewee C4

Here Interviewee C4 is illustrating that relationships act as the heart for securing the talent needed to produce top quality material. In addition, the challenges that come with deciding what or rather who to choose as a part of each project comes with inherent risks for Studio C. Given that a majority of their financial projects or success will depend on their decisions, Interviewee C8 stated:

“I have a kind of a high risk job between creative and physical production which I don’t know, it’s obviously a big business, but I think its more filmmaking than it actually is like corporate business. I think in studios you probably going to have, the bigger the studio, the more defined roles you’re going to have. But like, here, I used to do some business development stuff. It’s just because the nature of how our company is structured it’s kind of a startup a little bit more. So, but regardless of where you’re at, I think you can do anything. That’s what – I mean you just got to be willing to take a chance and work hard. But anything is possible.” –Interviewee C8

In addition, Interviewee C6 highlighted the difficulty in coordinating all the various factors and personalities when producing a movie. The interviewee stated:

“Honestly at the end of the day it’s absolutely a f*^#ing miracle that a movie is ever made because there’s so many like stops and bureaucracy and so many people want to get their fingers on it and let’s not even talk about how many times the number of times a script is rewritten.” –Interviewee C6

Production of a feature film takes time, money, energy, and vision. In addition, producers and executives at Studio C have carved out a particular niche in order to work with the individuals specializing within that given area. This gives Studio C a significant advantage within the industry due to the clear vision, strong ties, and incumbent position for their given market segment. The recipe regarding production for Studio C involves finding a creative director to execute the vision. The director will then choose the team of actors and crew to implement the creative process. Filming dates will be determined and take place over a certain time period. Finally, postproduction will commence on the product via editing, adding music and special effects, as well as formatting of the film for theatrical distribution.

Marketing

Within Studio C, marketing played a significant role in making the decision to produce or scrap a feature film. As an independent incumbent studio, the next step for Studio C is to establish itself as a major studio. Name recognition, affiliation with successful projects and large IP acknowledgement are important to drive excitement and awareness within the marketplace, therefore boosting Studio C's presence and reputation. Interviewee C1 spoke of this and more as he described the process for marketing the movie and the reasons behind it:

“Once the word of mouth gets out on the movie—then again, based on intellectual property, you satisfy that audience. Then you kind of roll that out slowly and let people talk about it, and then exhibition starts asking: “When can we have the picture?” If it's playing 500 runs or 800 runs across the country, and there are normally on a wide-release movie 2,000 locations plus, then the guys that have not been part of the official roll out—the theaters that have not been a part of the official roll out—will call and request the movie.” - Interviewee C1

Thus, the playability of the movie is factored into the overall decision-making in both the marketing and distribution of the film making process. Interviewee C5 stated:

“One of the biggest challenges you have is that if you have a film that has great playability and you see the movie, but the market availability is very, very difficult – I mean you don’t have a big star, the genre might be a little tough, and you’re trying to come up and create TV spots or trailers and there’s nothing that really, that I can get you the consumer to say ‘wow I want to see it’ but I know that if you actually sat down at the movie theaters you would love the movie. So that’s a movie that has great playability, but the challenge is the marketability. How do you market it? If you get it in, word of mouth is fantastic, that’s the greatest marketing tool you can get is word of mouth. But if you don’t have people talking about it – if you don’t have volume – it’s just never going to find an audience.” – Interviewee C5

When Studio C seeks out intellectual property and considers cast and crew, they have to contemplate playability. Studio C attempts to keep their finger on the pulse of the latest trends and interests determined by their viewing public and seeks to develop their IP’s based on those current trends whether or not they can message them properly to the–chosen target audience, as described by Interviewee C7 & Interviewee C5:

“But it [corporate information] just gives them a great base like to be like ‘this is what’s working in America. If you want, if it [domestic marketing] works for you, you guys do it. If not, change it up, but it needs to go through approval so it needs to come back to me in order to be like ‘this is good, its still on point with our branding’ especially for major releases like [Name Redacted] and [Name Redacted] coming out, they’re very, very strict about what message their sending out about [Name Redacted], the main heroin, and just making sure that even just the tag lines or the correct tag lines that they’re portraying her as a strong, successful heroin – not like this girl that’s just, they always criticize her for the hunger games and killing everyone, nothing negative like that – so it’s always important that we’re representing the brand through our marketing and that I’m portraying the film in the right way in approving or not approving what they’re doing as well.” –Interviewee C7

In addition, the timing of when the film is released into the market will affect the messaging and how Studio C decides when and where to market a film, as described by Interviewee C4 and Interviewee C8:

“I think you really have to get to people, you have to get to the audience you're asking to come to the movie – so that’s really the marketing /distribution end of it. And then hopefully you’ve done your job on the creative in making a good movie.” –Interviewee C8

“Where to put our movies based on, you know, when they’re going to be ready, when we, our marketing team is comfortable doing it, and then, what the competition is like.” –Interviewee C4

Focusing too much on the marketing factors of a film can affect one’s ability to see things from a clear perspective, which could benefit the overall studio as stated by the Interviewee C4:

“But it also just means, you know, you get wrapped up when you work in this industry of thinking of movies as good and bad, based on how marketable they are, how accessible they are to the public, you know, not necessarily completely when, you know, whether review’s good, whether the review’s bad, you know, that kind of thing.” – Interviewee C4

Studio C sees both the marketing and distribution interchangeably linked, meaning if the distribution strategy is not linked to the marketing strategy, then it could be disastrous for the financial and physical performance of the film and the studio. A significant amount of capital is invested into each year’s slate of films and relies on the capital procured from that slate. The marketing of films is necessary to recoup costs and turn a profit to continue operating as a Hollywood film studio. As described above, the recipe outline for marketing of Studio C involves finding out the main audience for the film. Once that is determined, the team will connect with distribution and determine the distribution strategy so they can best utilize resources for a successful opening weekend. Third, the studio will be responsible for all

advertises and marketing clips for the film so the right audience is aware of the product. Finally, they will execute on the planned strategy.

Distribution

Finally, distribution is another contributing factor to the complete process for Studio C. In actuality, many of the respondents spoke of marketing and distribution interchangeably. Studio C views the marketing and distribution interchangeably because Studio C does not possess marketing resources and distribution channels within their corporate firm. Thus, their need and concern with 'getting it right' is imperative, otherwise money is lost and the studio is at risk of bankruptcy or shutting down. As illustrated by the Interviewee C7:

“So the distributors, so some of the distributors cross-over, some of the distributors can have - let's say [Name Redacted] and [Name Redacted] franchises - so for them, let's say a strategy is that I've been trying to push for them to have certain marketing materials and bonus content that costs over in order to cross-promote. But lately, some of the distributors who [Name Redacted], there's like this special bonus featuring that's on the [Name Redacted] DVD's that is promoting [Name Redacted]— but obviously, if they don't have the [Name Redacted] franchise they're not really wanting to cross-promote.” –Interviewee C7

“Very simply put, for the most part, if you create a really good movie it makes all of the other facets of releasing a movie that much easier – from marketing to distribution and everything that goes with that – so it really goes to the content.” –Interviewee C5

There is a large amount of cross over between the marketing and distribution areas within the halls of Studio C. In addition, Interviewee C8 stated that, “You need the content obviously, and you need a good distribution strategy and then you need good marketing. I guess those would probably be the three that I would highlight. Cause if you don't have good marketing or a distribution plan obviously you're not going to get it anywhere.”

This further highlights the interconnectedness between marketing and distribution for Studio C. The method in which international appeal of marketing and distribution affects the strategy for the release of the film is also important, as stated by Interviewee C5 and Interviewee C2:

“You have to be cognizant of how that cast translates internationally, because the international box office is now bigger than the domestic box office on most titles. So, you’ve got to be aware of that. And then it all comes down to the economics of it all. It’s, again, you want something that has broad commercial appeal to be a wide release movie.” –Interviewee C1

“You know what it turns out that this isn’t the right movie for us or it turns out that these people, the producers are looking for a different type of feel or they want more control or they want international at-source distribution, which we don’t have.” –Interviewee C2

In addition, international target markets and international distribution have become a major market and area for Studio C. Their desire for international expansion ensures the material has an international audience and is distributed accordingly. This ultimately results in their ability to expose their brand and broaden the market base, as stated by Interviewee C4:

“It’s just that they’re [movies] getting bigger and bigger, and louder and louder, and more geared towards international audience because, you know, domestic, you know, box office has been relatively stagnant for the last decade or so, whereas international is taking off.” –Interviewee C4

While domestic distribution is a vastly different system than international distribution within Studio C, they are often interchanged with one another.

Interviewee C6 stated:

“Sometimes the two are very much married, and there’s so many weird output deals like sometimes in order for a movie to even be

released internationally the deal is it has to be released domestically first before like, it kind of just depends on the deal, but a lot of times they're intertwined and internationally distribution is pretty different. We have an international department that controls the films, but essentially like it's so complicated. So domestically we have a sales team in our domestic group that books all the theaters in the United States, and they're divided into territories we have a: western division, central division and eastern division." –Interviewee C6

Thus, the connectivity of international and domestic distribution is the same process but completely different mechanisms when applied to distinct markets. The recipe for distribution involves, coordinating with marketing efforts, selecting a calendar date to release the project, negotiate theatrical fees and run time, and finally provide avenues of distribution for DVDS and merchandise.

5.4.1 Process Identification Summary Studio C

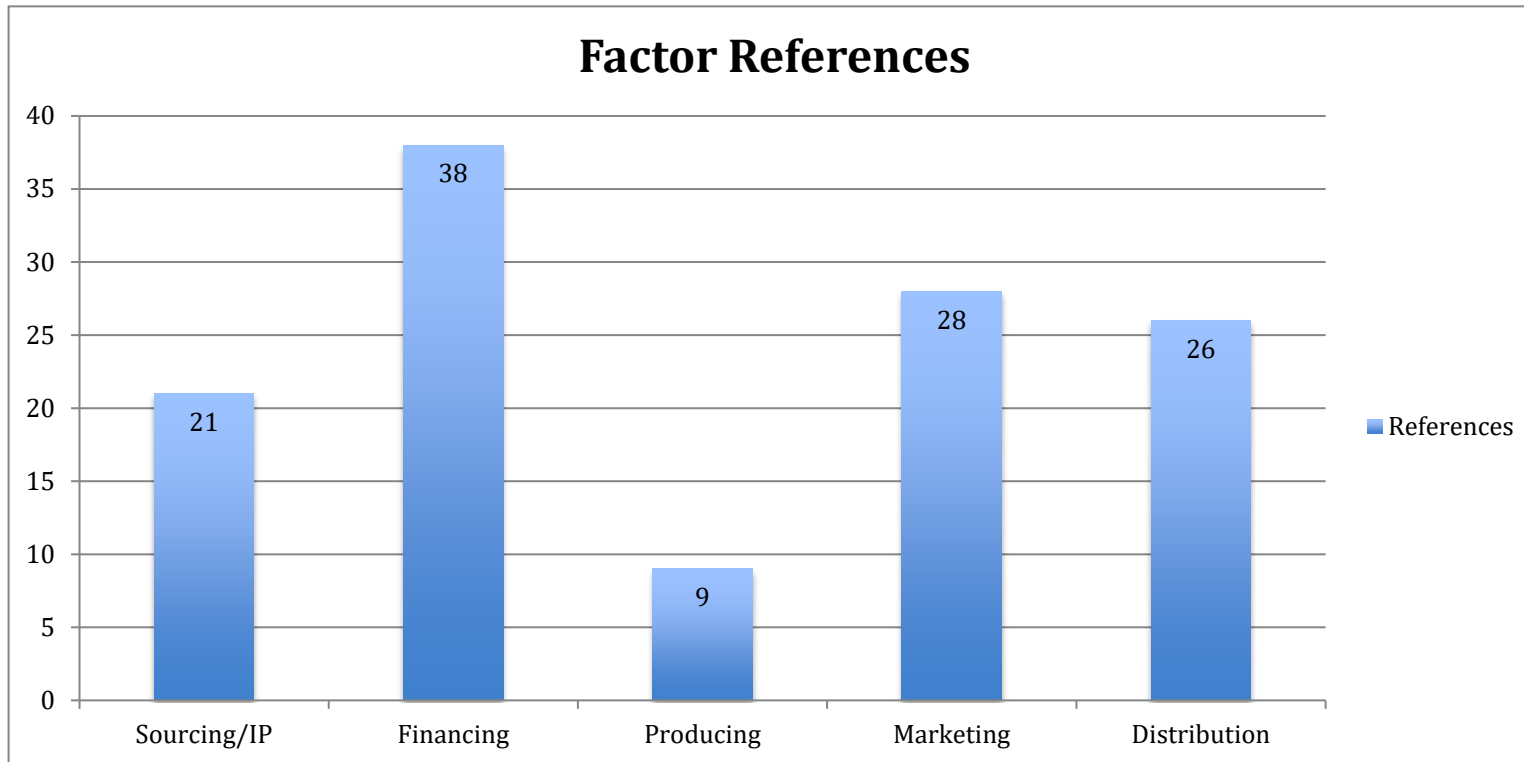
Studio C represents the film industry in a unique way. As an incumbent minor studio, the firm has a niche strategy that focuses on the horror genre along with seeking out established intellectual properties from a variety of different markets. While the studio possesses strong tangible assets such as financial capital, land and a studio headquarters, in addition to a long and extensive network of creative individuals, it does not have the resources and assets for marketing and distribution within the firm. With regards to Studio C, factors recognized in the major studios are also necessary for minor studios to successfully perform and operate within the industry. Within Studio C, financing and marketing/distribution are critical factors. The reason the researcher included marketing and distribution as one factor within this analysis is a result of Studio C executives indicating they coordinated and linked the two together when negotiating deals for their film sets. The following table and

graph (Table 5.3 and Graph 5.3) outlines the list of factors and references the participants made within the interview.

Table 5.3 References of Factors for Studio C

Factors	References
Sourcing/IP	21
Financing	38
Producing	9
Marketing	28
Distribution	26

Graph 5.3 of Studio C



Factors for Studio C are represented through sourcing/IP acquisition and development, financing, producing, marketing, and distribution. Within Studio C, references toward the factor of finance associated with cost and revenue appeared most throughout the interviews with managers, executives and vice presidents. Two other constructs following the finance focus were marketing and distribution. The emphasis of finance was noticeably referenced throughout interviews, highlighting the importance of cost for producing, marketing, and distributing a film. Nearly all references mentioned the need for a measured approach to film projects and ensuring that the numbers made sense when considering a project. This is due in part for the need to make a profit from the film slates and to have enough revenue to continue the process during the following year.

Factors that were the second most mentioned were marketing and distribution. These factors, though part of the recipe and a part of the process were not referenced as much as the factor of finance however, the mention of these two factors were often done in the context of the cost of marketing and distribution. With the emphasis of three major constructs of the recipe process for Studio C, further interpretation of those results will be discussed in the next chapter. Thus, the single main factor most concerning to Studio C is the financing and potential revenue for a film project followed closely by the marketing and distribution of the film project.

5.5 Industry Process Identification for Studio D

Within the feature film industry, Studio D is a challenger amongst minor studios. As a fledgling independent studio, Studio D continually competes for market share and presence in an ever-shrinking and increasingly competitive space. The studio has a

staff of twenty and occupies a small office space in a Los Angeles area high-rise. While the studio may be small in scope and size, it has had the opportunity to acquire the rights to major titles. This contributes to the development of relationships, helping the studio to secure the production, marketing, distribution, and financial assets needed to successfully develop a film and distribute within the domestic and international marketplace. Given the lack of resources within the firm, they seek out resources that match up with each process factor to successfully bring a movie to the screen. All factors are similar across the industry within this study, however some factors, like all other studios, are more emphasized than others.

Sourcing/Developing Intellectual Property

Studio D recognizes the value of intellectual property and story development. The studio has carved a niche with message-based or thematic-based films conveying a particular characteristic theme throughout the script. It is vital to source scripts believed to be successful if given the opportunity. Interviewee D2 of the studio stated:

“If you can’t find great story you’re going to squander your cash you’re going to lose your investor’s money.” –Interviewee D2

Executives in Studio D also highlighted the blacklist scripts and how blacklist acts as a guardian for high profile scripts or scripts they believe will be critically successful in the future. The studio will utilize personal contacts to gain bidding access for the rights of the script. Studio D has participated in bids for these scripts associated with the blacklist stated by Interviewee D5:

“There are thousands of scripts on the Blacklist, but the cool thing about the Blacklist is, you know, it’ll it will really take care of its

writers in the sense that the Blacklist will rate the script and put the highest rated scripts at the top and you know you will see scripts on there that end up becoming movies, and the way that works from our end is if we do want... if we do want one of the scripts; we want to option this, we want to figure out how we will fold with this you know, they may will want to contact who is representing the writer which most Blacklist scripts writers have representation, and then if another company is interested it becomes a bidding war which is never what a company wants.” –Interviewee D6

In actuality, Studio D has few problems finding material to source and produce, however, as a challenger within the independent studio slot, it can be increasingly difficult to afford to redevelop and work the scripts for the big screen as stated by Interviewee D1

“It’s a... you read a lot of scripts and meet a lot of people... there’s a... plenty of material out there, access to... material is... not a real problem it’s the... once you find it, you know... how do you afford to approve it and improve it and get it ready for... a... being made into a film.” –Interviewee D1

Thus, it becomes crucial to select the right IP that corresponds with the studio and the culture within as it plans to release the property.

“Yeah so underlying IP I think is key. Again, is... The hope of a known quantity is just less marketing you don’t have to do as much to go out there and push. I think that... something if... even if it’s a New York Times article or something... if it’s compelling story that’s already getting a lot of press that’s just that much less their going to have to do on the back end of the promotion.” –Interviewee D5

Interviewee D1 illustrates how the access and acquisition of the scripts occurs. It involves being out among the creative executives, attending various events, dinners, functions and talking to individuals whose world is intermingled with those that possess the stories. Thus, acquiring a good piece of work is crucial especially if it is not a big budget movie:

“If you have a sh### script you’re going to have a sh### movie; and yet still, very few will make a \$1 million movie, but for a \$150 million dollar movie it’s less than a percentage point of the budget so the script is subject to producers notes, directors notes, actors notes all these different things.” –Interviewee D4

A studio such as Studio D, begins with the script, and scripts can be a critical point regarding the securing of financial capital as well as recruiting talent, however as stated, obtaining scripts is not difficult for a studio such as Studio D. Thus, the recipe for IP collection involves attending events and meetings with creative’s that have access to IP. The second recipe factor for IP involves screening the script to determine if it matches up with the studio strategy. The third involves assessing the quantitative factors of script. The fourth involves bidding for the property. Finance is a difficult component regarding the development of scripts as will be discussed in the next section.

Financing

As a rising independent studio, Studio D has to continually seek ways to maximize the exposure in an ever-crowded market space with limited resources. Financing becomes a serious resource and strategic advantage to a firm such as Studio D. As stated by the Interviewee D5 and Interviewee D5:

“I view films is actually very similar to how I view venture capital. Any given film you have no idea if it will be a major success or major failure, and I think there’s are so many unknown factors in that that the only way to invest in film is to... you can’t invest in one film. Just one caveat, maybe not a caveat before I go into it...In my opinion, [Name Redacted] is a good investment is it’s an investment in people and the operating company behind films. So you’re not investing in any given film your investing in a strategy and a... value set behind how they make a portfolio of films.” – Interviewee D5

Thus, Studio D does not just sell the film to investors and teams of creative individuals; they sell the studio and their overall strategy regarding their respective niches and how their strategy may accomplish the set goals designated by the firm. Sometimes within Studio D, finance and cost versus return of investment can be over emphasized and cause negative ramifications as outlined by Interviewee D4:

“A lot of higher ups care more about the potential money involved like be it from toys or products to let’s just make a sequel where they don’t nearly care as much about the creative side, don’t really seem to care about the scripts I mean the amount of projects I’ve heard that just got fast tracked which, I think, as a result were ruined.” – Interviewee D4

Within a studio such as Studio D, it seems that money/financial resource and potential return trumps most other items. The statement illustrated by the President of Studio D can further represent this concept:

“Most foreign sales have a very specific. Were here, this is a commercial enterprise; we’re not in it for kicks and giggles and to try and just do well in the world. We’re here to make money. Were here with a double ROI that we’re responsible to our investors for: we need to have a commercial return on investment, but we’re also here to move the theatre, we’d like to make stuff that’s impactful that’s redemptive, that’s uplifting, that’s inspirational, that’s provocative, that makes people think, that’s an agent for change.” –Interviewee D2

If the president struggles with convincing financiers to source material, that affects their niche strategy versus what they believe will be profitable at the box office. Making money and a return is of vital concern for the president, but the niche market they occupy may be an afterthought inserted after the emphasis to make money. In addition, Interviewee D6 seems to share the same concern with financing and profit:

“We do look towards projects that have financing attached or talent attached because either or comes with if you have financing it’s easier to find talent. If you have talent it’s easier to find financing. In terms of, you know, interest of the actual screenplay if we have someone who has talent attached or actual financing, but at the end of it, the screenplay is awful we are not going to go through with it because it’s a bad screenplay.” –Interviewee D6

Similarly, the founder and principle of Studio D illustrates the need to serve the market with material the market demands, however, sometimes the niche in which Studio D serves is not always a desirable market. The executive has to make compromises and seek out products that could be financially feasible, but still in line with the niche of Studio D.

“You know they tend to have to develop projects that the capital markets and the individual kind of angel investors, you know, and different people, you know, we go out to for capital, it has to be applicable to what they want to do. You know? It’s more of a... you know, Serving the market kind of deal for capital not serving the market for the audience that makes independent, you know... the independent portfolio process a little bit more difficult right? Unless you’ve got financing, which is becoming rarer and rarer these days as you’ve probably found in your research, even the studios are out for their co-fight deals and having trouble financing their slates.” – Interviewee D3

While Studio D has a specific niche it occupies, financial capital/the need for profit and return on investment may override the desire to stay within a specific niche. As Interviewee D2 said, “We are here to make money” and that’s what Studio D seeks to do. The recipe for financing of Studio D involves securing the rights to the intellectual property. The next step is running scenarios and financial analysis on the film relative to prior films in the market. The third step is creating a strategy based on the desired numbers, and fourth step is raising the capital through brokers or negotiations to create and distribute the product.

Production

Studio D values the aspect of production since they must procure an entire production team and crew for every film they undertake. Thus, at the beginning of every project, they must build a team then disassemble it after production and distribution. Money is a driving force behind who can be hired for which film and the type of creative talent a studio can access. For example, Interviewee D5 stated:

“The money needs to push harder for the money the director needs to push harder for the creative and in my opinion what you just described is the role of the producer is how to bridge the two, how do you help the financiers be protected in the performance they expect.”
–Interviewee D5

It is clear the money influences type and quality of creative talent that Studio D accesses. However, the producer and the team are the driving force behind the development of the film and take it from a conception to reality. Interviewee D2 of Studio D added:

“I think a good producer, a balanced producer, is someone who has experience... in many ways, a renaissance man or woman obviously, who has a little bit of experience in understanding the very strict parameters of what the distributor needs, what the financier is expecting, what the investors are looking for, but also the creative we’re trying to make a great film that’s not also on mission and message, but that’s artistically excellent but also has a commercial return. I like that, that area where those three circles intersect: art, commerce, and messaging that’s where I want to be.” –Interviewee D2

Interviewee D2 outlines the need for the producer to be a renaissance individual that can speak to a variety of individuals on a plethora of levels, and assist in managing expectations of the projects. Studio D seeks such individuals who can drive and maintain the vision across a variety of mediums:

“The critical factors involved aside from that on the producing side is like I said just to keep the vision to make sure that the director and the talent are moving in the direction that we saw fit for the film before we actually executed it, you know. But in terms of critical factors with shooting, I would definitely say staying on budget is the biggest one.” –Interviewee D6

Thus, trying to find producers with a broad array of experiences can be difficult. Producers and creative executives do not want to be pigeonholed into a particular production style. The producers who can maneuver through a variety of styles and genres are likely to be involved with a larger portfolio of project development:

“What you find with creative producers and creative individuals is that they tend to not want to be pigeonholed to businesses so they build an audience in one area and then they make a wholly different movie.” –Interviewee D3

But the negative perspective of producing or being involved with producers within the independent arena involves a financial contributions equating to producer credits. Any individual that procures financial capital for a film is given the title producer. Often times, effort from individuals lacking experience and credibility in particular areas can be damaging:

“Producers are different you can... there’s so many. Their giving away producer credit these days if you find the financing you get a producer credit who is... you can get talent to a project you can get a producing credit you... then there’s a lot of a lot of people who spread ... the blame is spread... it kind of ridiculous how many producers there are these days. That aren’t really producing, you can live... depends on if you’re the main guy or not... if you’re the main guy it’s tough to survive the fall.” –Interviewee D1

This makes it all the more crucial to be clear, concise, and transparent during the vetting process as stated by Interviewee D3:

“But a lot of producers rely on that lack of transparency to raise capital, but effectively, you know. From our perspective it’s really green lighting internally is really about the amount of effort it takes and whether there’s capital.” –Interviewee D3

Transparency and attention to detail can help preserve and protect the integrity of the film/vision set forth by the writers and producers. Within a studio such as Studio D, it is important to be clear and agree on details up front. If this step is skipped, it could cost the studio future business and ultimately staff jobs.

The recipe for production in Studio D involves several steps. The first is to seek out individuals the studio has relationships with to pitch the film. The director and producers assemble a team and begin soliciting for actors. Actors are then selected and filming begins. The team goes over various versions of the script during the filming process to refine and determine the best outcome. Once the filming is done, postproduction and editing are completed.

Marketing

Marketing is recognized as a critical factor for Studio D. There is a need to justify the cost of a film by marketing to a particular target audience and drive moviegoers to the marketplace. In addition, Studio D views the marketing of films as a critical factor to the process because of the need to tie marketing with financial cost/revenue potential. As Interviewee D4 stated:

“You’re not going to get a huge budget about a film about a concept that doesn’t already have a built in audience and a built in like marketing thing... and what I’ve also seen especially when I see so many bad movies out there.” –Interviewee D4

Thus, the justification for financial cost of a film and potential revenue is often tied into the built-in audience to whom the film speaks and what would do well within the demographic. As stated by Interviewee D5:

“Number one is, who’s the core demographic in mind and what’s the size of the core demographic? So, if movie is for a 13 year old girl it’s probably going to do quite well if you market it correctly. If it’s for a sixty year old man and being able to relate to that, you’re going to have more challenges. And so number one, how big is the pool of the core demographic is the first point.” -Interviewee D5

Interviewee D1 of Studio D highlights how they view the link of finance and marketing to the built-in audience by stating, “We knew it was a film that there was financing for that there was an audience for.” The interviewee directly shows the correlation between the availability of financial capital and the tie to a built-in audience. Thus, if Studio D can tie in the valuation of the audience, it is easier to justify the capital expenditures for the budget and marketing/distribution. The capital is then used to fund the creation of a substantial marketing machine for the film as outlined by the Interviewee D1:

“A marketing machine is... designed for awareness and word of mouth is one way to do it... saturate the media with noise is, you’re creating the word of mouth. Because people can’t... there aware of it because it’s in their face all the time... but it has to be attractive, it has... but you can be aware of something and not care about it... it has to be attractive... you need the elements that will spark people’s attention and get people talking about it, but depending on your launch. If people are aware of it and interested in it because of the marketing campaign then word of mouth kick’s in after you’ve released it, because then you want some staying power. You have to have some staying power to be successful... to have a huge opening weekend, nobody goes to see the movie because it sucks... or

nobody, or the word of mouth is negative or nobody's talking about it at all." –Interviewee D1

Once this machine is assembled, it seeks to exploit what the Interviewee D3 of Studio D stated are the four quadrants of marketing including the product, price, place, and promotion. This marketing machine, often tangible and always in existence within major studios, is a temporary phenomenon purchased, assembled, and disassembled for one film. As outlined by Interviewee D3:

"You have the guy who turns in the broad demographics and then you have the niches...ad agencies whatever you're into regarding the consuming of products. We know the studios are trying to capture broad four quadrants and hit all of those, those marks with existing brands." –Interviewee D3

The more established studios have one strategic advantage within the industry (referred to as incumbents) over minor studios. This is the possession of a tangible marketing machine for all films produced. These assets allow them to maintain the existence of the machine, thereby allowing a long-term reduction of marketing costs. For minor studios, both the incumbents and challengers within the industry, find it increasingly difficult to raise capital for projects when it is necessary to consider creating and disassembling a marketing machine. The recipe by which Studio D implements for marketing is first looking over the film project characteristics such as genre, audience, and settings. The second is teaming with distribution to understand what territories the film will be released domestically and internationally. The third step is to build out the strategy of marketing to the various demographics based on the distribution strategy.

Distribution

Within the borders of Studio D, marketing and distribution operate nearly hand-in-hand. The marketing machine is created and then disassembled and embodies a model distribution component. The connection with the audience, how the film is marketed, and the actual location of the target audience becomes a critical for success. Interviewee D2 of Studio D states:

“Once we do have a script we like, then we look at the rules. Is there an international global audience for this? Is there something that will attract an “A” list actor or director in some way? Is this something that we feel that will be able to cover its risk through a combination of tax incentives, foreign presales, soft money, or grants that may be available? Is there a domestic deal from anybody from a studio to Wal-Mart? Can we insert some product placement here, we’re like everybody else, we’re trying to lower the investors actual cast exposure.” –Interviewee D2

He highlights how the audience is tied into the script and marketing throughout different regions, particularly foreign countries. It is crucial for the studio to gain critical and consumer acclaim regarding their product. Interviewee D5 stated:

“Foreign drives a lot these days. If they think that they can sell it well on foreign... to de-risk then... I think foreign has eclipsed domestic as far as international sales. That’s going to be a key driver. So, the key driver is the foreign and usually that’s really simple.” – Interviewee D5

Thus, the need for an audience and justification regarding a marketing and distribution strategy for Studio D is critical because they must solicit for capital investment:

“That’s what you’re trying to do in the foreign and the domestic distribution market and in the capital market you’re trying to say, hey, that’ll pay off at an extreme multiple, but we’re in Vegas we’re in the alternative asset category of alternative asset categories. Not guaranteed income stream, it’s not some sort of guaranteed ROI, it’s no guarantee at all. There are all down sides and there are multiple upsides which means you know, which is rare so it’s a... you know... the capital’s a little different, but internally, relationally the world is

very small and the buyers are very risk averse right now.” – Interviewee D3

Due to the lack of resources within a firm such as Studio D, there is a need for unification and justification of strategies, decisions, and approaches, which are necessary steps in securing financial capital to create the capability and capacity for distribution. The first step in the distribution recipe for Studio D involves understanding the audience and whether or not a limited or wide release strategy is appropriate. Second, determining the day, time, and month of release for the product is imperative. Once this step is complete, negotiations take place amongst the various movie theater chains in the desired markets regarding fee and revenue ownership. Fourth, the property is released in conjunction with the marketing strategy agreed to by moviemakers and producers.

5.5.1 Industry Process Identification Summary Studio D

Studio D is a unique studio, meaning it is both an independent and challenger studio within the industry. As in all other studios, it shares similar factors of sourcing/IP acquisition and development, financing, producing, marketing, and distribution. Within Studio D, the construct of finance via cost and revenue was the most referenced topic throughout the interviews with managers, executives and vice presidents. The second most referenced factor was marketing.

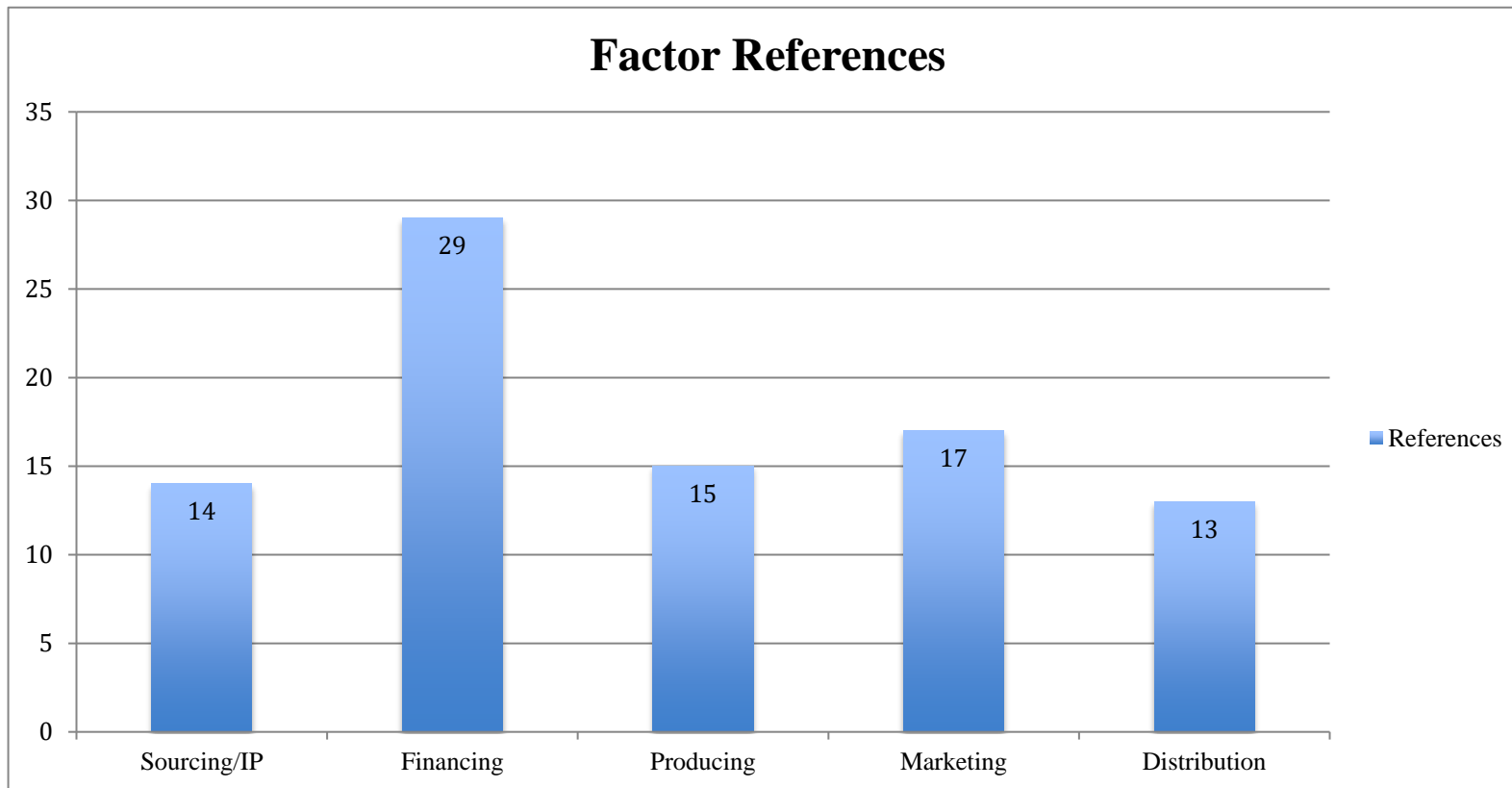
Emphasis on finance was noticeably referenced throughout the interviews, highlighting the importance of cost for producing, marketing, and distributing a film. It also illustrated the need to procure capital and create then dismantle a marketing and distribution machine that would work in tandem with the production

of a film. Due to their small size and limited resources, all moving factors surrounding the creation of a feature film have to be purchased and discarded after the rollout is complete. Nearly all references mentioned the need for a sound assessment of costs and projections related to film projects and ensuring that there was a measured approach when the studio was considering signing on to a project. See Table 5.4 and Graph 5.4 for a list of referenced terms amongst the interview correspondents regarding the factors.

Table 5.4 References of Factors for Studio D

Factors	References
Sourcing/IP	14
Financing	29
Producing	15
Marketing	17
Distribution	13

Graph 5.4 Factor References of Studio D



The marketing factor was also referenced throughout the interviews. This factor, though part of the recipe and a part of the process, was referenced almost in a unified way with other factors. The interviewee directed the integrative process back to the issues of capital procurement and return on investment. Similarly to Studio C, Studio D decision-makers would often mention aspects of marketing, distribution, and production as well as intellectual property within the context of cost and potential revenue generators. With the emphasis of the single major construct of the recipe process for Studio D, further interpretation of those results will be discussed in the next chapter. Thus the single main construct for Studio D is the financing and potential revenue for a film project followed closely by the marketing and producing of the project and finally, the sourcing and distribution of the project.

5.6 Comparing Studio C & Studio D Significant Factors

When examining the incumbent and challenger minor studios, the researcher found that both studios heavily emphasized the recipe factor of financing and marketing within their product creation process.

Studio C recognized the significant factor of financing as a crucial component to their recipe. To maintain their position as an incumbent minor studio as well as to move into a challenger category for a major studio, Studio C is meticulous with how they spend their capital. In addition, they utilize a myriad of financial partners to engage in co-financing activities with projects that may seem high risk from a financial standpoint. Co-financing allows for the studio to invest portions of the cost of production and distribution with other financing wings to lessen the effect of failure. However, this also caps and limits the profit made on the venture. Studio C

engages in co-financing for several reasons. The first reason is to open up the studio to new resources of capital financing. The second reason brings in new relationships and avenues of resources for the studio. The third reason provides an opportunity to broaden their brand name through business interaction rather than market performance.

Studio C also recognized marketing as a crucial factor in the recipe for creating and distributing motion pictures. The marketing for Studio C allows for a direct connection to the audience of the film. If the marketing does not adequately peg the intended audience of the film, the potential revenues Studio C are put at risk. Marketing is represented as the driving force behind revenues for Studio C because the messaging and advertising of the film will ultimately drive viewership to the theaters. In addition, traditional methods of marketing used by Studio C include billboards, previews, and paid for advertising. However, newer platforms of technology and distribution have opened up new avenues for marketing of products.

Marketing executives will plan which platforms to engage with based on the distribution strategy of the studio. Such platforms include Facebook, Twitter, Blogs, iTunes, Hulu, Amazon. While these platforms do not all support feature films, they are major mediums to advertise feature films.

Studio D also reflects the importance of financial capital. Executives at Studio D mentioned that financial capital is the main concern throughout the whole industry recipe regarding whether or not to pursue a film project. While all studios are concerned with financial capital, including revenues and costs, Studio D has an extra layer of scrutiny in the appraisal process. Studio D embodies the feast and famine

mentality with all the available dollars will be put into a few major films chosen every year. This opens up the process for an added layer of financial scrutiny, which involves appraisal of innovative distribution methods through select theaters or platforms. The studio will often take three times longer assessing the financial viability of a film before proceeding to other phases of the recipe. In addition, they will constantly check the bottom line of the budget and projections to ensure they are on financial track.

Studio D also recognized marketing as a critical component to the recipe of feature film production and distribution. Marketing and financial capital are intertwined with one another due to the need for large amounts of capital to finance a marketing campaign for a film project from Studio D. Due to limited size and resources, each individual film has to be negotiated with a new marketing team present. This causes a slowdown of the development process unless they can shore up a significant amount of capital to speed up the pace of project development. Additionally, financing an intensive marketing campaign and being unfamiliar with the target audience can put Studio D in financial ruin. This is mitigated through intimate understanding of the script and specific areas they plan to release the film.

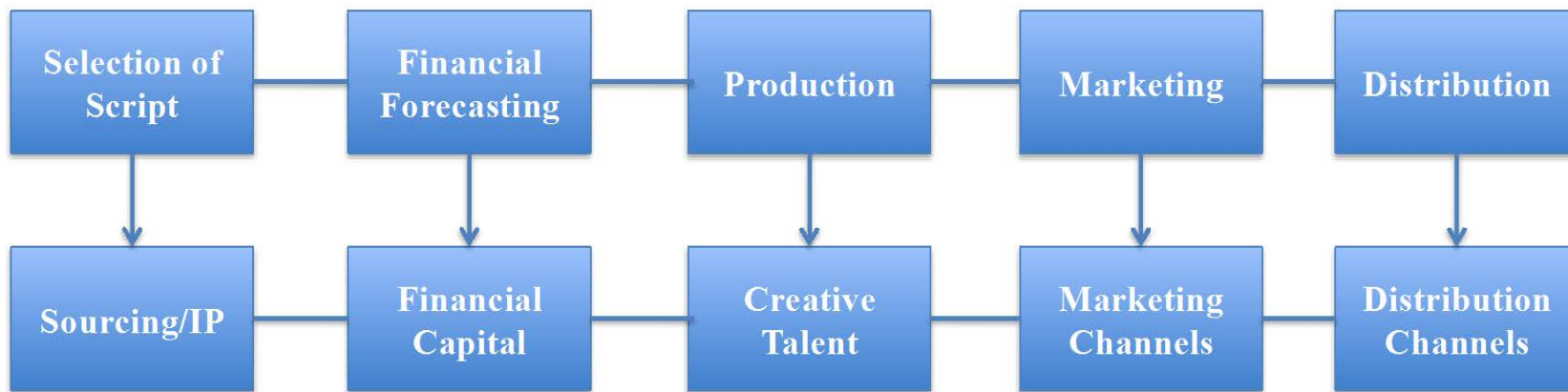
The next section will summarize the process identification chapter and discuss the comparisons between the studios.

5.7 Chapter Summary of Process Identification for Hollywood Studio Cases

Amongst the four studios analyzed, the major factors that are shared within the Hollywood industry are: sourcing/IP development, financing, producing, marketing,

and distribution. Figure 5.1 outlines the five main factors and the process connectors that drive the factors.

Figure 5.1 Industry Recipe Factors and Process Connectors



Cited: Author

Despite the size and scope of studios rooted in the industry, all follow this particular recipe when creating and implementing film projects as entertainment products. However, each studio has its own unique recipe for each industry factor. Those were described in the previous section. The flow of the recipe usually starts with the idea/concept for the movie in the form of the script. It is then reviewed and sent to determine the financing and potential revenue behind the script. Once approved, the film moves into production and the director/producers are chosen and they begin to build the cast and vision of the project.

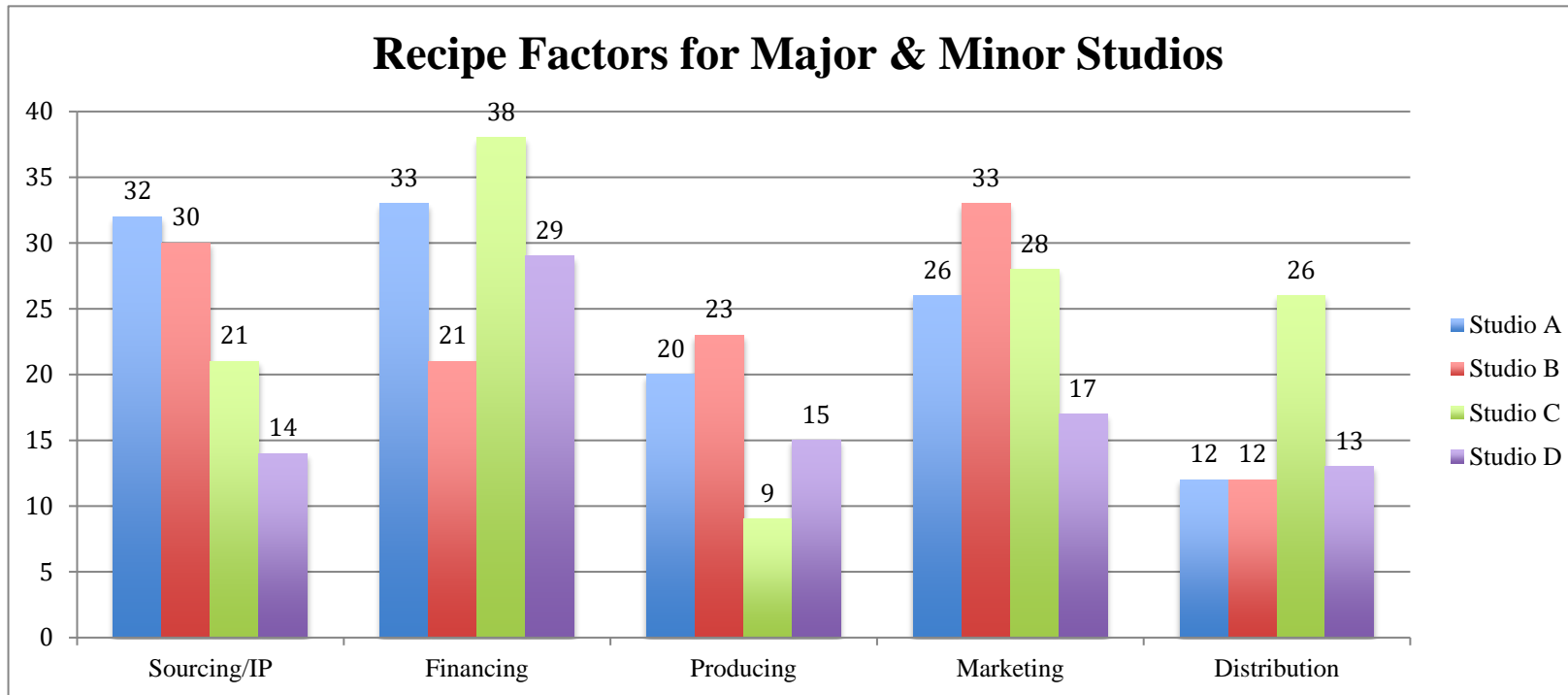
Upon completion of the production, the movie is then marketed to various audience segments and distributed into assigned regions. Each one of the factors has various levels and stages that must be cleared before it is successfully implemented. In addition, the findings reveal that all factors are utilized throughout the studios, however some factors are emphasized more than others.

The two major studios revealed that the chief factors emphasized were sourcing/IP development followed by marketing. Studio B illustrates the marketing factor as the highest rated amongst the studio. This is due to their particular niche in the motion picture industry where they develop their own intellectual property rather than source the property. Between the two major studios, IP/Sourcing was the highest rated. Amongst the two minor studios, financing was the strongest factor that was referenced within the interviews.

Comparatively speaking, the major studios are more concerned with revenue generation and securing the right numbers for a project, as well as the property or project. The minor studios are concerned with the raising of capital financing for

projects and the cost of marketing/distribution of those projects since they do not have as large of an established organization as the major studios. Distinctively, Studio B classified as a Major that is still developing, placed significant emphasis on IP development and marketing, due to the creation of their own IP and the need to market the new property to audience members. Graph 5.5 illustrates the recipe constructs of all the studios sampled and illustrates the constructs necessary for film creation and distribution.

Graph 5.5 Recipe Constructs of Major & Minor Studios



Cited: Author

While the factors and formulaic recipe for film creation and distribution is revealed, there is still far more to the recipe than meets the eye. Information surrounding dynamic capabilities is associated with all or part of the recipe and will be analyzed in the next section as well as the interconnectedness of the recipe to the capabilities within the given industry. Identification of the capabilities amongst the recipes will be deciphered.

In addition, major themes realized within the four case studies involve the importance of cultivating and capitalizing on relationships, the development and execution of managerial judgment, and the importance of managerial communication. Relationships played a key role in all studios due to their inherent need to bring a variety of resources together in a horizontally integrated industry to accomplish the goal of creating and distributing a feature film project. Relationships can become damaged or bad blood is drawn within the industry. It is possible to lose business and cripple a career if the relationship bridges are burned. Similarly, a manager's judgment can play a critical role in the execution and distribution of a film project. Decisions can be discussed, analyzed, and vetted a million ways, but at the end of the day, analysis can only go so far until someone chooses a course of action. Be it, actors, scripts, distribution/marketing strategy, decisions must be made and those judgments and the process arrived at those judgments, if proved successful or unsuccessful will come under scrutiny.

Finally, managerial communication emerged from the dialogue amongst the studios as a crucial yet subtle capability. The studios are made up of two distinct types of individuals, business and creative people. Trying to get these two types of individuals on the same page regarding decisions can prove to be challenging. Thus,

a miscommunication in expectation or intention can result in costly mistakes. In addition, when these two communication styles find a way to work, it can prove to be very lucrative and successful. More information regarding these three capabilities and their influence on the process amongst individual studios will be discussed in the next chapter.

Studio A & Studio B share common factors in the overall recipe. Those factors are finance and IP. Both studios are dependent on these factors. Studio A, the incumbent studio, utilizes financial capital through co-financing deals and capital acquired through other avenues of the business. These co-financing deals are done through slates of films. These slates include 15 to 20 films that Studio A will present to financiers. The package of all film costs and worth will be provided and each movie will be dissected in full detail including discussion regarding various strategic approaches. These slates provide financiers with different offerings and opportunities to partner with the studio. In conjunction, Studio A receives a new line of credit for financing and risk aversion to loss on the portfolio.

Studio B however does not have the opportunity to provide a slate of films for outside credit. Studio B must raise capital and financing for one film, which could take five to seven years to develop for the niche market. This proves to be complicated because financing one film with a group of investors is a greater risk than investing in twenty films that have a greater chance of financial profitability. Thus, Studio B must reverse engineer the recipe and assure investors that distribution and marketing channels are securely in place. In addition, they must substantiate that the intellectual property will be a financial success. This consists of

explaining all the projects and estimates of revenue generation such as books, video games, television shows, and plush toys.

In addition, the newly created property undergoes greater scrutiny and must overcome an extra layer of skepticism by potential investors provided by confidential documents by executives. Marketing is an outlier factor due to the need to develop campaigns in a marketplace for the distributed property. With films that Studio A acquires, there is a built-in audience, but films created and distributed by Studio B require building a base of support and exposure to the target market audience.

The challenger major studio's main advantage for disrupting the incumbent studio and other competitors is its niche market on animation film. This niche has the ability to build a franchise from the film and the internal development team. Studio A's niche is its access to financial capital markets and a reputation for capturing IP's for project development. Having a first round advantage in bidding for IP's provides a distinct advantage when creating and distributing feature films.

Major similarities between the two studios involve how the marketing campaign is released both domestically and internationally. Marketing campaigns for major blockbuster films typically entail a wide release strategy across the US and international markets. Both studios follow this strategy, however getting the campaign structured for execution differs based on approach. Distribution is also the same. Both studios utilize major theater chains to release throughout the world. The characteristics of each property the studio develops will determine when and where the film is released. Producing however, differs between the two studios. Producing

films for Studio A is roughly a year of pre-production and/or post production. Studio B requires a much more exhaustive process including character development, story development, the design of those characters and settings, as well as distinct personalities for each character. Pre-production for Studio B can take one to two years.

When analyzing motion picture recipes, Studios C & D share commonalities and differences throughout the industry adopted recipe. Studio C, the incumbent minor studio, represents finance and marketing as the critical factors within the recipe, as does Studio D.

Financing is a major contributing factor to Studio C's recipe. There is a need for large margins of profitability over cost, building up capital to purchase better resources and capabilities. In addition, Studio C utilizes the slate financing strategy, however the films included in the slate often involve low budget niche films and a selection of major well-known films to attract potential investors. Thus, the margins between costs versus revenue are high and brand appeal and recognition builds with the established IP film within the slate.

Studio D does not have the luxury of slate financing due to their need to assemble capital financing for all aspects of the recipe. The studio is not built and configured with the vast amounts of resources, as the incumbent firm, so intense scrutiny on each film is essential. Each film that passes through Studio D requires a systematic, due-diligence allocating every dollar to the recipe process. Each dollar must be accounted for to ensure proper use of funds with little room for error. Due to Studio D's small size, there is no option to release films via slate, but offer potential

investors options for investing in the production or contributing to part of the recipe process. With Studio D, it's all about keeping costs and expenses low while maximizing revenue.

Marketing in Studio C is extremely important in driving consumers to the box office to increase revenue for the films invested from the slate. These films are the life source for Studio C and the executives within the studio. If any set of films is not marketed correctly to the right audience, the results could be financial ruin for Studio C. Several executives cited this as a major problem encountered in the past when the marketing message did not match up correctly with the theme and genre of the film. This caused heavy financial losses over the period of four years. Since this incident, executives have seriously and critically considered the marketing messaging of the genre and characteristics of the film.

Studio D must invest heavily in marketing due to smaller brand name recognition and a need to drive the masses to the theaters. Low brand name recognition, coupled with a segmented IP equates to a high-risk venture. This reality of limited resources means there is no margin for error when it comes to ensuring the marketing message is aligned with the right audience. In addition, the studio needs to negotiate the distribution of the product with theaters. This discussion will include the justification of how large they believe the audience draw will be. Projections based on data will ensure price equilibrium between the studio and the theater.

While both studios emphasize finance and marketing as two major contributing factors throughout the overall industry recipe, they approach those factors in different methods. The incumbent and challenger studios also seek out intellectual

property. Studio C seeks out niche scripts at a low cost to create slate financing portfolios. While, Studio D seeks out message based films and finances them one at a time. Studio C focuses on the entire slate of films within a particular genre. Studio D has one or two films they propose to seek out funding. Studio C is able to maintain an incumbent status due to the access and size of resources. The studio must finance fifteen to twenty films a year. Studio D's significant challenge lies in attaining resources both financial and professional allowing for continued steady growth.

Marketing is different amongst the two studios. Studio C has a team familiar with releasing marketing campaigns for the specified genre of feature films. Studio D must strategically create marketing campaigns for each film and designate them into the particular regions for planned release.

Distribution is the same among theaters, however Studio C often has established relationships with the theaters due to the amount of films they release into theaters making it easier to negotiate release dates and screen time. Studio D does not have the long standing relationships with theater chains or the resources to maintain them, so discussions take place over each individual film. Regarding production, both studios have the same structure. They hire out a team to conduct all pre-production and post-production activities.

Studio C maintains their position by continuing to lobby for significant IP film scripts during bidding wars. Studio D seeks to disrupt Studio C by building unique resources that establish a presence and brand within the community and provide financing opportunities to expand the current portfolio base. Their particular niche acts as an advantage and disadvantage. The disadvantage locks them into a

particular film set and structure, but the advantage gives them clear strategic direction with the films they choose. A summary of comparables across studio groupings is presented in Table 5.6

Table 5.6 Summary of key features of case comparisons

	Incumbent Studio (A) & Challenger Studio (B)	Incumbent Studio (C) & Challenger (D)
Sourcing IP	Both studios compete for IP and depend on it. However, Studio B creates their own individual IP whereas Studio (A) sources already established IP in the marketplace, Thus the major emphasis on marketing as an outlier factor for Studio (B)	Studio (C) sources established market properties that cater to a specific niche within the marketplace similarly to Studio (D) however, finance is the most critical factor for these two studios due to the need to "acquire" and "produce" the property. Studio (c) & (D) do not have the financial resources comparable to Major studios. Major differences between (C) & (D) is their market. Studio (C) has a wider appeal niche then Studio (D). In addition, Studio (C)'s resources as a studio are far greater and more accessible then Studio (D).
Financing	Both studios are concerned with financing of capital projects but more importantly, the cost incurred to create the product. The cost often will determine whether or not the project moves forward. Such costs include production, marketing and distribution. Major Differences between (A) & (B) is that (A) has access to their financial capital resources while (B) has to solicit for capital funding for each given project.	Similarly, both minor studios have limited financial capital and must justify the high cost of investment to outside partners to mitigate risk and raise the chance of profitability. Securing financial resources is significantly difficulty for Studio (D) due to the limit footprint they have in the marketplace. Studio (C) is a more established minor studio with revenue streams they can call upon.

Producing	Production capabilities vary greatly between Studios (A) & (B). Studio (A) focuses on locations, studio sets, people, and live action shoots. Studio (B) is an animation studio and utilizes digital animation and graphics for their production means. Studio (A) production time can be anywhere between 1-8 months where as Studio (B) is an average of 3.5 years	Production capabilities for Studio (C) and (D) mirror that of Studio (A) because they predominantly produce live action feature films. Both studios need to source production capabilities from the marketplace to create and complete the film.
Marketing	Marketing was a critical factor shared amongst both studios, but more so with Studio (B) due to their need to market and advertise a newly developed property. While Studio (A) emphasizes the importance of marketing, they are able to exploit the already established market, whereas Studio (B) must create a market for their property	Marketing plays a vital role amongst Studios (C) & (D) because of their need to bring people in to turn a profit and justify their expenses to their investors. A lot of resource is spent on marketing and consequently distribution to coincide with a consistent strategy. Studio (C)'s marketing strategy will be primarily targeted to the niche market with marketing campaigns that appeal to a broader base. Studio (D) will pick and choose their customers in chosen market. In other words, they will have a targeted and focused strategy, sacrificing the greater audience marketing campaigns.
Distribution	For Studios (A) & (B) established channels are already in place to ensure proper execution of distribution strategy, thus a low risk	Studio (C) desperately relies on distribution in conjunction with Marketing to leverage the studio to increase brand awareness. Studio (D) negotiates its distribution based on the market they want to leverage their property in. They do not rely on an effective campaign as much as Studio (C)

5.8 Chapter Summary

This chapter identifies factors related to process identification for the green lighting of new film projects. The process involves the selection of IP, the raising of capital financing/cost/return on investment for projects, producing the film, marketing the product, and finally distribution. Table 5.7 provides a summary of the findings within the chapter.

Table 5.7 Summary of Chapter 5

Chapter Section	Summary
Recipe Description	The major recipe factors for all studios is the: sourcing/intellectual property, financing, producing, marketing, and distribution. These recipe factors are universal across all studios but the way in which each studio executes each factor of the recipe is as varied as the studios themselves.
Incumbent Studios	These studios heavily rely upon established intellectual properties to seek out and exploit through motion picture resources and capitalize on the established market footprint for their project material. In addition, capital financing seems to be easier to procure then challenger studios due to inherent market awareness of their brand as well as brand rapport. Incumbent studios also have an ingrained business process and philosophy that serves the purpose of green lighting. It is very difficult to go against the process or challenge it.
Challenger Studios	Challenger studios seek to create or seek out properties that are less well known and leverage resources to build a franchise or a movement to rival that of incumbent studios. Challenger studios also seek to disrupt the business model and process by which the incumbent studios gather resources to produce feature films. Ideally these studios will challenge the status quo to realign the way in which the products are produced.
Major Studios	Studios (A) and (B) were compared because they occupy the same territory however one is an incumbent and the other is a challenger. Studio (A) Sourcing and Finance seemed to be the most critical factors except for studio (B) which classified marketing as a major priority due to their development of new properties and their need to market the campaign. Thus, financing is a crucial component for Studio (B) but from a marketing finance perspective. High cost animation films have to justify development and a high global marketing campaign. This need for capital infusment is represented through the ROI of previous films and the studio leadership reputation.
Minor Studios	Studio (C) and (D)'s critical factors had to do with marketing and finance. Financing for minor studios is a very critical aspect and is often accompanied with marketing due to justifying the financial cost and getting the people to see the film

While the studios varied in approach, they all acknowledged these factors as the five major drivers to green lighting and feature film projects. However, their approach in terms of what is deemed as a critical factors varied based on size and scope of studio. Major studios tended to emphasize IP sourcing as a significant factor, while minor studios heavily emphasized cost-benefit financing. More on the comparison between the studios, along with patterns and themes that emerged from the processes are presented in the next chapter. The next chapter will outline how the thematic patterns emerge within the process to identify and understand existing dynamic managerial capabilities within each firm.

**CHAPTER 6: FINDINGS 2 DYNAMIC MANAGERIAL CAPABILITY
IDENTIFICATION AND MANIFESTATION**

6.0 Introduction

The previous chapter on findings, outlined factors and processes utilized by decision-making managers within Hollywood Film Studios. These processes and identified factors are manifested in a variety of ways across each studio. As many executives stated throughout the interviews “No two films are alike” which forces studios of all shapes and sizes to review each project independently.

Within this section, the researcher will outline the underlying capabilities briefly described in the previous chapter. This section of data analysis seeks to identify answers to the second research question which is: “How do industry recipes of incumbent and challenger firms interact with manager’s dynamic managerial capabilities in a rapidly evolving environment?”

The question seeks to identify the relationship between industry recipes and the dynamic managerial capabilities managers’ employed during the green-lighting process. Throughout this chapter, the researcher will outline the capabilities and relationship to the factors and process per studio, and compare these capabilities amongst the four case studies. It is imperative while, “looking at a situation, any research wants to know clearly what is going on and how things are proceeding-and usually wants as well to understand and explain coherently why things occur as they do” (Miles & Huberman 1994: 90). Table 6.0 provides a brief summary of what will be covered in this chapter.

Table 6.0 A Look Ahead

Chapter Section	Signaling
Dynamic Managerial Capabilities	In this chapter, the information is analyzed regarding the factors of recipe creation and absorption throughout all the studios within the industry. The factors of Dynamic Managerial Capabilities (Managerial Capital, Social Capital, and Cognition) will be researched through the data as well as any other capability that emerges through the data.
Managerial Judgment	The topic of Managerial Judgment will be discussed as it relates to the firms and application of dynamic managerial capabilities. Managerial Judgment is highlight in this chapter due to a predominant theme that kept emerging within the data. Interviewees referred to a “gut feeling” or “instinct” and thus correlated with Managerial Judgment.
Managerial Communication	Managerial communication will be highlighted as it relates to the firm and how the firm uses communication to manage their product creation and distribution. In addition, communication is referenced as a major area that can create a strong firm or break an established firm. The main area of communication tension involves different definitions and interpretations of budget and production between business executives and creative’s.
Managerial Cognition	Decision-making in the capacity of feature film products involves whether or not a team or a firm will undertake a project. How this is deliberated amongst individuals, what aspects are involved will be discussed.
Managerial Social Capital	Relationships will be highlighted regarding how they interact within the industry and among executives. Relationships play a key role in the creation, production, and distribution of a feature film in the entertainment industry. The social circles that managers and executives involve themselves in give the firm access to new material and individuals that provide the capabilities to produce competitive products.

Utilizing coding techniques provided an opportunity for the researcher to identify industry factors and a recipe. The recipe is two-fold, the first is industry wide, and the second is firm adaptations regarding how the industry utilizes the recipe. It was established that major studios focus heavily on intellectual property (IP) development while minor studios apply financial viability and capital flow strategies. The incumbent studios utilize IP to maintain current leadership positions in their respective categories, while challenger studios apply financing and marketing/distribution methods to destabilize the incumbents. This section seeks to identify and understand the dynamic capabilities driving the recipe. This section will outline the identified capabilities as they relate to each studio and compare the manifestation of those capabilities amongst the sample set.

6.1 Dynamic Managerial Capability Identification Amongst Hollywood

Studios

The following sections outline the dynamic managerial capabilities identified from the interview data for the incumbent and challenger studios in their respective market positions. The emergent capabilities will be explained through the use of quotes and statements given by interview participants as well as the context of the statements provided by the researcher. After providing the context and identification of the managerial capabilities, a comparison between studios regarding their performance will be illustrated. These dynamic managerial capabilities will be interpreted and how these capabilities are integrated into the managerial decision-making process surrounding the appraisal and approval of the feature films. The three major themes that emerged amongst the studios were, relationships,

communication, and judgment. Supporting information is presented in the following section.

6.1.1 Dynamic Managerial Social Capital Capability in Studio A

Social capital emerged as a dominant capability within the studios in the form of personal and professional relationships. Within the process of feature film development and distribution defined in the previous chapter, it was necessary for the researcher to delve into the capabilities driving the process. Throughout the interviews conducted amongst the major studios and minor studios, evidence emerged of relationship building and networking as crucial functions for success in all aspects of the industry. The literature represents this as managerial social capital. The industry has layers of relationships that have operated in an insular atmosphere, developing and perfecting the feature film business. Interviewee A1 stated:

“Relationships are crucial but one – the challenge in the industry I think it's very insular and hard for an outsider to break in. And so, so sometimes the relationships can be so solid that you lose your objectivity. So it's a balance there. So credibility – and you got to have some credibility too - and it's a factor but I think you have to be careful that the relationships don't cloud your objectivity. And that's probably the biggest challenge quite frankly.” -Interviewee A1

This statement was made in context to sourcing films and IP as well as producing the film and sourcing the right talent to construct all the pieces together necessary to execute on the project. Relationships and other aspects of a decision-making manager's personal life can skew the process. Interviewee A3 also reiterated the importance of relationships by stating, “I think that may be a little bit of a stereotypical answer in every industry – but it's really true in this particular one.” He

continues to outline the importance of the industry and the drivers to the constructs such as distribution and production, illustrating:

“This industry from ideation all the way up to the big distribution / premier of a project is about relationships. The studios that have really good relationships with talent get the first look at the best projects, they get – they are able to do things with – they have relationships, they have access to talent. It all comes down to having really tight relationships. And if you look at the sort of production executives who are historically the most successful, there’s sort of a common theme. And this is not any inside information, right, you’d see this in The Hollywood Reporter, Variety, or any other creative craft, right. It’s a really tight relationship with the talent - a way to encourage the art and to get the most out of the talent in a way that really respects the creative vision they’re bringing to the table. But that respect is all predicative on those relationships.” -Interviewee A3

Having good working relationships, can affect a studio’s ability to gain access to prime material and resources for film production. Relationships can also be born from success, which is why the major studios can capitalize on the most prime intellectual properties within the business. Often they begin forming on the ground floor of the industry, in the mailroom, facilities, internships etc. These lower level positions in major studios are often the source of young talent being built, groomed and cultivated for success:

“The answer I’m about to give you is really very, very sort of LA-studio-system-gear, but it is an industry that is still has a lot of origins in sort of the apprenticeship - starting at the bottom level, working your way up, getting to know a lot of people, and just growing up through the system. Again, this is a nonscientific kind of anecdote study but if you look at people who are promoted into big studio roles from outside the industry, they tend to not be as successful as those who may have started at the very ground floor and have come up through the ranks. Just to be sort of completely candid with you, I – in having the background I just explained to you – coming from [name redacted] and kind of in a corporate [name redacted] role and the ultimately taking a role within the studios, it’s very difficult for me because I didn’t come up that way. So you are, you’re sort of – it’s hard to get into the family if you didn’t start at the ground floor. But those long-term relationships really start from – they’re very organic – and they start because everyone comes up

through the same system. They understand kind of the hardships, and trials, and tribulations as you're starting out. And then ultimately, they... as they become more successful it's also very influential industry that those relationships tend to be a little bit of a self-serving philosophy, like once you're in the club and you have them, you tend to go to parties with the other people from the industry, you tend to run in the same circle which kind of condenses and deepens the relationships within that specific pool of individuals.” –Interviewee A3

In addition, Interviewee A3 also stated the importance of surrounding oneself with good people and learning from their past experiences, “There's so much that comes from experience of being surrounded by great talent and having relationships, just to bring the conversation full circle.” Additionally, Interviewee A2 described relationships as the, “currency of the industry,” necessary for anything to get accomplished in Hollywood. The full context of his quote is below on pitching ideas to studios and getting films made:

“You're going to these production executives having a strong relationship with the talent – writers, producers, directors - and that is mostly, that is their currency. Reputation and relationships are critical in this business. Development executives hire the people that are, have those strong networks or have strong relationships with the people that are out there. And they basically, the employees have to be on the pulse.” -Interviewee A2

The interviewee is describing Studio A sourcing new employees and seeking employees who have the reputation and relationships that drive success and possessing a feeling or pulse on the culture of the domestic and international market. The studio understands the tastes of the consumers and how those tastes evolve. These relationships are fostered and shared through common experiences that permeate overtime such as working on projects together, or interning with one another before success is achieved.

Interviewee A5 reiterated the need for relationships within this industry by acquiring particular skills and resources to provide the studio with a competitive advantage.

“And then relationships are your ability to keep those people close to you in bringing you product, right. I mean look at, Disney buys Lucas films because of their relationships with Steven Spielberg going back like Apple days, back to Pixar days. So like who you know – or whom you know, not who but whom you know – I think that sort of allows for the flow of high quality products. Like ‘oh I know that guy, I know that producer, he likes me. He’s going to bring me that sweet piece of material or that sweet piece of talent’ or ‘that sweet talent likes me and is choosing to come work at my studio, because we went to high school together, because I stood by them when they wanted to make their dream project or what have you’.” -Interviewee A5

He further explained that solidifying relationships are the currency within the business:

“...as I mentioned their relationships and gut is their currency...I've worked in a few project lines in [name redacted] so I was familiar with how they worked and the people here, so I got back to the relationship. For me, it came back to relationships and luck.” - Interviewee A5

The gut, meaning the action and instincts the executive acts on, can have a bearing on relationships congregated around a studio based on the outcome of the gut. Interviewee A6 for Studio A emphasized relationships as they relate to sourcing and the progression of ideas by stating, “[projects] have to come through an agent because that gives them more protection and the agent’s know how the industry works.” the interviewee further states the importance of relationships:

“Relationships are huge. Because getting an idea to studio, if its say from an attorney or an agent that the studio has a relationship with where they know that this person understands the business, they’re not gonna sue, they’re not gonna. They kind of know what’s going on. Well we can now feel safe and really talk to you about this project – or who knows – maybe its ‘hey the story, I don’t really like this story but I like the writer, can you get me the writer? I want to

talk to him about writing something else or whatever' so things like that happen. Relationships are big. Relationships with talent, it's a lot of times if you can have an actor or a certain talent attached to a script that means an awful lot. -Interviewee A6

Interviewee A4 echoed the sentiments of the previous respondent stating, "In this industry always, *relationships are key*. You get the best projects if you have great relationships." The interviewee then highlighted the importance of relationship cultivation, stating:

"You need to have people that have good relationships with them – like take them out to dinner, smooze with them, all that stuff, right – that is the one key attribute for to having the senior leadership of a studio. Another one is having people that - and this is hard to find in the same person so usually they have to be two different people - so one has the relationships the other one is the person that is very good at – is very cost conscious." -Interviewee A4

Reviewing the respondent's statements, they all emphasized the importance of relationship cultivation and building the networks allowing information and rapport building throughout the industry. Thus, the relationships are influenced, based on the need of the studio and executives. With the need to secure significant IP's to maintain a competitive edge, executives will spend large amounts of money and time to foster relationships in exchange for access to IPs. In addition, if the relationships are significant, they provide the studio first-hand access to resources on which to capitalize.

6.1.2 Dynamic Managerial Social Capital Capability in Studio B

Studio B interviewees provided similar sentiments to their counterparts in Studio A. Relationships were a major theme in Studio B Interviewee B1 providing a statement on the significance behind relationships:

“Relationship cultivation is crucial. Hollywood is filled with many talents and temperaments. The more that you can establish a comfort level and even friendship with these creative individuals, the more likely they’ll want to make their projects with you.” Interviewee B1

His focus toward relationships was on the personal aspects of individuals and the need to find methods to “work together” and “get along” to accomplish a communal goal. Relationships in terms of flexibility amongst differing attitudes were the highlight for him. In addition, the Interviewee B2 from Studio B reiterated the stance of Interviewee B1 by stating:

“There are a group of – every studio has a group of development executives - and what the development executives job is, is exactly that - to develop the new material. So, it might be that they are... so it could be everything from having relationships with people who are established in the field and working with them on what their next script or project it is to being somebody who scans the literary world and having relationships with publishers and having access to books that are still in galley form.” -Interviewee B2

The idea of sourcing and developing material is inherently relational. Through these relationships ideas are born. These ideas then are communicated back and forth until a decision is made. Interviewee B7, who reiterated the importance of relationships after explaining the process of creating and distributing film projects states:

“And honestly, it’s so fluid and it’s about relationships and it’s about knowing how to talk to the talent, it’s about knowing how to like steer them without alienating them. It’s knowing... It’s a lot of weird fluid stuff that like, it’s not really a science; it’s kind of an art.” - Interviewee B7

The art of relationship cultivation and development has an effect regarding the acquisition of film materials. Relationships also play a critical part in the strategic direction of the studio, as described by the Interviewee B5. He emphasizes how

relationships are an economy and an industry of themselves within a business.

Filmmaking means you have to get it right the first time.

“[Name redacted] has a whole range of assets they serve, they might say we want 3 big blockbusters a year and we are going to program our slate to spread the bets out and develop relationships and talent. Relationships matter in any business, it’s an economy like any other business, there is supply and demand, material comes through agencies who contract with rights holders who have scripts and original ideas and bring them to market when they are ready, and buys bid on them in the open market. Some come to others early but buyers are out actively bidding on things. The things that get mixed up with relationships is that, for example if you make a car one year and something happens, you can change it the next year, but in this industry if you make the movie and make a mistake, you can’t fix it and it will never come back.” -Interviewee B5

Using relationships as the bedrock of film making, Interviewee B5 reiterates the difference between this product economy and others by sighting the above car example. However, the Interviewee B3 not only affirmed the critical component of relationships, but also outlined how the relationship economy within the film industry operates, as seen below:

“And it’s all relationships. A lot of these people came up together. Like they all kind of started out in the mailroom at CAA or the mailroom at ICM or William Morris, when they were in their early twenties. And, people kind of then disperses and spread out everywhere. Some stay within the agency but some go in house to a movie studio, but they came up for a couple of years with their friends who are still at William Morris or CAA. Those are the relationships that help you so when your buddy who you were in the mailroom with at William Morris is now a big agent at William Morris, or at least a junior agent, he’s going to call you and be like ‘hey [name redacted], I just got this hot screen play that came across my desk? Do you want to see it? I’ll bring it to you first’. So, it’s like really the creative execs job to get the film, the best film projects, that you know.” -Interviewee B3

The economy and relationship industry within the Hollywood Film Industry is the Interviewee B3 and most often these executives start at the bottom together and progress accordingly laying out a hierarchical structure. Relationships for Studio B are critical because internal relationships and dynamics amongst team members and outside vendors significantly affect the success or failure of a film. Studio B uses the talent within the firm to create intellectual property. Relationships external to the firm are critical in creating distribution and marketing chains. These relationships are the lifeline for promotion and distribution of the property throughout the industry. Thus, the relationships are contingent upon the need to push films through to the consumer market.

6.1.3 Dynamic Managerial Social Capital Capability in Studio C

Studio C provided a new and fresh perspective regarding relationships. The studio emphasized relationship cultivation for different reasons, emphasizing long-term relationships and focusing on particular niches. Interviewee C5 stated, “I think it’s, again, it’s not just one thing you point too. Its experience in the marketplace, it’s relationships within that experience, developing a steady flow of products is always helpful” in regards to the intricacies of how experience and output are all intertwined with relationships. He further went on to describe the need for relationships in the industry by saying, “It helps to have an ongoing relationship with an individual that can do in any business that you have. It definitely makes a difference. But ultimately, it’s about - for me in what I do for a living - it’s about the content I’m representing.” -Interviewee C5

In addition, part of the process for film development as depicted by Interviewee C4 for Studio C involves visioning relationships and their potential role during the evolutionary process for film product development:

“So this producer will come to, you know, the executive that they have a relationship with here, and say, “Well, I’ve got this film that we’re trying to put together,” and they might shop it around town, you know, the agencies, you know, kind of are involved in that as well. But they might, and they’re just trying to do that. And so like, for example, if, you know, some big producer who’s got, like, he’s got a project, he’s got a script for it, he’s got maybe a director attached, he’s got ideas about who’s going to be in the cast, who’s gonna bring that in and flesh it out with us.” -Interviewee C4

In addition, knowing how to motivate people and provide vision becomes crucial with relationship development and cultivation. Interviewee C8 illustrates how visioning can increase and pull a variety of perspectives and viewpoints together to create new relationships:

“I think you have to definitely have an element of influencing people to kind of think the way you think because everyone has different points of view so you have to motivate them to see things how you do – why is this project valued greater than the other 100 projects trying to get made, what is the unique way into it. So I think that both come down to point of view, both creatively and execution. And then you always have to have people skills, well you don’t have too – but people skills and relationships are so key in this business. So I would say point of view both short term and long term, like goal management and personality, relationships, are kind of like the three things I would say. And the more you go into the studio, the heavier it is on management and more of the corporate structure. Whereas the producer is just more run and gun with personal relationships, with talent, and creative point of view, and stuff like that.” -Interviewee C8

This interviewee highlighted the necessity behind maintaining relationships, but also revealed the divide between the creative individuals and those who execute on the entire project, thus highlighting the creative and businesses side of the studio.

Interviewee C8 emphasized how everything in the business of film production is surrounded and governed by relationships. As stated:

“Well I mean everything you do is basically relationship based. All the submissions we get are from agents, managers, producers, other executives who we know personally, so a lot of the time it’s spent going to breakfast, drinks, meetings, generals, coffees, all these things with people –whether they be filmmakers or other executives or agents, or managers, or assistants who will eventually be in those roles. Yeah everything... that goes for if you're looking for a job, if you're looking for an actor or writer to rewrite something that’s spec that you need...that you're looking for a movie so it’s an original submission, a book from a publisher you know. Everything is just from people, it’s a personal kind of relationship business...I mean people want to work with people they’ve worked with, they’ve enjoyed, had good experiences with before so they tend to call the same producers you know are good and the same writers. Once you have somebody that’s in-house, you want to keep them in-house – or not in-house- if someone you’ve worked with who does a good job, you really want to keep them in the fold. So, yeah, you go to the usual suspects first a lot of the time and then from there you kind of figure out availabilities, if you can fit them in the budget, or whatever the factors may be that limit their opportunity to participate in that project and then you kind of work your way out to new people or people you’ve been tracking along the way.” -Interviewee C8

This emphasizes that personalities and chemistry, as well as ability reflect and affect the circles individuals are a part of and directly affects access to projects, skill sets, and individuals with specialized capabilities. First interactions with personalities can make or break an individual’s success. -Interviewee C3 had this to say about relationships and managing projects/expectations in the industry.

“A lot of the challenges just come from the interpersonal, like I said, the interpersonal, the interpersonal relationships, and the fact that were dealing with a lot of different groups that have different interests.” --Interviewee C3

Interviewee C1 heavily emphasized the need to develop, maintain, and cultivate new and old relationships. These relationships help to strengthen or diminish an

individual's reputation within the industry. Relationships according to Studio C is what gets a person's name on the credits:

“It's a small world, and relationships play a big part in it. Our relationships with exhibition are key. They're very important. There are four major exhibitors in the United States and they make up somewhere in the neighborhood of—I want to say close to 60% of weekend gross, week gross, annual gross of any movie. And then you have the independents that come in beyond that. So you need to have a good working relationship with those guys, and that's 90% of the business as it is today and as it used to be. I think that's quickly disappearing—again, as corporate structure takes hold and people are more bottom-line oriented and it becomes more about the money. And the relationship part of it—people forget how that works and all of a sudden it's all about the almighty dollar and if you don't make it on this picture then, you know, that's it. And it's more than one picture and one theater involved. It's a circuit and a group of titles that you really have to discuss in whole when you're talking on either side of the fence, exhibition or distribution. Your reputation has—well the product that you're handling and your personal reputation. There is very few if anything done in writing in this business at this point in time. Now again that might change. Again, nobody starts in this business at the top. Well I shouldn't say that; some people do. But then they don't have the opportunity of building those relationships. So, again, starting as I did in 1971, you know, and working my way up through the industry, I got to know a lot of people and they got to know me and I've been pretty successful in getting the job done in each position I've held. So I think that's all part of the personal relationships as well, you know. So, that kind of helps.” -Interviewee C1

Interviewee C1 emphasized how “starting from the bottom” of the industry will allow time for an individual to cultivate the necessary relationships needed to succeed and mature in the Hollywood Film industry. He went on to state how reputation regarding your choices and associations are key factors in determining your future. Interviewee C6 emphasized how relationships affect project deals.

“For the most part we have a production group and they have creative executives and a team that looks for material and they get that material through agencies. Through their relationships with people working at Creative Artist Agency, William Morris Endeavor, or Gursh talent agency scripts are submitted for review...that's their job is to have good taste and to have relationships with talent agencies so

they can get materials. A lot of it is like who you know and what relationships you have with this agent who is pushing their script on you because they you know they have a writer or someone they're trying to get business for or whatever, you know everyone's got an agenda at the end of the day. I've learned there is no right or wrong answer, you just have to act confident, figure out what you want to do, and just like go for it and not be afraid to like to use the relationships you've built because it's literally all about who you know." -Interviewee C6

Studio C emphasized the need for relationships to better coordinate the activities of projects through various networks of individuals. Relationships are the bedrock for securing IP's; talent, and development teams to ensure the slates of films created for Studio Care are properly distributed to the right channels. Executives repeatedly said that reputation and relationships are the currency of the business. With this perspective, the currency acts as a way to acquire and create film slates to market to potential investors and co-financers.

6.1.4 Dynamic Managerial Social Capital Capability in Studio D

Studio D highlighted the importance of relationships in aspects of the film creation and distribution business. Interviewee D4 resonated with Studio C on the importance of relationships and how these relationships create networks for acquiring resources and new relationships.

"This industry is all about relationships. I think that's because there's a lot has so much money on the line people I think that's why it's become such a boys club because there are this select people you know can make a film you know can get the funding and they can have a good script or have a good director all that stuff. So usually I think when you have people you don't know coming in to try and pitch an idea what you're trying to see is ok first of all is the script good, second of all what are you looking for from us, do you have funding, do you have prior experience, like do you have relationships with people who can also help move this forward um... because people come to use with just the script then it's just like how do we benefit from it unless the script is so good." -Interviewee D4

The interviewee is speaking of layers of processes regarding the circulation and proliferation of intellectual property concepts and scripts. He further went on to state how relationships could cut through the process:

“Unless the higher ups have a personal relationship bringing the script, they’re not going to read it until five to ten other people have.”
-Interviewee D4

The interviewee also went on to state the negative aspects of relationships by saying:

“A lot of the people in the industry are not very trustworthy and I think that’s got to hurt relationships they’re also not very good people for the most part. Um, I don’t know, it’s just a really weird industry to be in especially when you hear about actors just being total assholes to everyone and yet they still get treated like God because they’re the moneymakers. It’s just a really weird culture because everyone bows to the people who are going to get them the money.” - Interviewee D4

The interviewee went on to state how relationships and development of IP/projects work throughout the industry and the studio.

“From what I’ve seen things get developed because of relationships; things get developed because of certain people signed up for it; or things get developed because it’s a known quantity so a sequel or a book or something like that. It’s not going to be nearly as processed driven... is been my experience it’s going to be more is it the right relationships with the right agent is it the right thing the right person the right time and getting to... to the right people... or again is the low hanging fruit like [name redacted] where they know it’s going to do well in China and they’ll post these numbers and there’ll be covers and they turning these out.” -Interviewee D4

Interviewee D5 highlighted the importance of relationships within the recipe of film making, stating:

“From what I’ve seen previously... of course there’s always you get a certain star I think foreign is a little bit more formulaic than

domestic so in the past if you look about something going domestic it was a lot more about, you know, their relationships and all that.” - Interviewee D5

The interviewee highlighted the importance of relational ties to the domestic market within the United States and how it contributes to film accessibility and the overall domestic market. In addition, they went on to discuss how there is a difference in language and communication between the creatives and managers and he discussed what to do during a disagreement.

“The respect ladder has to remain intact. So, I would say that, but done with it done in a way that doesn’t kill the relationship. To keep the trust there despite the disagreement and that’s a challenging thing to do and in playing that um... yeah it’s, like I keep saying it but, forgive me, it’s the balancing act. It’s the balancing act...the key tension is the director and the producer, I would think. The producer, being able to keep that relationship honest and accountable and empowered, if you can do that, then I think you can nail a lot of times as a producer.” -Interviewee D5

Regarding the selection and transfer of IP/concept ideas within the studio, the interviewee had this to say:

“I think it’s more relationship based I think it’s more as a result of leverage. I think who is who to favor, how good the agent is. You can’t discount WMEC and ECA these people carry a lot of social weight and “I think they have too much weight for the business side of it. I think creative side, because they’re representing the creative. I think the creative has a lot more weight than the diversified financial portfolio manager. What I would say is it’s not the everyday decisions it’s the everyday interactions. It’s more of the relational side of it. It is are you building a culture of trust; are you building a culture of fear; are you build a culture of sharing winds? Those are the kind of things that matter. I think that any given decision is less about how you are approaching it and the culture you’re creating. I think the culture you’re creating is the crux of It.” -Interviewee D5

Interviewee D2 is responsible for sourcing IP and developing the strategic direction for the studio had this to say about relationships and their inter-connectedness to film projects and the recipe of development:

“I like looking for the indie films that will be a huge break out and launch talent. Launch a relationship with a director that speaks to somebody in Prague or Russia or China: ‘I saw your film and I’m here in the US studying your film because your film moved me. That’s rewarding too.’” -Interviewee D2

The interviewee went on to further say:

“Networking meaning relationships, for me the currency of this business is accessing one of three things: you’ve either got revenue, you’ve got money, or you know how to pull together money. You’re uncle’s rich, you’re rich; you’ve got great relationships. If you don’t have money, my best friend from college is now actor X director Y runs studio Z. It’s a business of relationships, people don’t want to work with people they don’t trust, you don’t think are smart, they don’t like. If you can be likeable, smart, and trustworthy, you can set yourself apart in this business...the currency can be relationships...it can just be a great project. Am I doing this for revenue, am I doing this for relationships, or am I doing this my real? These are the kind of things that I check my barometer self on... Could be something that is just a great artistic exercise, but it’s not going to be a lot of money for me and they don’t really want a relationship, but I want to be a part of something where I see, this is something that’s moving in a good way, I want to be a part of that. I think if you can find great story, the money the relationships will be there.”

Interviewee D6 cited relationships as another key factor in the selection and dissemination of scripts and IP’s.

“You know, they always look at comparable; films that are similar, and genres and story uh... and kind of see how those films did with their respective audience um... but aside from that this such a relationship based industry that whereas... you know with a big studio all the projects and the volume of stuff they’re doing, they probably have some stuff statistical analysis on certain foreign sales charts they are domestic sales charts certain genres certain material on what not.

You know, it’s like it’s so relationship based. Being a producer is almost laughed at from people who know the industry yet not working in it. Realistically what’s going on is these people they know people so they make phone calls and movies are made. I mean you go to a company and they are sitting there and there are 20 people there and there are so many relationships being made and there are so many people to meet and have meetings with that often it’s easy as a producer in making films to get stretched too thin. Um... to just have

too much on your plate too many projects you're trying to deal with. Too many people you are trying to stay in touch with. I think that's where the time management comes from and then the organization to try and keep track of everybody and where they're moving and how many times they're going to...see the relationships you've made and what you've promised them and what you've told them you're going to do, and maybe instead of juggling these 20 projects you know, these 20 individuals who've been successful that you've met taking these 20 projects and saying ok, these five you know, these five are going to be the five that I'm going to focus on." -Interviewee D6

Interviewee D3 had this to say about relationships and the connection to the beginning and completion of a film project.

"It's really how do you create the social leverage to make them feel like, 'if I don't make this film I'm going to die and so I'm going to over pay for it and get a bidding for each other and try and get the minimum guarantee up.' It's more about relational manipulation than having the scope of the relations. The relations take about 10 minutes, the real challenge of it is how do you... kind of an absence of...How do you manipulate the market so that you have... so that you create demand among the limited set of buyers." -Interviewee D3

These are references from the minor studio executives, vice presidents, and managers on the influence of relationships as it relates to the recipe of making and distributing film projects. For Studio D, relationships are the lifeblood of the entire business. Given they are a challenging minor studio, it means they have limited resources, capital, and opportunities for turning a profit and making an impact within the industry. Therefore, relationships are critical with moving through the various phases of the recipe to insure the project progresses and come to completion.

6.2 Comparing Dynamic Managerial Social Capital Capability Across

Studios

Throughout the course of analysis, it was discovered that social capital in the form of relationship cultivation, development, and execution were present amongst all the studios. However, the way in which this capability was manifest and viewed was as diverse across the studios as the studios themselves. Table 6.1 outlines the different manifestation forms of relationships across the four case studies. Each case provides evidence of relationships within their decision-making process. In addition, that evidence is further developed to identify and list the drivers behind relationships identified through coding.

Table 6.1 Comparing Dynamic Managerial Social Capital Studio Manifestations

STUDIO	INTERVIEWEE	QUOTE	INFERENCE
(A)	VP of Content Management (3)	"Studios that have really good relationships with talent get the first look at the best projects, they get – they are able to do things with – they have relationships, they have access to talent. It all comes down to having really tight relationships."	Relationship for material
(A)	Chief of Staff to CEO (2)	"You're going to these production executives having a strong relationship with the talent – writers, producers, directors - and that is mostly, that is their currency."	Relationship for material
(A)	Director of Film Strategy & Operations (5)	"And then relationships are your ability to keep those people close to you in bringing you product, right. I mean look at, Disney buys Lucas films because of their relationships with Steven Spielberg going back like Apple days, back to Pixar days."	Relationship for material
(A)	Director of Financial Systems & Planning (6)	"Relationships are huge. Because getting an idea to studio, if its say from an attorney or an agent that the studio has a relationship with where they know that this person understands the business	Relationship for material

(B)	CEO (1)	“Relationship cultivation is crucial. Hollywood is filled with many talents and temperaments. The more that you can establish a comfort level and even friendship with these creative individuals, the more likely they’ll want to make their projects with you.”	Relationships for Collaboration
(B)	Pres. Of Marketing (2)	“So it could be everything from having relationships with people who are established in the field and working with them on what their next script or project it is to being somebody who scans the literary world and having relationships with publishers and having access to books that are still in galley form.”	Relationships for Collaboration
(B)	Creative Development Executive (7)	“It’s so fluid and it’s about relationships and it’s about knowing how to talk to the talent, it’s about knowing how to like steer them without alienating them.”	Relationships for Collaboration
(B)	CFO (5)	“It’s all relationships. A lot of these people came up together. Like they all kind of started out in the mailroom at CAA or the mailroom at ICM or William Morris, when they were in their early twenties.”	Relationships for Collaboration
(C)	SVP of Distribution & Marketing (4)	“...he’s got a script for it, he’s got maybe a director attached, he’s got ideas about who’s going to be in the cast, who’s gonna bring that in and flesh it out with us.”	Relationships for Niche Markets

(C)	VP of Production & Development (8)	"I think you have to definitely have an element of influencing people to kind of think the way you think because everyone has different points of view so you have to motivate them to see things how you do – why is this project valued greater than the other 100 projects trying to get made, what is the unique way into it...And then you always have to have people skills - well you don't have too – but people skills and relationships are so key in this business."	Relationships for Niche Markets
(C)	SVP Strategic Planning & Business (3)	"A lot of the challenges just come from the interpersonal, like I said, the interpersonal, the interpersonal relationships, and the fact that were dealing with a lot of different groups that have different interests."	Relationships for Niche Markets
(D)	Creative Writer & Content Manager (4)	"This industry is all about relationships. I think that's because there's a lot has so much money on the line people I think that's why it's become such a boys club because there are this select people you know can make a film you know can get the funding and they can have a good script or have a good director all that stuff."	Relationships for Building Rapport/Material
(D)	Business Manager & Chief of Staff to CEO (5)	"From what I've seen previously... of course there's always you get a certain star I think foreign is a little bit more formulaic than domestic so in the past if you look about something going domestic it was a lot more about, you know, their relationships and all that."	Relationships for Building Rapport/Material
(D)	President (2)	"I like looking for the indie films that will be a huge break out and launch talent. Launch a relationship with a director that speaks to somebody in Prague or Russia or China."	Relationships for Building Rapport/Material

(D)	Founder & Principle (3)	<p>“Networking meaning relationships, for me the currency of this business is access one of three things: you’ve either got revenue, you’ve got money, and you know how to pull together money. You’re uncle’s rich, you’re rich; you’ve got great relationships. If you don’t have money, my best friend from college is now actor X director Y runs studio Z. It’s a business of relationships, people don’t want to work with people they don’t trust, you don’t think are smart, they don’t like. If you can be likeable, smart, and trustworthy, you can set yourself apart in this business...the currency can be relationships...it can just be a great project. Am I doing this for revenue, am I doing this for relationships, or am I doing this my real?”</p>	<p>Relationships for Building Rapport/Material</p>
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When observing the data and the various forms that social capital assumes within a variety of studios, a plethora of data was provided for the researcher to investigate. First, Studio A and Studio D both focus on relationships for the access to networks and scripts that will provide valuable material for the studios. However, Studio D seeks scripts to accomplish the first step of the industry recipe through relationships to attain legitimacy as well as financial profitability, whereas Studio A seeks access to scripts that will strictly provide a large financial return due to the acquired resources within an incumbent firm. Both studios cite the need to foster relationships for material, however many of these relationships overlap within a personally.

In addition, small independent studios seek relationships with attachments to high-level material to increase their reputation within the studio and develop rapport with individuals who are situated with a large amount of resources and assets that can be utilized. This strategy provides them with an opportunity to grow their resources and business to an incumbent/established independent studio and claim a position with leverage in the industry based on their represented niche. Regarding rapport development for Studio A, it is inconsequential regarding the collection and creation of resources, however their rapport and legitimacy rests with the ability to create financial profitability.

Participants from Studio C and D cite the fact individuals who are now at the top of the industry began their journey in the mailroom, interning, or as a personal assistants. Through relationship building, networking, and film development, a challenging independent studio such as D will have to first acquire the resources and infrastructure through legitimization of their relationships and successfully

capitalize from those relationships. Studio C and established independent studios have legitimized their position through niche development of the selected market. They have amassed a considerable reputation for their niche and have stabilized their resources, employee base, and networks. Thus, a studio such as C is in prime position to move into a major position if the senior leadership skillfully navigates the resources, reputation, and strategic direction. The overall industry recipe governs the relationship issue throughout the entire recipe process. Studio B, a challenger major studio, views relationships and social capital through a collaborative lens. With assets set, and a few resource capabilities needed, the studio focuses primarily on internal and external collaboration with their employees and the industry. This means developing and fostering relationships and teams that effectively execute, develop and distribute films is critical for success.

These relationships are advanced once the niche and market are developed within the industry confines of Studio C. The artful and interpersonal relationships can truly take form within a firm such as Studio B through collaborative and creative development regarding internal film creation and external firm evolution. By the time a studio achieves the position of Studio A, there are no internal or external resources they need to acquire to successfully create and distribute a film. The only thing Studio A must rely on is selecting the proper intellectual properties to justify the costs of their assets and resources. Thus, in the position of Studio A and Studio D, the need for material to attain relevance and maintain relevance becomes essential to success in the industry.

6.3 Dynamic Managerial Communication Amongst Hollywood Film Studios

The previous section outlined the importance of social capital in the form of relationships and networks. As the researcher continued his analysis, he found evidence that managerial communication was a crucial function for success in all aspects of the industry. Similarly to actions by studios in the previous section, the manifestation of communication is represented throughout all industry established and challenging firms.

6.3.1 Dynamic Managerial Communication in Studio A

Interviewee A1 stressed the need for communication in regards to the employees and their effectiveness of communicating ideas and propositions to each other. The interviewee of Studio A had this to say about communication:

“Communication is key, that’s one thing where technology I think is a problem and I think it is, maybe not a generational thing, but I’ll say a certainly anybody under 40, maybe under 35 grows up communicated by email and things like that. I think you have to be very careful about not communicating in person and the message that gets delayed across. I would say you can never communicate enough and even though you think you’re being clear, people don’t always get the message. They hear what they want to hear. So as a leader you really, really, really got to make sure you get your message across. And the only way you can make sure you do that is to say it multiple times and seek feedback.” -Interviewee A1

Interviewee A1 emphasizes the importance of communicating and being self-aware of the how information is being perceived both from the individual giving the message, and the one receiving it. In addition to the importance of communication and its meaning, Interviewee A2 shared similar sentiments and shed light on the duality of the studio system regarding communicational differences between creative and business-minded individuals within the studio:

“There’s a...There’s a vision. Almost like a language communicational barrier between maybe the entertainment or the creative side versus the business side, and how do you communicate slash...I think you’re always going to have that kind of Church and State – head to head - from both the production standpoint, from when the filmmakers are actually making the movie, to the release of the movie, to when studio is putting out material versus what the filmmaker think in how it should be conveyed. You’re always going to have those debates and I think they’re healthy, and I think they’re vital and critical to the success of any movie.” -Interviewee A2

Interviewee A2 adds an interesting point and perspective that was proven fairly prevalent throughout the course of the researchers interviews. Throughout the course of the interviews, many participants cited an “internal divide” amongst employees within each firm. This divide is between individuals within the firm based on the creative side of the business, and those on the management. People who are wholly dedicated to the creative side of business often have difficulty expressing their vision and desires in business language. Vice versa, business individuals often cannot express or communicate the importance of timetables, budgets, or decisions made by corporate to creative individuals. Thus, it is important to note this divide can often make or break the success of films and a firm as seen in further interview transcripts.

The difficulty of communication can also drown out or mute voices with a desire to be heard in the firm and during the project. Interviewee A7 reiterated the need to find a voice in the studio by stating:

“I think it’s just in general when you’ve never worked in a studio before and this is like your first time coming in and you’re trying to understand the corporate culture of things and understanding where your place is in the whole grand machine of things, I think the biggest challenge would be finding your voice. Just because you have a lot of interaction with higher up VP’s and tons of directors and

officers and above and all that kind of stuff and trying to make sure you have a voice that's strong and true to yourself. But at the same time, not stepping on anybody's toes or anything like that. Just trying to find my voice and making sure that its strong when I need it to be and convincing when I need it to be and persuasive in different negotiations that we have. And just walking that fine line, I think. Because there is like a different between men and women in the work field, I mean it just is. So you just kind of have to know your role, know how to play it and kind of thing, so yeah.” -Interviewee A7

Interviewee A8 highlighted the communication divide between creative and business executives within the studio system, stating:

“There are skills that I, we all try to cultivate ourselves I think – but in being a studio executive or a producer, you're dealing with a huge spectrum of types of personalities. On one end of that spectrum, a director and writer and actors who, sure they want to be paid and be successful, but they think of themselves as artists - they want to make something great. And on the other end of that spectrum you've got a finance team, a marketing team, a public affairs team, and it feels like great producers and executives are chameleons, are inept to speaking both of those languages. So, in bringing in an artists around to the studios vision of the project on one end of the spectrum and advocating for talent and art to a finance team and a legal team on the other end of the spectrum. And I think it's a pretty rare person who can sit in a room and have that conversation persuasively with both of those kinds of people.” -Interviewee A8

The interviewee illustrates the divide between personalities and languages amongst the diverse staff, providing evidence of a division between creative and business viewpoints. Interviewee A6 recognized this divide and the importance to unite using communication to accomplish the goal in the following excerpt:

“The other thing is, perhaps communication, the studios I've been in, and the communication has been quite good. The one thing about studios is, if they're well managed at the top you've got a good situation because you can cherry pick the best people that are looking for jobs. Everybody wants to work for a studio so you, you're getting the best people. So a lot of times you're working with the best people. And if you've got a culture that's not really competitive, that people play like a team – which fortunately, the places I've been have been that way – it works very well. Communication in terms of how something's getting produced – you need a lot of communication

within the production company of ‘hey, how’s the film going? Is it on budget? Is it not on budget?’ but once you’ve got your product together, it’s very easy to communicate what the product is by just showing them the film.” -Interviewee A6

In Studio A, inter-firm communication proved to be an indicator in the process of film production and distribution. It was revealed that Studio A struggled to integrate their creative and business areas of the firm. This struggle affected the outcome of production and distribution through a mismatch of visions and understanding of the end product. This was represented as a critical piece surrounding the success of film development.

6.3.2 Dynamic Managerial Communication in Studio B

Communicating the needs of the producers and matching them with expectations of the studio was highlighted amongst Interviewee A6. This theme was carried over into Studio B with the acknowledgment of a divided studio between creative and business executives. Further findings for Studio B are provided below. Interviewee B2 highlighted the importance of communication when dealing with the approval or disapproval of film ideas as it relates to production and distribution:

“So some projects are developed internally and some projects are developed externally and then pitched to the studios. So a project goes through that development process and when the development and creative team feels like it is ready to see viewed, read, by a larger group of people then usually the head of production and the top creative teams, they have what they called ‘weekend read’. Where everybody gets ‘this is the stuff we’re reading this week’ and then they discuss it and it continues to get honed in ‘how do we get it to this is the movie that we want to make?’ When they get it to that point in time, it gets... it lands on, as you put it, the desk of a decision maker. I think years ago it then went to whoever that person who had the green light – who was the person who had the ability to green light movies for the studio then gets these are the however many projects the development team is looking to make. There’s

budget attached to them, there's casting requests attached to them. And then that person would say 'okay, we're going to make this one, we're going to make that one, we're going to make this one, we're going to make that one'. I think, in recent years, there has been opening up of that process on the people beyond the people that are the production group – I think you're seeing the marketing and distribution people, while they don't have green lights, you're seeing them weighing in on the process on deciding which movies to make.”
-Interviewee B2

The communication of ideas, opinions, and thoughts has to be expressed across a plethora of mediums in the development and green-lighting phase. Interviewee B7 at Studio B highlighted the art of discussion and communication when making decisions.

“And honestly, it's so fluid and it's about relationships and it's about knowing how to talk to the talent, it's about knowing how to like steer them without alienating them. It knows... It's a lot of weird fluid stuff that like, it's not really a science; it's kind of an art.” - Interviewee B7

Interviewee B6 for Studio B highlighted the different personalities of studio heads and how their communication styles affect the way they do business.

“I mean, really, it's... if you were able to talk to twelve studio heads, you'd probably leave that with twelve personalities and ways they approach the business.” -Interviewee B6

The diversity of studio executives and niches adopted by studios emphasize the importance of clear communication during projects. Interviewee B3 stated there was a need to convey a vision for a project and the project direction both independently and collectively with the Studio. The full statement is below.

“First of all someone has to have the vision and someone has to communicate the vision. And if you can communicate the vision and get other people to buy into that vision or change it in a way through collaboration to see if can make that work. And then you look at the overall market whether not it's feasible or marketable or can it make

money... Maybe not necessarily can it make money, I mean money is a big thing but, is this a cool project? Can we make this work - from a story standpoint? Everything, there's a story. Every movie you ever saw started as someone's story – whether it was from a short story, from a book, from an autobiography or whatever – everything started from a story. And then the other aspect of it is, is okay now we might be able to see this as a vision, we might be able to make this work, we might be able to actually do this – but can we get it funded?" - Interviewee B3

Interviewee B3 went on to explain the importance of having candid, frank, and transparent communication lines when debating and discussing projects and their progress considering the large financial value of undertaking such a project.

“You will fail without the communication lines and without, to a certain degree, help. You can't do it alone, there's really no lone ranger even though there are extremely talented people, and you're not going to do it by yourself. And in order for you to do this, and if you've looked at the credits and you've seen there are thousands of people on a staff and throughout the whole process when they even start to make the movie – but even before they start to make the movie there's a lot of people's hands in it. And that communication is critical to be able to get something from point A to point B and back to point A again when necessary and get, which is difficult in any industry, trying to get everyone's ego in check...to be able to have an open like of communication in which the project comes first. And, you know, what can we do to help the project? And everyone has certain talents and everyone recognizes... and there are a lot of people in the industry who don't get along with each other.” - Interviewee B3

Interviewee B3 went on to illustrate how open communication could help with personality differences and those executives and individuals who did not get along personally could still work with one another professionally because they were committed to achieving the vision. See statement below:

“I remember days at [name redacted], and this is on the property and ops side, we couldn't stand one another personally. But professionally, we all had a professional attitude and we all had professional respect for the talents that we all brought to the table. And we could work together professionally, and we would all do it

for the benefit of the project itself, which kind of taking the individual out of it, and taking the ego out of it, and the fact that I would give you my best 110% - they'll give me his best 110%, they'll give me her best 110% - and we're going to get this project done because we're all very talented people. But we don't necessarily need to like one another to do it. Its better over the course of time, we found that when projects are successful and communications are on a professional basis are open, it does help the personal relationships over the long run. But there are times in the beginning that we'd barley talk to one another other then we would talk very passionately when we spoke of the project - because we all had a passion for the project.” -Interviewee B3

Interviewee B8 of Studio B reiterated the need of better communication. This was highly stressed within the project areas of development and through various departments. This highlights the need to related and understands the visioning within the development process. This is a crucial function of the process due to the need amongst creators and business individuals to understand how to create and sell the product.

“I think another thing is communication between departments because at the end of the day, we're all on the same movie. We're just a bunch of people in a building trying to make a film so we all have to work together nicely. So I think if we're, if we understand how other departments upstream and downstream from us work, then that's going to help us understand mishaps so instead of interpreting something as being reckless from another department – if you actually understand what they're going through you might realize 'oh it's a software problem. Or it's some issue that they have no control over'. And so I think the way you would approach the work is going to be different because you're not going to be angry, you're going to understand that there's something going on down the road with them as well, so the way you approach it is going to be a little healthier. You're not going to be upset, you're going to be in the right mind. You're gonna stay inspired, you're gonna focus on the work that's supposed to be focused on not why this other department didn't do something correctly. So communication between departments – definitely a big one.” -Interviewee B8

Interviewee B4 illustrated how a successful studio head during his tenure, utilized communication to move projects forward and persuade people to agree to the vision he proposed.

“He’s managed to navigate it. I think it’s no mystery that he was an agent. He’s very good at managing people, managing expectations, communicating to people. You know, this is what agents do. And the fact that he comes from an agenting background, I think he’s been able to really segway into this role as executive much better than some people who came up through the organization.” -Interviewee B4

Several executives emphasized the importance of communication through various mediums, and the necessity to understand both the creative communication language and business communication language. It was also stated that executives needed to provide a strategic vision and have clear and transparent discourse to help move a project along despite personality differences. The communication of the vision for the project is influenced by the recipe factor of production. The need to produce a cohesive project with a clear vision for the team is imperative for the overall financial and commercial success of the film. The next section will highlight how Studio C manifests managerial communication.

6.3.3 Dynamic Managerial Communication in Studio C

Communication was cited as a significant issue within Studio C. -Interviewee C7 first addressed this issue and cited communication as a major hurdle that needed to be bridged to move projects forward and solve problems within the studio. The executive stated:

“Nobody knows how to communicate basically. So, I’m a communicator and I like to communicate because I just want to solve the issue and move onto the next because I have a lot of things to do.

So it's just kind of time consuming when nobody else wants to be as productive as you want to be." -Interviewee C7

Her issue regarding communication was a lack of initiative to solve problems within the firm to move projects along. Interviewee C2 reiterated this point by highlighting a project they had worked on that was unsuccessful due to miscommunication between the department and the portrayal of that miscommunication in the marketplace.

"Yeah, we've run into trouble in the past where we actually had a movie called "[name redacted]." It basically had five killers; I think it really should have been named "Killers." It sounds really tough and scary and sounds like an action movie about killing people. And the reality is it was actually kind of a romantic comedy with some action built in and our creative team had envisioned our marketing one way and our marketing team envisioned marketing it another way. And there was some miscommunication and we ended up marketing it to an audience that didn't want to see it and didn't market it to the audience that would have wanted to see it. We really had a failed movie, even though the movie turned out to be pretty good." -Interviewee C2

They went on to discuss how the failure turned into a certain benchmark to measure new films against the failure.

"We definitely use that as our benchmark to say, "We don't want to do that again." So either, if we have a confusing movie, we have clear communication on the way that we're going to market it, even if people have to fight about it for a while. We come to one answer and that's the way we go. That aside, we can usually tell if it's a tough sell on the marketplace and we will probably send it back." - Interviewee C2

Interviewee C8 reiterated the need to communicate a clear message to audience members regarding the product, its market appeal, and demographic appeal. The prevailing concern regarding communication involved the dissemination of duties and roles. The interviewee voiced a concern surrounding the messaging of the film

and the marketing. If marketing does not align with the proper audience, turning a profit, and garnering positive reviews becomes increasingly difficult because the intended market will not engage with the product.

“You always want to believe in the talent that’s going to make it. People look for high concepts, something that is easy to communicate, both in the film but also in the marketing. And then hopefully you're able to find a filmmaker you believe in and then you kind of just, you place your bet.” -Interviewee C8

In addition to internal communication during development, understanding the goal, idea, and concept during the pitch process can determine the success or failure of a film. Interviewee C4 highlighted the importance of communication as it relates to pitching and the portrayal of an idea or vision of a film project to other individuals/stakeholders.

“So anyways, there's a lot of politics involved in the studios because people have different visions, and in terms of trying to green light a picture, just dealing with, you're just dealing with a lot of politics and different visions.” -Interviewee C4

As communication continues to be a prevailing driver among factors, Studio C emphasizes the importance of the need for internal communication and an understanding of the other professional languages working within the firm. In addition, communication also effects the overall interpretation of the vision for a film. Studio D is no exception to the issue of managerial communication and will be discussed next.

6.3.4 Dynamic Managerial Communication in Studio D

Studio D emphasized communication in regards to the lack of clarity toward vision and the persuasion toward what it was the managers and executives desired to solve

problems. Interviewee D4 had an opinion regarding communication and its effects on the decision-making process. Poor communication is due to a lack of understanding regarding various steps of a project and individuals not being on the same page:

“Honestly what I’ve noticed the biggest problem is a lot of times is communication. And this is more of me looking from the outside in more than, you know than actually me being an insider in the decision-making process. But, like just like getting feedback from people on set and stuff like that is that you have producers like fighting because they just do not really say exactly what it is they want, and they just kind of expect everyone to kind of know. And so when you have multiple decision makers kind of all doing this thing and they’re not on the same page, it leads to a lot of conflict.” - Interviewee D4

The interviewee went on to illustrate the need for producers, directors, and creators from the business and creative sides to communicate clearly regarding expectations and desires. Such communication is vital at the beginning stages of the film creation process, as personalities and individuals begin to form teams and social groups. See the excerpt below:

“I mean even on one of our films, one of the directors brought in a conflict of interest where she their was a producer and she was she was a person who found the script but she they also wanted to bring in elements of her personal... she they just she they just wanted, this is really difficult to explain, so pretty much she they had a boyfriend she wants to be an actor so she was kind of shoehorning him in without kind of really taking to the other producers like saying like “yeah we agree to this” and just pretty much telling the director her demands, and that kind of set things off on a really bad foot from the beginning cause she’s kind of drawing a line in the sand you know this isn’t going to happen, this guy can’t be in the film kind of deal and you know like that’s kind of something they should have hashed out three months before they ever met with the director. You know? That’s like something you know she should have not even brought up in your initial meetings kind of deal. You know, and a lot of times that stuff should have been communicated clearly from the beginning. And also that was the thing, she was pretty clear about that she wanted him to be part of it, and they all kind of brushed it

off. Yeah, yeah we know you get that but didn't really hash it out. And as a result it led to a lot of drama and a lot of conflict that could have been avoided." -Interviewee D4

In addition, the interviewee made a claim regarding expectations versus communication.

"And this is more of me looking from the outside in more than, you know than actually me being an insider in the decision-making process. But, like just like getting feedback from people on set and stuff like that is that you have producers like fighting because they just do not really say exactly what it is they want, and they just kind of expect everyone to kind of know. And so when you have multiple decision-makers kind of all doing this thing and they're not on the same page, it leads to a lot of conflict." -Interviewee D4

A lack of communication from an operational standpoint can create dissension and strife within the ranks of the firm. Interviewee D2 affirmed the aspect of clear communication needed by illustrating what his role is as a producer:

"My role kind of at the company is as a Rosetta Stone to translate between business and creative. I think a good producer, a balanced producer, is someone who has experience... in many ways, a renaissance man whose got, a woman obviously, who has a little bit of experience in understanding the very strict parameters of what the distributor needs, what the financier is expecting, what the investors are looking for, but also the creative we're trying to make a great film that's not also on mission and message, but that's artistically excellent but also has a commercial return. I like that, that area where those three circles intersect: art, commerce, and messaging that's where I want to be. I want to do a film. Those are the films that speak to me. How do you communicate between those worlds, but Hollywood is populated with some of the best silver-tongued devils in the business. People come from all over the world that are great talkers. But it's not just the people who are great talkers but people who can deliver that. That's a unique combination finding someone who is able... able to speak bilingual, trilingual who is also able to... follow through. A good prodder, a balanced producer does not need to know everything about financing, does not need to know everything about good scripts, does not need to know everything about distribution, but he does need to know people who do, respect them, be able to communicate with them but also trust them, take their advance and then integrate them together in a way that focuses them in everybody in a single goal. That's a real give, amazing producers

that are financially and creatively rewarded who are able to speak those three different languages.” -Interviewee D2

The interviewee role is responsible for translating clear and transferable language to both parties involved and solving any issues that arise. Interviewee D6 stated the following:

“Once all elements are in place: financing, talents, and producers set I think it becomes a complete and 100% matter of communication. How well, are these individuals able to communicate with each other? Because if I’ve been on two films: one of them had great communication and you could see how things were being relayed, from director to producer from producer to financier to and other had horrible communication. People who did not know how to convey themselves I guess in a necessarily professional manner at times and specifically, like you know, certain people from each group, which is funny how this works. That’s just from my experience, and remembers I’m coming from a lower level of things here.” - Interviewee D6

The interviewee then asked the next question regarding uncertainty surrounding new film projects. To mitigate against uncertainty surrounding the potential success of a film project, communication is necessary to ensure the true vision is realized. The interviewee stated:

“I think since everybody has a really strong vision here and they’re also incredibly talented, I think... it becomes almost more about... it becomes almost more about the fight to control the reins you know. To remain on par with that vision to be able to... communicate with your director or communicate with whoever’s distributing the film so that they keep this vision that we originally had that we know has been proven to be successful or whatever vision we’ve created amongst each other at the company when this first started that we had the idea of being successful, if that make sense. It’s less of like a... we’re letting the vehicle go and more about the power to really keep our hands on the wheel.” -Interviewee D6

In addition, the interviewee stated some of the critical factors to success were staying on time regarding the production and communicating effectively with all participants.

“Communicating, the line producer with everybody. Staying on time, staying on schedule because remember all these actors are so incredibly tight with their schedule they need to be precisely on schedule. That’s what I meant by staying on budget, probably the hardest thing. New budget on everything on a film but you never really know. There’s so many, I’ve heard so many stories about films that just spent too much money, and all the sudden come back and they have three weeks to shoot and they literally cannot shoot their last three weeks because they don’t have the money to do it. So staying on budget is a huge thing. You know, the critical factors involved aside from that on the producing side is like I said just to keep the vision to make sure that the director and the talent are moving in the direction that we saw fit for the film before we actually executed it, you know.” -Interviewee D6

This was illustrated in the context of the initial production of the film and construct of the recipe. With regard to the pitching and selling of IP to producers/studios, Interviewee D3 had this to say:

“Most people have live in a small silo and the town and grow up there and their much more expert on that little silo then they can be if they are broader like I am. But the thing is, when you have a broader understanding you have less... you don’t BS it all, you have less holes in your pitch and your it is true and as long as you don’t self-deceive and you can be pretty confident, you’re going to communicate honestly, and you’re going to realize that you’re not going to be able to harness a series of opportunities because you’re not going to be in that club of people who are self-deceiving.” - Interviewee D3

The interviewee stated a need to communicate the project and the vision honestly and any attempt at puffing up or falsifying the vision of a project through a change in communication would be easily detected. While these are the majority of communication references, the section significantly highlighted how communication and other themes are interlinked. Communication was the dynamic capability that manifested itself amongst all of the industry recipe factors due to the nature of individuals operating within the film studio. When two distinctly different

professions have to interact with no knowledge of the others professional language, conflict is certain. Communication in a variety of manifestations proved to be a unique characteristic to the recipes of the industry and the development of a manager's dynamic capabilities.

6.4 Comparing Dynamic Managerial Communication Across Studios

Managerial Communication was recognized as a significant theme amongst the major and minor studios but in varying capacities. Some studios cited that communication could often be lost in translation from the layers of bureaucracy and red tape individuals have to cut through to find answers or process action items. Other studios, however boasted the importance of communication and how communication of ideas and vision provided clarity regarding their decisions of which projects to accept or reject as well as how to adjust visions based on resource acquisition and integration. In addition to direct communication within departments, communication amongst studios both major and minor is bifurcated into two areas, the creative side and business side. The creative side of the studio deals with all creative based aspects such as writing, producing, acting, directing, cinematography etc. while the business side deals with the financial, marketing, distribution, and all business aspects of the project.

Many creatives view the creation of movies as a work of art, but to make movies one must spend money and the money that is lent to make movies is expected to make money. Both sides of the business are innately paired, but problems arise when trying to pair two different occupations, speaking separate languages and operating in the same trade and occupation. Many interview participants described

the divide of individuals and jobs based on occupational languages and that this language barrier often was a burden and hampered the effectiveness of the studio be it established or incumbent major/minor studios. As one participant put it from Studio A, “There is not a lot of ‘cross-pollination’ that goes on via the creative and business side of movie making.” Thus, the breakdown of managerial communication within studios can be seen in Table 6.2 representing the various manifestations managerial communication assumes.

Table 6.2 Comparing Dynamic Managerial Communication Studio Manifestations

STUDIO	INTERVIEWEE	QUOTE	INFERENCE
(A)	CFO (1)	<p>“Communication is key, that’s one thing where technology I think is a problem and I think it is, maybe not a generational thing, but I’ll say a certainly anybody under 40, maybe under 35 grows up communicated by email and things like that. I think you have to be very careful about not communicating in person and the message that gets delayed across. I would say you can never communicate enough and even though you think you’re being clear, people don’t always get the message. They hear what they want to hear. So as a leader you really, really, really got to make sure you get your message across. And the only way you can make sure you do that is to say it multiple times and seek feedback.”</p>	Internal Language of Profession
(A)	Chief of Staff to Chairman of Studio (2)	<p>“I think you’re always going to have that kind of Church and State – head to head – from both the production standpoint, from when the filmmakers are actually making the movie, to the release of the movie, to when studio is putting out material versus what the filmmaker think in how it should be conveyed. You’re always going to have those debates and I think they’re healthy, and I think they’re vital and critical to the success of any movie.”</p>	Internal Language of Profession

(A)	Manager of Marketing & Brand Assistance (7)	"Just because you have a lot of interaction with higher up VP's and tons of directors and officers and above and all that kind of stuff and trying to make sure you have a voice that's strong and true to yourself. But at the same time, not stepping on anybody's toes or anything like that. Just trying to find my voice and making sure that its strong when I need it to be and convincing when I need it to be and persuasive in different negotiations that we have."	Internal Language of Profession
(A)	Director of Financial Systems & Planning (6)	"The studios I've been in, and the communication has been quite good...Communication in terms of how something's getting produced – you need a lot of communication within the production company of 'hey, how's the film going? Is it on budget? Is it not on budget?' but once you've got your product together, it's very easy to communicate what the product is by just showing them the film."	Internal Language of Profession
(B)	Pres. of Marketing (2)	"When the development and creative team feels like it is ready to see viewed, read, by a larger group of people then usually the head of production and the top creative teams, they have what they called 'weekend read'. Where everybody gets 'this is the stuff we're reading this week' and then they discuss it and it continues to gets honed in 'how do we get it to this is the movie that we want to make?'"	Vision/ Persuasion
(B)	Creative Development Executive (7)	"It's so fluid and it's about relationships and it's about knowing how to talk to the talent, its about knowing how to like steer them without alienating them."	Vision/ Persuasion

(B)	COO (3)	"First of all someone has to have the vision and someone has to communicate the vision. And if you can communicate the vision and get other people to buy into that vision or change it in a way through collaboration to see if can make that work."	Vision/ Persuasion
(C)	EVP Strategic Planning & Operations (2)	"There was some miscommunication and we ended up marketing it to an audience that didn't want to see it and didn't market it to the audience that would have wanted to see it. We really had a failed movie, even though the movie turned out to be pretty good."	Internal Language of Profession
(C)	VP of Production & Development (8)	"You always want to believe in the talent that's going to make it. People look for high concepts, something that is easy to communicate, both in the film but also in the marketing. And then hopefully you're able to find a filmmaker you believe in and then you kind of just, you place your bet."	Internal Language of Profession
(C)	SVP of Strategic Planning & Business Development (3)	"So anyways, there's a lot of politics involved in the studios because people have different visions, and in terms of trying to green light a picture, just dealing with, you're just dealing with a lot of politics and different visions."	Internal Language of Profession
(D)	Creative Writer and Content Manager (4)	"Honestly what I've noticed the biggest problem is a lot of times is communication. And this is more of me looking from the outside in more than, you know than actually me being an insider in the decision-making process."	Internal Language of Profession

(D)	President (2)	"My role kind of at the company is as a Rosetta Stone to translate between business and creative...I like that, that area where those three circles intersect: art, commerce, and messaging that's where I want to be. I want to do a film. Those are the films that speak to me. How do you communicate between those worlds, but Hollywood is populated with some of the best silver-tongued devils in the business."	Internal Language of Profession
(D)	Founder (3)	"But the thing is, when you have a broader understanding you have less... you don't BS it all, you have less holes in your pitch and your it is true and as long as you don't self-deceive and you can be pretty confident, you're going to communicate honestly, and you're going to realize that you're not going to be able to harness a series of opportunities because you're not going to be in that club of people who are self-deceiving."	Internal Language of Profession

The separation and siloing of occupations contributes to the lack of understanding both sides of the process surrounding film creation and distribution. Lack of understanding of business aspects by the creatives, and creative aspects by the business executives can contribute to an inhibition in the logic necessary to know how the totality of a film project affect the overall success of a film. In addition, Studios A, C, and D all make reference to internal communication and a breakdown of professional communicative ability to present and pitch ideas as a major hurdle to the success of film making. Moreover, Studio B's greatest challenge regarding communication encompasses visioning of a product/idea and persuading others to accept the idea or vision. This phenomenon can best be explained through the product portfolio of each studio. Studio's A, C, & D all focused on acquiring intellectual properties to develop into feature films. Studio B creates their own intellectual properties and seeks to turn those properties into feature film franchises. Thus, the degree to which communication is manifested in Studio B is systematically different than Studio's A, C, and D.

Communication in the form of visioning and persuasion were prevalent amongst Studios A, C, and D, however they were not represented proportionally to Studio B within the interview and coding process. Citations made to the internal communicative process between the two separate silos of the business emerged as the dominant topic. This communication barrier between the creatives and the business individuals can cause dissension amongst the ranks regarding the acceptance or execution of a vision. Bridging the gap in language understanding and interpretation was significantly highlighted in Studio D. Studio D has a specific executive that is present amongst discussions of new projects and pitches to ensure

that translation from the creatives and business is done in a clear and concise manner. Studio D was the only studio to possess such an executive. As communication revealed to be a significant driver in this study, managerial judgment proved to be the last significant manifestation represented in this study. The next section will highlight the significance of managerial judgment as a dynamic capability.

6.5 Dynamic Managerial Judgment Amongst Hollywood Film Studios

The following sections outline the dynamic managerial capabilities identified from the interview data for the incumbent and challenger studios in their respective market known as managerial judgment. The emergent capability will be explained through the use of quotes and statements given by interview participants as well as context of the statements provided by the researcher.

6.5.1 Dynamic Managerial Judgment in Studio A

The third and final capability that emerged from the established and incumbent studios was judgment, particularly managerial judgment emphasizing the process by which films are decided upon and created. The predominant words representing judgment were gut, instinct, and feeling. Interviewee A3 for Studio A stated the following about the executive's gut in the form of judgment.

“Both sides historically have relied on a certain amount of past performance but there's also a certain amount of gut feel and that goes into this decision making process, I think a little bit more information on both sides might help bridge the gap. And that's not necessarily numbers, right. You can kind of mine the collective consciousness of social media to get a sense of the types of stories that people might be interested in. That's not a silver bullet, you still

have to have stuff that's - but I think we have tools that we never had before.” -Interviewee A3

The interviewee highlighted past performance as a guide to decision-making as well as a key ingredient that forms a gut feel or sensory decision-making process regarding what films to make and decisions to make and why. In addition, Interviewee A2 of Studio A stated these executives put, “their gut on the line” or in essence their judgment with regard to decision-making every time they make a decision.

“I mean you have, you have all these bankers and big brains coming in from Wall Street or where ever that have these predictive models but nothing ever sticks. It's basically... but it's definitely more influential than it used to be. But it will always come down to someone putting their reputation and their gut on the line on a project. It really comes down to creative execution. But at the same time, it also does comes down to marketing.” -Interviewee A2

When asked how these executives develop their gut or get a feel for gut decisions, Interviewee A2 stated the following:

“Experience. It takes time. You've got to watch a lot of movies. You have to be able to step outside yourself. You have to have a strong network of people that you trust. And I think you just have to really know yourself – know what you like, know what you don't like – I still have those feelings, I'm sure every department across this town does. Going through campaigns and you just feel like a movies working – you can just feel it. There are a lot of intangibles there. Then in some movies, you can't tell and then they'll break out, you just never know. I feel like for the most part when you feel like the movie's working, there's a sense of magic there. You can feel it. Like 'oh, this movie's going to break out'.” -Interviewee A2

In addition, relationships help to form the instinct of gut and how the judgment of an individual is appraised. Interviewee A5 of Studio A emphasized how the entire industry is driven by gut and relationships. See the quote below:

“They go to lunch more, they get to go to sets, they get their names on the back of canvas chairs which is kind of fun and sexy. But you know, I think it’s a... it’s high risk, reward. But they very much are gut-driven, they are... hold on one sec... again, as I mentioned their relationships and gut is their currency. And we try to bring a little bit more financial analysis to that. But we know even less, we always guess at what we think movies are going to do in terms of box office - you don’t know. But I think we are a bit more suspect, whereas they are always... for us glass is half empty. For them the glass is always half full.” -Interviewee A5

The interviewee emphasized how much the people within the industry don’t know and how they try to mitigate risk through instinct developed from experience and analytics. Interviewee A1 provided a little bit of back and forth dialogue that would take place between a committee of decision-makers regarding the green-lighting of film projects.

“Some people would feel like ‘yeah this is a risk worth taking’ and others would say, ‘I don’t think so, I don’t think this is going to work’. You know ultimately the boss has the final say and then a good team will say, ‘alright we’ve had our disagreements but we’re doing this, so we’re behind it, and we’re never going to second guess ourselves’.” -Interviewee A1

In addition, Interviewee A2 of Studio A reiterated the following regarding judgment employed on the process of project selection:

“So they’re going to come from the angle of ‘this is the story of this movie, this is why it’s a hit, look at all these other movies that were hits, we think this is an up-and-coming comedian or a star, they’ve had this hit TV show, they’re really popular on the internet, we feel they have the potential to break out as a star or they have already done movies in the past that have been successful that they can base that off of’ so they come very much from the content of the movie itself – ‘we believe in this writer, we believe in this director, we believe in this cast’ - that’s going to be the things that they push...So the finance people will say ‘we don’t feel comfortable green lighting this unless it’s on this 15% assumption. We can make an exception on the 10% assumption’. So that would be your third. Production constituency, the marketing distribution constituency, and then you have the finance constituency, and a lot of times they’ll say ‘we’re not going to do it, we don’t recommend green lighting this movie

unless we know, unless we can confidently say we can hit this 15% return’.” -Interviewee A2

Interviewee A8 emphasized how executives weigh and assess their instincts of risk when debating the details of a film project below.

“Like, that’s a movie that at a certain budget level is going to be a no-brainer for a studio to get behind. [Name redacted] is the biggest comedian in the country right now, that movie probably gets made for a price that they feel pretty good about that risk.” -Interviewee A8

Regarding the budget and talent discussions, “the feeling of the right price” has to be concluded across all deliberating parties. In addition to the right feel across all invested parties, the Interviewee A5 stated:

“So all those things feel really great, a piece of IP, it’s based on a comic book so the release profile for these Marvel comic book movies look pretty good. So all, and you’ve done some video effects, so you’ve got these entire wonderful, beautiful, nice, sexy packages. It looks like Ghostbusters, looks like Men in Black, those are the cost numbers everybody feels great about.” -Interviewee A5

The interviewee went on to reiterate, the necessary requirement for everyone to feel good about the project.

“So that’s what’s in your head, you’re like ‘oh we have two big stars, we know who it is, we have a filmmaker we like, we have a producer we like, we have a piece of comic book IP that we feel very good about and were trying to launch a franchise’.” Interviewee A5

In addition, the interviewee explained how confidence and momentum are built as the executive team gains more confidence in their decisions and instincts and refers to their gut as a compass for their decisions.

“The steam builds as the confidence of the executive team surpasses a certain threshold where they feel like their targets are reasonable and their willing again to sign up and own those numbers based on the creative package that’s been assembled, and again on the assumption that the execution will be good to great...I think one – an

easy answer that might be most suitable is that I was able to make this transfer, I was able to transfer from a creative, gut-driven, relationship driven side of the business to like kicking the door to the business side with a bunch of ex-bankers” -Interviewee A5

Interviewee A6 provided insight on green- lighting of the studio surrounding how executives utilize the recipe within their decision-making purview.

“The first step is creative people in the studio feeling it could be a good movie or a great movie. So when you read the script you hear the story from the director or the producer or whoever is pitching the idea. Like feeling that this is a great, great movie. That is, I would say criteria number one – if they felt that the pitch was weak or the story was not there, they wouldn’t do it, right. Sometimes they would hear these stories of some projects getting done as a favor, which is true. Some movies did get done as a favor but they were the, not the majority...So mostly I would say the first step was the creative people feeling like, ‘okay this project looks interesting’. The project in itself was like the entire package – the script, the visuals, what the idea of the director was for the movie, the talent that was attached to the movie – all of the package, more or less, made sense. ” - Interviewee A6

When an executive or creative manager says the project needs to, make sense or feel right, and then all parts of the movie must match up with what they believe will be successful. Managerial judgment is reflective throughout the entire recipe process. Executives employ judgment based on past experiences, relationships, observations, and understanding of market trends and forces. Studio A executives view the gut instinct as a test to verify or disprove the metrics run on potential film projects. Interviews revealed that gut instinct is often relied upon and ignored, and evidence shows the success and failure of both. Similar attitudes are seen in Studio B.

6.5.2 Dynamic Managerial Judgment in Studio B

Similar to Studio A, managerial judgment plays a critical role throughout the Studio B’s decision-making process of film production and distribution. Studio B

emphasized the importance of gut feeling, instinct, and the feel of a project as decision-making motivators during the beginning and development stages of a film project. Interviewee B1 of Studio B highlighted the importance of making right decisions and he stated:

“There’s a long list of financial strategies that studios employ to mitigate risk. But, in the end, it’s really just about being smart.” - Interviewee B1

The interviewee further went on to state that it is important to do the numbers on a project and have all the necessary due diligence before making a decision. Interviewee B2 illustrated this method when working on a major motion picture franchise and looking for unique ways to market and brand the film through various and unique channels of brand development.

“Because it didn’t feel like [name redacted] would go to McDonalds. So we made some very strategic decisions in the marketing to make sure that the fans knew that we had the same respect for those characters as they did.” -Interviewee B2

Regarding the development process of films and projects, Interviewee A7 for Studio B stated the following, emphasizing feelings and confidence when a product or decision is acted on:

“There’s not like an official, ‘oh, we’ve green lit this show and now it’s going to go’ because it’s not just, like animation is not just paper development –you’re also developing art at the same time, doing you know, it just gets to a point where people have seen enough to sort of feel like confident that its like ‘okay, yes, there’s enough here, we have a good enough story’. You feel like it’s a visual world that we’re interested in developing and exploring and like let’s just keep going.” -Interviewee A7

The executive explains the comfort level and feeling of decisions based on past experience allowing him to dictate what might satisfy the market he is trying to

access. The executive later went on to state a necessary comfort or consensual feeling necessary for the further development of a project.

“It really is like a consensus of executive level people feeling comfortable that its, you know, like liking it. I guess, that’s, that at the end of the day you get enough people who like it – to tell you to keep going. That it’s moving through that pipeline.” -Interviewee A7

Interviewee A3 also, highlighted the importance of leadership and the need for the leader to be able to make sound judgment calls on projects and development as seen below:

“You take a [name redacted], as an example, he has his pulse, or his finger on the pulse, of what kind of the American Film consumer wants. And it’s those guys that kind of stay ahead of the curve. I, you know, I think they’re looking at all the trends that are happening and what will be successful beyond today. Like, there are a lot of things that are flashing up here as trends - you know things will be hip and hot for the next six weeks - eight weeks. But there are just those marketing individuals that have that gut instinct that know what’s going to work for the American public, or the world public, that just understand timing.” -Interviewee A3

He went on to further describe the aspect of gut instinct:

“I think its gut instinct. It’s being around the business long enough to know how it works and what’s going to work and being able to be flexible enough as they begin in a pre-production to watch that market trend get with their marketing folks, have some brilliant marketing people, and be able to maybe to make some adjustments along the way, in whether that be script or content, to adjust to a particular situation that happens in a world event. Looking at world trends, I think they take into consideration a lot of aspects of what’s out there in the marketplace. But for the most part what I’ve seen really, is it’s these guys gut feelings that this is absolutely going to work. And I can tell, like, some example of this, the best example I can give you is actually experienced with [name redacted].” - Interviewee A3

The interviewee further outlined internal negotiations and decisions adopted by the studio on a film that became a major franchise success for Studio B. In addition,

Interviewee A7 at Studio B seems to corroborate Interviewee A3 assessment on gut instinct.

“It’s like, it is totally... how do I say it other than to say it’s a bunch of people in a room going on instincts, basically...And I’ve sat in a room with these guys and it’s amazing because you look around and you go ‘ahh its really a gut reaction’, its really just an instinct that they have. It’s, it’s weird. It’s hard for me to put my finger on it...” - Interviewee A2

This sense of instinct, gut reaction, and feeling that revolve around a decision-makers ability to determine the course of action based on experience, relationships, observations and understanding, emerged as a predominant theme throughout the interviews. The executives of Studio B have a different form of managerial judgment due to the nature of the projects they create. Animated films have a very different strategy and understanding when they are developed and launched into the market place. They are constantly thinking of the end consumer due to the need of extending the shelf life of the property. Thus, the industry consumers of the product influence managerial judgment within the recipe of Studio B.

6.5.3 Dynamic Managerial Judgment in Studio C

Throughout interviews with participants from Studio C, the predominant words represented among the sample set related to judgment were gut instinct, sense, and feeling. Studio C’s Interviewee C2 stated the following in regards to feeling and instinct for a film within their studio:

“So everyone has a good feel for the attraction, the excitement in the industry around a certain project, and whether or not it’s suitable for our studio. And then from there we can flesh it out. Once it comes to my desk we start looking at the economics of a movie. And we’ll end up fleshing it out.” -Interviewee C2

The executive went on to state how the feel of a movie and the studio resources could affect the decision-making within the green-lighting process.

“You know what it turns out that this isn’t the right movie for us’ or ‘it turns out that these people’, the producers are looking for a different type of feel or they want more control or they want international at-source distribution, which we don’t have.” - Interviewee C2

This discussion then evolved into how the studio system was split between the creative and the business side. This involved the application of judgment through a creative or business lens. The excerpt below illustrates the difference between how creative’s judge projects and how the business executives judge projects.

“On the creative side, when a movie comes in the door, it’s really the tastes of the creative executive. They’re going to kind of have a feel for the international value based on any attachments and based on the budget side. Since we pre-sale international territories and we have outward deals (we have about 15 deals in place, where 15 territories pay against the budget), we almost know automatically the value of those territories.” -Interviewee C2

While there is a distinct divide between the methodologies used by the creatives and the business types, the business types use their instincts to estimate audiences and various market demographics across the globe as the interviewee stated.

“We go to the markets and our international sales team sells the movie. We kind of have a feel for the movie, such as “Oh, this is going to have a huge star” and “This star does well internationally.” The creative execs will have a feel for that. They won’t necessarily have a feel for all of the ancillary media streams that come down from theatrical. But they do have a taste for movies that they like; they like something so they bring it in.” Interviewee C2

The Interviewee went on to describe how projects might come in and reviewers may not have a feel for it, but look at the totality of the package...

“It’s really hard—a movie doesn’t always come in where we say, “Oh, this feels like a [name redacted] movie,” but a movie does come in and we have a vision for packaging it and releasing it and it’s very exciting to us. And it becomes a [name redacted] movie.”
Interviewee C2

But after reviewing it, the package may resemble a Studio C movie. Those feelings will translate into decisions as the interviewee outlined:

“Projects come in either with certain attachments already in place or certain attachments already envisioned. If those attachments sort of match the feel that we have for the movie, and that whole package together, if we get those elements, if we’re excited about it and we feel that we are the right marketing team and we are the right distribution team to release that movie, then it just becomes a [Name Redacted] Movie. There are movies that our marketing team will say, “Oh, I don’t know that movie is tough; I don’t know if we will find an audience” because not that it would be a bad movie but maybe it’s too tough to market because you’re not sure if you should market something as an action movie or a romantic comedy if it has both elements. So I think that’s part of where if you look at other movies in the industry if you have a confusing marketing message but an amazing movie, you often have a failed box office movie.” - Interviewee C1

While Interviewee C2 outlined various recipes used to flesh out projects and the underlying themes behind them, Interviewee C8 illustrated how projects can be acquired and appraised.

“It could be a range of things. Is it a book that has a huge following that may not be a known IP but you feel like ‘this has the potential to be like a summer blockbuster, or like summer read kind of thing like [name redacted]’ or is it a compelling story? Does it have a compelling character that people will respond too? Or is it like unfinished and may not be all completely flushed out but the director you want to work with or producer you want to work with – there’s really not a set plan.” -Interviewee C8

Interviewee C7 reiterated the use of feeling and gut instinct within the production/development teams.

“The development team probably less so works with any sort of formula, I think for them it’s more based on taste and gut feeling. I think when it’s kicked up to like you know [name redacted] group, because they run the financials they run the numbers and they look at comparisons at similar movies that have been released in the past and how they have performed. Because that’s all you can really look at is what kind of audience is this movie going to call the attention of, I don’t know. But in that sense then yeah I think it is put into a formula and I think [name redacted] probably answered this but I think she runs through a whole excel sheet and they kind of look at the very lowest number, like what’s the worst case scenarios, what’s the best case scenario, and then usually the movie will kind of fall somewhere in the middle and when I say gut feeling and taste I’m talking about the development team. Because that’s there job is to have good taste and to have relationships with talent agencies so they can get materials. That’s their number one job and they’re getting stuff all the time, but then that’s tuff gets filtered through the other groups and through the green light process. Because you can’t make a movie on gut feeling alone right? You need some actual support because then you need to get some money, and you want a bank to roll out the checkbook because...so obviously you need some analysis and some proof that you think this film is going to do business otherwise you’re done.” -Interviewee C7

Interviewee C1 reiterated the need to understand how feeling and instinct play into decision-making. The participant emphasized the importance of dynamics and atmosphere as it relates to the pitch of the project, content, and personalities within the room.

“Somebody may pitch it or describe it and tell us a feel or what they think it’s going to look like. And then we all make our own estimates on it. At that point in time we’ll talk about the possibilities of cast, possibilities of director, and when all that could be put into play, so that the part that I would contribute is, what is the atmosphere as far as the play date is concerned—if we’re looking at a particular time on the calendar that we’re looking for the film to be released. So that’s the green-light process.” -Interviewee C1

The interviewee then went on to describe a particular movie and how the feel of the movie wasn’t resonating with audiences, so the decision was made to change it.

“But what happened with [name redacted] was that as we started the screening process, it wasn’t working on that level, so they kind of

flipped it around and made—with the voice over and adding different parts to it—they almost, I won't say made a comedy out of it, but it had a certain lilt to it, a certain feel that was a lot lighter than a zombie action movie. So, therefore, you now change your thinking, you change your marketing, and it became a picture that played out a little bit better—went on to do \$60 million dollars.” Interviewee C1

Interviewee C4 reiterated this sense or judgment for film projects for Studio C by stating:

“There certainly are certain people who are better at it than others...who, know how to go out and, you know, they, they, they do have a good sense for what the public wants, and, and by the way, it's not what the public wants right now, it's what the public wants, you know, 3 years from now when the movie's actually done.” - Interviewee C4

Interviewee C1 echoed this sentiment about judgment and sense for what the mass market wants in entertainment.

“You get a general sense of what your audience is or who your audience is if you're basing your project on a bestselling book. But again that's not always the case because we just went through it with [name redacted]—a bestselling book. Sometimes there are cases when you read a script that you say: Gee, we just really have to make this movie. And that's when your emotions take hold and, again, sometimes that's not the best case. You know, sometimes when your emotions get involved, your business head doesn't make the right decisions. So, but they're instances when we've looked at acquisitions and looked at a movie that other people have passed up, and said: Gee, you know, there's some opportunity here. And you know, you take the risk of releasing the movie and it does well.” - Interviewee C1

Interviewee C7 emphasized the business side of development and how a sense is needed to determine if the financial cost is worth the effort of production.

“In side scope it starts from the development of the film and how much investment we have in the negative cost of the film and how much money do we feel then is necessary to spend to promote and advertise the film across the country? And those are all based on

information we get as we finish the film and the market place.” - Interviewee C7

While business creatives and executives have analysts to help with the rational of judgment and decision-making, emotions can sometimes get the best of these executives as described by Interviewee C1.

“Sometimes there are cases when you read a script that you say: Gee, we just really have to make this movie. And that’s when your emotions take hold and, again, sometimes that’s not the best case. You know, sometimes when your emotions get involved, your business head doesn’t make the right decisions. So, but they’re instances when we’ve looked at acquisitions and looked at a movie that other people have passed up, and said: Gee, you know, there’s some opportunity here. And you know, you take the risk of releasing the movie and it does well.” -Interviewee C1

Interviewee C2 emphasized the process of judging material and how it can be subjectively based.

“We have a team of people here that do something called coverage. And they're the ones, so they actually read the scripts, to try to, you know, they're actually film majors, you know, they're people that, they're people that are on the more creative side. They'll actually read the scripts, and look at the scripts critically, basically, in terms of, how do you, you know, is this something that you can produce into a film? Is this something where the story is, how good is the story, how compelling are the characters, etc, and things like that. So from a creative standpoint, scripts are definitely read and analyzed. There isn't like a process, a set process, but I guess it's subjective to a certain degree. And then, of course, once these scripts get through the, basically through that first level of screening, then the top executives do read the scripts of projects that are seriously being considered here.” -Interviewee C2

Interviewee C1 went on to describe how Studio C safeguards judgments and decisions during deliberation.

“Well it is because their feeling is that we will somehow acquiesce—distribution will somehow acquiesce to economic pressures and that even the bigger movies will get released in a shorter period of time

because the financial pressure is on us to do that. So it's a real catch-22. It's not a decision that's going to be easily arrived at. But it's a pressing issue and it's something that will be addressed I think within the next two years or so just because the economics of the business are forcing that issue to the forefront. You do it by, again, not allowing one person to make that decision. You know, it's really all done by committee. It's done after—and again you can be as emotional or excited or whatever about a project as its presented and you may have a lot of people on board with you, but if the numbers don't work, it's not going to happen.” -Interviewee C1

Finally, Interviewee C5 describes the decision-making process for selecting films and approving them as decisions supported by the studio.

“Everyone probably that does what we do here does it differently from other studios but I think our approach – you have to look at everything and analyze everything – not only about your movie, but what's up in the marketplace and then its kind of, it comes down to picking your poison. And there's always going to be something that's not terrific for your movie and you're going to have to make the best decision given all of those variables. So there's always going to be those factors and there's always... there's never that 'wow, I've got thanksgiving weekend all to myself for the next six weeks and I don't have to worry about any other movie marketing' it just doesn't happen. We don't have any red tape here that we have to worry about and a lot of that has to do with – from the top up – that from our CEO, allows us to do our job and there isn't the... we're not, I guess the best way to look at it is, someone described it this way that think of a big ship – like a big huge cruise ship – just think about the time it takes for you to reverse course and change direction. Were not like that, we're more nimble. And because we are given the authority and autonomy to make decisions, that's what separates us. So if I decide to do something within the company, in our business, I can do it and I can cut through the red tape and get an answer. And I think, the big difference between just my division and what we do and our theatrical distribution division, you have about roughly 32 people that do everything, soup and nuts distribution. If you compare that to studios, we're about a third to 25% of what the studios are.” - Interviewee C5

Thus, Studio C also combines past experiences, relationships, and feeling with their judgment and ability to decide what films to create. In addition, their judgment and feeling is applied when making changes to the films throughout the process. This judgment comes from an influencing industry recipe that executives absorb and then

re-implement based on their specific needs. This emphasizes and accentuates the unique personalities that will mingle together over the process.

6.5.4 Dynamic Managerial Judgment in Studio D

In addition to Studio C, Studio D provided similar feedback on the use of instincts, gut feeling, and sensing to make decisions on new film projects by the studios.

Interviewee D2 described the use of gut feeling through decision-making.

“It really becomes a very collaborative um... enterprise but where you have people who can pick winners based on just in my gut believe it, and also the numbers make sense. That’s somebody you want on your team. There are people like Bob Bernie, a distributor, who have a knack for is it genius, is it luck, is it a combination Look I’d rather be lucky than smart. Every once in a while, the film you think isn’t going to be a performer is a huge hit and a film you thought was going to be a huge tent pole is a huge flop.” -Interviewee D2

His emphasis of being lucky instead of smart emphasizes the need to sort through large volumes of information and ultimately determine the success or failure of a film. In addition Interviewee D2, and Interviewee D3, highlighted how IP and gut instinct play into the whole process of selection.

“It’s really about the IP around the script. I think really, you know, a lot people claim that this is a disciplined process including Legendary, Alcon, Warner Brothers, everyone claims it’s a really disciplined process but at the end of the day you have a guy who’s a principle of a group of guys who are going with their gut in this business and there will be all these inputs but at the end of the day they will look at the script and say, “is this movie entertaining; is the script good,” and you know, however many claims there are about having a model that works or “I’ve nailed it because five out of six will do well with Sandra Bullock and five out of six will do well with Julia Roberts right now, there is always a movie that disrupts the model.” -Interviewee D3

The highlight of a disruption to a model or forecasting method indicates the studio is aware of the limitations using models. In addition, Interviewee D3 had the following to say about the concept of gut decisions and judgment behind those decisions.

“I think all the best guts were informed by a ton of failure and I think what they became as the least common denominator content providers who the average audience... Bruckheimer’s the same he’s the ad agency guy watching ad responses. I think a lot of these guys are über successful here have a... real high need for audience... the audience kind of venerating them and confirming um... that they are great and the way they get that high you know, uh... the way they get that high is by generating least common denominator content. So over time the more you speak failure the more you realize I was a little bit out over here a little bit out to the audience over here. It was a little bit too long; this was the wrong genre, wrong location. It’s always the same formula and you know, if he gets out then everybody knows its him taking [Name Redacted] movies which he’s a loser on and [Name Redacted] is a much better movie picker at [Name Redacted] because there is no consistency as who the individual is who champions the projects. And you know, they’ll say... the producer is really going to create a team into it and they win. Those are the movie pickers those are the guys with the informed gut across the film they kind of have all the inputs and the guys who can execute them, that’s another class.” -Interviewee D3

Interviewee D2 then stated that a sense of decision-making, through judgment of what will work and not work, is utilized by looking at the whole scope of a potential project.

“Yeah, today right now it’s a combination of being able to pre-sell it, so you have to have something that the foreign territories are going to see what makes sense from a business standpoint which is driven by cast and directors more than it is material. The material and its execution has to be based completely on can you entertain an audience. From there, then it’s execution and uh... and uh... which involves finding the money, financing the film which means you need a certain caliber of talent attached to make business sense and to watch the... give the picture uh... a high starting platform so that awareness can be achieved immediately.” -Interviewee D2

While the studios utilizes models, methods, and understanding to mitigate against unwise investments within the film industry, no method is fool proof. The

understanding of this draws the manager's and executive's dominant logic back to what they know and understand best, their gut instinct or their feelings toward a film. The next section will highlight and compare the different types of manifestation of managerial judgment across the established and challenger studios.

6.6 Comparing Dynamic Managerial Judgment Across Studios

The last and final theme represented was judgment. Judgment was seen in the form of decision-making via a culmination of instinct, feeling, sensing, and experience. Many executives throughout the established and challenging studios explained how their feeling or sense via their gut instinct helped determine what films to green-light and what talent and edits to make to the projects. Established major and minor studio executives and decision-makers from Studio A and C attribute their gut instinct and their senses to failed mistakes and learning experiences. Those experiences helped to hone in and understand what would work in the market and what would not. The challenger studio executives Studio B and D expressed the same sentiment, stating it had to do with the feel of a project and how the project might mesh with the culture of the studio.

Established studios both in the major and minor category rely more on numerical and financial screenings to support or reject their gut instincts or decisions. Challenger studios B and D utilize personal experience, relationships, and past experiences as the bulk of decision-making methods. While they do not discount numerical analysis, they try to weigh both methods with the same emphasis. Table 6.3 provides a comparison of manifestation of judgment within each studio.

Table 6.3 Comparing Dynamic Managerial Judgment Studio Manifestations

STUDIO	INTERVIEWEE	QUOTE	INFERENCE
(A)	VP of Content Management (3)	"Both sides historically have relied on a certain amount of past performance but there's also a certain amount of gut feel and that goes into this decision making process"	"Gut feeling"/ Analytics
(A)	Chief of Staff to Chairman of Studio (2)	"Going through campaigns and you just feel like a movies working – you can just feel it. There are a lot of intangibles there. Then in some movies, you can't tell and then they'll break out, you just never know. I feel like for the most part when you feel like the movie's working, there's a sense of magic there. You can feel it. Like 'oh, this movie's going to break out'."	"Gut feeling"/ Analytics
(A)	Director of Film Strategy & Operations (5)	"They go to lunch more, they get to go to sets,they get their names on the back of canvas chairs which is kind of fun and sexy. But you know, I think it's a... it's high risk, reward. But they very much are gut-driven, they are... hold on one sec... again, as I mentioned their relationships and gut is their currency."	"Gut feeling"/ Analytics
(B)	Pres. of Marketing (2)	"Because it didn't feel like [name redacted] would go to McDonalds. So we made some very strategic decisions in the marketing to make sure that the fans knew that we had the same respect for those characters as they did."	"Gut feeling"/ Relationships/ Past Experiences

(B)	COO (3)	"I think its gut instinct. It's being around the business long enough to know how it works and what's going to work and being able to be flexible enough as they begin in a pre-production to watch that market trend get with their marketing folks, have some brilliant marketing people, and be able to maybe to make some adjustments along the way, in whether that be script or content, to adjust to a particular situation that happens in a world event.	"Gut feeling"/ Relationships/ Past Experiences
(B)	Creative Executive (7)	And I've sat in a room with these guys and it's amazing because you look around and you go 'ahh it's really a gut reaction', it's really just an instinct that they have.	"Gut feeling"/ Relationships/ Past Experiences
(C)	EVP of Strategic Planning & Operations (2)	"So everyone has a good feel for the attraction, the excitement in the industry around a certain project, and whether or not it's suitable for our studio."	"Gut feeling"/ Analytics
(C)	VP of Production & Development (8)	"It could be a range of things. Is it a book that has a huge following that may not be a known IP but you feel like 'this has the potential to be like a summer blockbuster, or like summer read kind of thing like [name redacted]' or is it a compelling story? Does it have a compelling character that people will respond too?"	"Gut feeling"/ Analytics

(C)	Manager of Exhibitor Relations & Theatrical Distribution (7)	"That's their number one job and they're getting stuff all the time, but then that's tuff gets filtered through the other groups and through the green light process. Because you can't make a movie on gut feeling alone right? You need some actual support because then you need to get some money, and you want a bank to roll out the checkbook because...so obviously you need some analysis and some proof that you think this film is going to do business otherwise you're done."	"Gut feeling"/ Analytics
(D)	President (2)	"It really becomes a very collaborative um... enterprise but where you have people who can pick winners based on just in my gut believe it, and also the numbers make sense."	"Gut feeling"/ Relationships/ Past Experiences
(D)	Founder (3)	"Everyone claims it's a really disciplined process but at the end of the day you have a guy who's a principle of a group of guys who are going with their gut in this business and there will be all these inputs but at the end of the day they will look at the script and say, "is this movie entertaining; is the script good?""	"Gut feeling"/ Relationships/ Past Experiences

(D)	President (2)	"You have to have something that the foreign territories are going to see what makes sense from a business standpoint which is driven by cast and directors more than it is material. The material and its execution has to be based completely on can you entertain an audience. From there, then it's execution and uh... and uh... which involves finding the money, financing the film which means you need a certain caliber of talent attached to make business sense"	"Gut feeling"/ Relationships/ Past Experiences
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Established studios often tabulate numbers on potential projects against films that have similar plots, genres, and script make-up to provide a similar picture as to its potential performance. But as many executives stated, “No two films are alike,” each one is its own entity, meaning there is a risk of failure that is often mitigated through analysis and judgment. Within the challenging studios, less resources are available for projections and scenarios, thus executives rely more heavily on judgment than statistics. Recipes directly influence dynamic managerial capabilities because the recipe defines the resources, capabilities, and processes necessary to succeed within the industry. The executive’s relationships and networks shape their judgment. These networks and relationships provide perspective on judgment, talent, and the overall workings of the industry.

6.7 Chapter Summary

Relationships, communication, and judgment were identified as major drivers behind the factors outlined in the previous chapter on motion picture development. Managers continually highlighted the importance of social capital in the form of relationships, communication, both the benefits and drawbacks, and the use judgment when making decisions. All of these capabilities were thoroughly discussed regarding the different manifestations they assumed throughout the different studios. Table 6.4 illustrates a summary of the chapter.

Table 6.4 Summary of Chapter 6

Chapter Section	Summary
Dynamic Managerial Capabilities	Dynamic managerial capabilities are absorbed and recognized in each of the studio and manifest they based on the position of each firm relative to the industry.
Managerial Judgment	Managerial judgment is recognized as a process behind the cultivation of dynamic managerial capabilities as the action taken via "gut instinct" or "feeling" This judgment represents a definitive path chosen on a decision
Managerial Communication	Communication proved to be a critical capability recognized in the analysis due to the merging of two business disciplines (management and creative arts). Managers seeing the industry and business through the financial and business lens. Creatives see the industry as a vehicle for art. Often times there is a clash of perspectives which can hinder or contribute to the future of the firm
Relationships	Every studio outlined the importance of relationship or social capital when it comes to creating and distributing a product. Almost every interview respondent stated that all aspects of film creation is done through relationships

Relationships and the accumulated social capital amongst Studios A and D highlighted the need for material. These relationships were mainly utilized for sourcing IP to develop into feature films. Studio D had a significant emphasis on rapport/reputation, however that was due to its small position within the industry and desire to grow. Studios B and C viewed their relationships as a means for developing niche markets and collaboration on various projects. Studio B is a challenging major studio with an established niche, and due to their need for continuous intellectual property development, they rely heavily on collaboration to generate new and innovative ideas. Studio C however is still defining their niche and relies on relationships that know how to create successful projects within a specific genre.

Managerial Communication was also identified as a significant dynamic capability amongst managers within the study. Communication amongst managers was fairly common amongst all studios. Studios A, C, and D identified the major problem surrounding communication within their firms. Each studio's corporate structure is divided amongst business and creative executives. This has a detrimental effect on business due to creatives and business professional's lack of communication in each other's vocational language. Yet, Studio B was the exception to this rule due to the need for all departments to work together on creating intellectual property and understanding its purpose and place in the mass market. Thus, the need to continually feed their product line with new intellectual property with no prior footprint creates the need to justify one's vision for the film. This communication of vision and how it transpires across the firm and marketplace was heavily emphasized in the interviews.

Managerial Judgment proved to be the final capability identified amongst the interview participants. However, this capability manifested itself in a unique form known as the gut feeling, instinct, or feeling of executives as it related to projects, decisions, or strategic direction. Yet these gut instinct decisions were driven by different motives and methods. Studios A and C, which represent established firms rooted in the major and minor studio system, emphasized the use of gut instinct supported by analytics that help determine whether or not to proceed with major decisions. These analytics often encompassed the use of prior film decisions and choices based on how they performed in the box office.

Studios B and C, which are challenger studios rooted in the major and minor studio system, view managerial judgment as a need to foster relationships and justify those relationships based on personal judgment. Studios B and C thrive off of the ability to make decisions based on their instinct powered by past experience and often influenced by their relationship circles. These relationships are ultimately the groups of people that continually do business with the studios.

In keeping to the questions posed within the research project, the researcher answers the first question of the study that is, **“What are the industry recipe factors adopted by managers of incumbent and challenger firms in a rapidly evolving environment?”** by identifying those factors in the previous chapter.

In this chapter within the findings section, the researcher identified the dynamic managerial capabilities utilized in the motion picture production process, thus the capabilities necessary to make feature films. This identification process leads into answering the second question that is, **“How do industry recipes of incumbent and challenger firms interact with manager’s dynamic managerial capabilities**

in a rapidly evolving environment?” To fully answer this question, the next chapter will engage with industry recipes and dynamic capabilities literature in a discussion of theory regarding the evidence put forth from the findings. In addition, the chapter will engage the theoretical development utilizing findings and known aspects of the theory of dynamic capabilities.

CHAPTER 7: DISCUSSION

7.0 Introduction

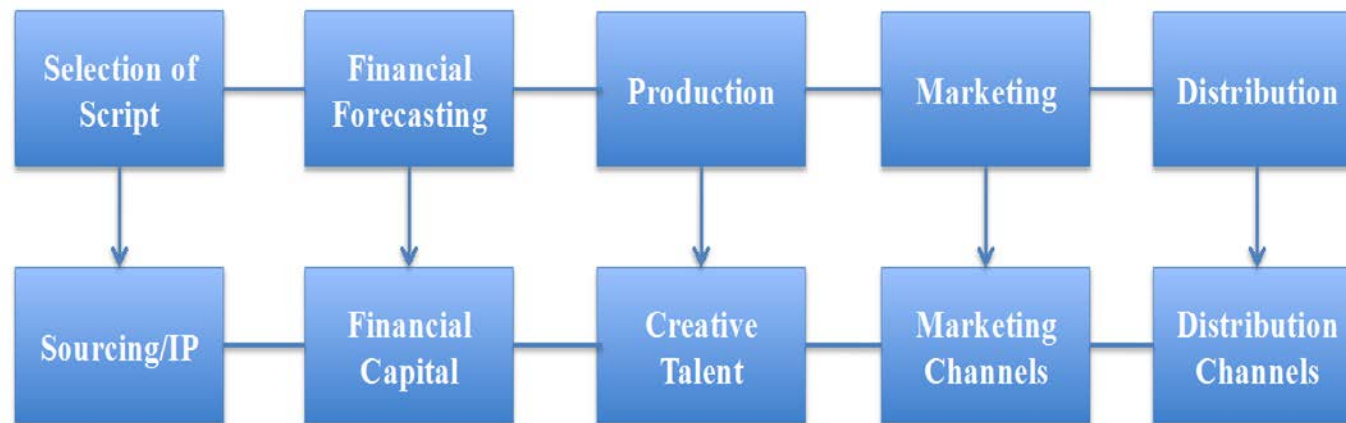
The green-lighting decision-making process within the Hollywood Film industry embodies a variety of methods. Studios large to small must decide what films to make and how to delegate resources. This particular phenomenon takes place within the green lighting phase of the film selection. Executives and managers from various departments, representing factors of the overall industry recipe, gather together to debate and discuss whether an investment into a particular film is worth the studios' time, effort, and resources. The process behind this occurrence varies based on the studio and how the research questions posed will inform and engage with theoretical understanding of the phenomenon. The previous chapters addressed the approach to these questions as well as the findings from the data. Table 7.0 outlines what will be discussed in this chapter.

Table 7.0 A Look Ahead

Chapter Section	Signaling
Industry Recipes Among Studios	Industry recipes and their formation is outlined among the incumbent and challenger studios
Dynamic Managerial Capabilities Amongst Studios	Dynamic Managerial Capabilities are outlined among the incumbent and challenger studios as it relates to the firm and industry
Dynamic Managerial Capabilities among Industry Recipes	The relationship among dynamic managerial capabilities and industry recipes is presented based on the analyzed data
Industry Recipe Influence Among Dynamic Managerial Capabilities	Illustrations of how industry recipes influence the collection, absorption, and dissemination of capabilities and processes are developed through the researchers models. In addition, linking industry recipes, dynamic managerial capabilities, dominant logics, and managerial judgment are outlined
New Framework	A new framework is presented based on the new data and information

The purpose of this research is to advance critical understanding of dynamic managerial capabilities frameworks and consider the authority of industry recipes between incumbent and challenger firms within an industry. The consideration of industry recipes assumes managerial decision-making strategies and processes fluctuate from industry to industry and from firm to firm. Adler & Helfat (2003) were the first to link managerial human and social capital with cognition, providing the foundation for dynamic managerial capabilities. The research found and extrapolated the overall industry recipe in a very general format represented in Figure 7.0 below.

Figure 7.0 Overall Industry Recipe Factors



Cited: Author

These factors will be discussed in further detail as they pertain to the dynamics between incumbent and challenger firms. In addition, the author provides further understanding of how cognition influences the manifestation of managerial and social capital as, “the knowledge gained from prior work experience that forms part of the cognitive base for managerial decisions” (Adler & Helfat, 2003: 1022), recognizing an unremitting course between the three capabilities as an anticipated mechanism for capability interface.

The discussion will highlight industry recipes and their relationship to dynamic managerial capabilities, identify new dynamic managerial capabilities involved in the managerial decision-making process, and outline a process by which industry recipes, dynamic managerial capabilities, and a manager’s dominant logic are all intertwined when confronting decision-making paradigms.

7.1 Industry Recipes Among Incumbent Studios

The incumbent studios in this study represent leaders within the major and minor studio category. Their systems of regarding recipe creation and execution are similar. This similarity is due to interpretation and absorption of a recipe related strategy. Studios A and B systematically seek out and bid for intellectual property to include in a portfolio of films that represents the firm’s investment for the overall year. The motivation behind the creation of these portfolios is twofold; the first is financial profit, and the second is studio name recognition and respect within the industry. Studio A possesses a strong brand presence and affiliation within the industry, while Studio C is seeking to capitalize on opportunities to maintain its

position as an incumbent minor studio, while simultaneously seeking to dethrone the major incumbent, Studio A.

While both studios may appear to embody the same strategy toward the first critical factor of the industry recipe, they approach the process in completely different ways. Studio A and Studio C often bid on similar properties. However, due to Studio A's financial positioning within the market, they are able to leverage more resources. This limitation is due to increased capital funding, additional amenities during production, and access to major distribution networks often allow them to maintain or acquire a stronger intellectual property resource base.

Studio C provides an opportunity for the owners of the property with more creative leeway during production. Contrary to Studio A, Studio C has relationships and resources that do not interfere with the creative direction of a film project. Studio A often comes under significant pressure from internal and external relationships that seek to maximize their own positioning at the expense of the film. Studio C's strongest asset against Studio A is the creative leeway and licensing the original owners will possess by selling the property to Studio C.

Both studios heavily emphasize financial capital as a major factor in their recipe formation, yet both approach the topic in different methods. Studio A has the ability to fully finance any film they seek to develop, implying they finance and pay for production, marketing and distribution. Studio C however cannot fully finance individual projects unless they are low budget films with minimal costs. When Studio A and C directly compete for a widely known project, Studio C must involve co-financers and investors to amass enough capital. While Studio A holds the ability

to finance the property entirely, they have an option, not a necessity, to co-finance and involve outside production. Both studios will use projections of financials on projects to assess whether or not co-financing or outside investment is necessary. In addition, the financial appraisal of the property is similar. The studios use characteristics of the film and compare them to past performances of previous films possessing the same characteristics.

Studio A and C produce films in the same way, but utilize different resources. Studio A has a large lot, a wide array of employees across the globe, and major technological resources used to film, edit, and create a final feature film. Studio C does not possess the same resources or an international workforce as Studio A. They must assemble a team from the external market place to produce, edit, and develop the feature film. This team maybe one they have used before, or hire a new workforce for each film. Each project for Studio C requires a new production team. Regardless of the situation, Studio C does not retain the resources and workforce in comparison to Studio A and requires an added layer of appraisal and discretion surrounding the team that produces and works on the project.

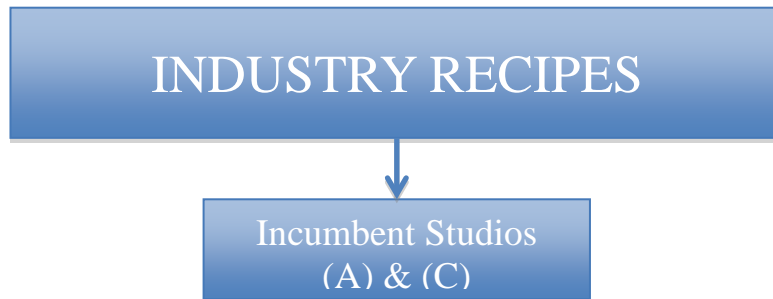
Marketing is a shared factor among incumbent studios in the major and minor classifications. Studio A enjoys an entire marketing department and global resources that merely have to be initiated to take action. The heads of the department will assess the project and extrapolate the basic demographic and geographic assets on the property. Then they will break into individual meetings to assess how to market the film and maximize the most from the demographic in terms of ticket revenues. This process will likely involve executives from the distribution department since marketing and distribution of a project are often intertwined.

While Studio A has the resources to market a project for both a domestic and international audience, Studio C is somewhat limited in resources and only able to market a project domestically. They have the capability of marketing globally if they negotiate and outsource marketing to a particular region. This is due to their limited size and scope of resources as a minor established studio. Studio A, while possessing a large marketing team, may miss nuances within their market, therefore losing the option to save significant amounts of money. Studio C must accurately carve out their market through focus groups, test screenings, surveys, and interviews of target markets to ensure they are on message and assessing the right audience.

Studios A and C share similar recipe formations for distribution however, Studio A has a slight upper edge regarding how they structure the release of their films. Studio A negotiates with theater contacts, the distribution of their films as a package slate every year. The head of distribution will outline the slate for the upcoming year and discuss a ticket profit split percentage based on each individual film. Studio A will have an ideal profit margin target in mind for the package and utilize the number as a negotiation tool. Studio C however does not negotiate their films as a package deal. Their resources limit them to discussing and negotiating each individual film with the theaters. The distribution team is required to engage with the theaters every time they plan to release a film into theaters, whereas Studio A has a long-standing relationship with the theaters allowing them to negotiate the packaged slate each year. The internal relationship between the studio and the theaters is one of contention due to laws put in place regarding the efficacy of how films may be released into the market (VP of Finance Studio A)

Incumbents and their successful use of recipes within the overall industry are contingent upon their position and overall goals. Figure 7.1 outlines the flow of industry recipes among incumbent studios.

Figure 7.1 Industry Recipes Among Incumbent Studios



- Relationships and networks to obtain high profile intellectual properties from varied sources to maintain leader position
- Relationships and managerial skills to create financial partners, scenarios, and co-financing deals to raise capital
- Relationships and skill sets to assemble creative teams to produce global blockbusters
- Managerial competence and relationships to create and execute marketing and distribution campaigns. Relationships to negotiate distribution campaign and rollout

Studio A seeks to control the resources necessary to execute the recipe. Controlling the resources allows Studio A to maximize control of the process and maintain their position as an industry leader. Studio C desires to simultaneously be viewed as an incumbent minor studio while challenging the status quo of the major challenger and incumbent studios such as Studio A. Studio C seeks to maximize their resources within the industry recipe through building coalitions and increasing brand awareness and presence within the industry.

The method used in Studio C balances the fine line of conforming to the recipe while simultaneously challenging the status quo. This is a reflection of their corporate structure and employee makeup.

Studio C releases films similarly to Studio A however, they have limited options and relationships regarding their distribution and marketing techniques. Consequently, Studio A has long-standing agreements with marketing and distribution channels and workforce, which require a great amount of overhead. This large footprint limits ability to adapt or experiment with ways of altering or modifying the recipe. A studio such as Studio C is freer to experiment with new techniques, processes, technology and other aspects of disrupting and modifying the recipe. Therefore, Studio A maximizes the historical recipe prescribed by the industry, using their resources to control the industry while Studio C seeks to maintain their position as incumbent leader of minor studios and simultaneously challenge the major studio's position with new and innovative ways of creating and delivering product.

7.2 Industry Recipes Among Challenger Studios

The Challenger studios within this study represent rising studios seeking to disrupt the current industry leaders and incumbents of their position within the industry. The study includes two challenger firms from the major and minor studio classification. Those studios are Studio B of the major studio category and Studio D of the minor studio category. Studio B has a niche focusing on animated films and all intellectual property and film projects are created in-house. Studio D focuses on a niche market concerning message based films, or films having a particular theme embodied within the script.

Regarding the acquisition or creation of intellectual property, Studio B has significant amounts of pressure to perform and create a project via the multifaceted property including a product line promoting the film. Studio B creates intellectual property. Through this process, Studio B must develop film characters, settings, and a story backdrop, both compelling and appealing to children as well as adults. This involves the full support and effort of the creative development teams to construct ideas and concepts in front of executives. This is accomplished before investing into the development of the stories. Once the characters are established, discussions surrounding how various streams of revenues can be developed are undertaken. These streams can be, but are not limited to video games, plush toys, toys, rollercoaster rides, and theme-based products, clothes and other items. This business stream provides Studio B with an opportunity to further develop resources and challenge Studio A for the particular post of major studio incumbent.

In contrast, Studio D seeks out projects to purchase within the overall marketplace. Studio D will utilize contacts, information, and relationships to learn about projects

in development as well as stories throughout the world determining if rights may be purchased and a film script developed. This process utilized by Studio D is less complicated in terms of workload and resources than Studio B, because Studio D does not require graphic designers and employees skilled in animation and art. Rather, Studio D requires writers and negotiators to secure the film rights to the intellectual property and create the script.

Financing is a delicate situation for both studios. Both Studios B and D have limited financial capital on hand, so investments must be well thought out and discussed before significant portions of capital are invested. Studio B must invest a large amount of financial capital into the development of films. This involves assigning dollars to salaries of employees who design and develop the characters and story line, ultimately propelling the property from a movie to a franchise.

Studio D must use characteristics of the potential project such as genre, rating, setting, age group, themes, and demographic breakdown when assessing what investment is necessary to garner a particular return on investment. Studio B's risk in financial development is greater than Studio D, because once the studio has committed to the project, they are agreeing to financing a four to seven year project. To mitigate the risk of financial loss, Studio B will reach out to co-financers, backers and angel investors to capitalize a project in exchange for a portion of the revenue.

This takes a significant amount of pressure off the Studio and provides an opportunity to develop new relationships for capital resources. Likewise, Studio D will seek out co-financing opportunities in exchange for deleveraging financial risk.

However, the main variance between Studio B and Studio D is, Studio D's projects will have an estimated life expectancy of 1.5-2 years, whereas Studio B's are three times that length. This ties up capital for a longer period of time and forces Studio B to justify the investment made from all parties.

Production is very different for both studios. Studio B produces films by creating the movie through digital animation and computer graphics. This particular process is extremely time consuming. When Studio B creates characters for the movie, sets are designed for each scene and each character's movement programmed through the computer. This requires creative development an extraordinary amount of skill from the primary workforce of Studio B. Employees must possess specialized skill sets in graphic and computer design. Studio D creates films through the traditional method of assembling a team together to film scenes within various sets and with a designated team. In addition, it also hires teams to do post production, including editing, sound, and visual imaging enhancement. Studio B's production relies heavily on managerial skill sets, while Studio D's production relies heavily on relationships and the assembling of a team together who will successfully function and create a film.

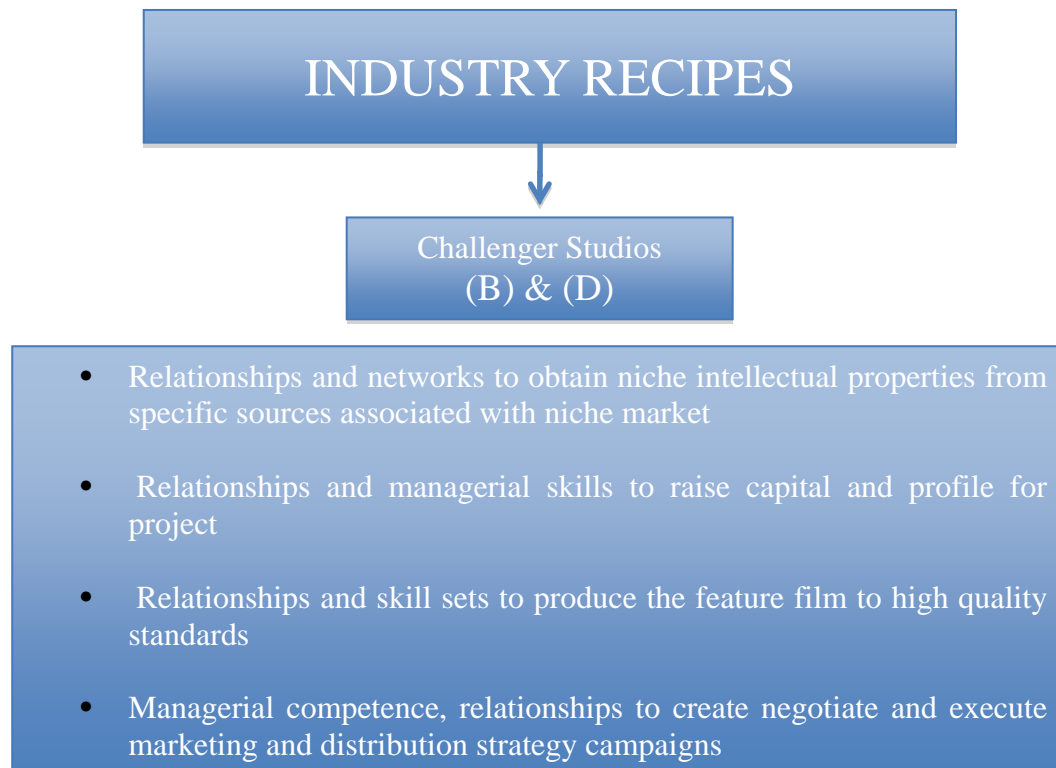
The recipe for Studio B's marketing campaign of a feature film project is a massive build up toward driving individuals to the theater. As a studio, the desired outcome is for the audience to become tied to the franchise that will keep them coming back for future films. This requires, advertisements on talk shows, interviews, video games, traditional marketing via billboards, and all other promotional methods. This is a coordinated campaign that can take one to two years to be fully realized. Relationships from Studio B will outsource the marketing from the firm and

coordinate the campaign through the studio. Studio D however, uses a coordinated marketing release in conjunction with the distribution branch of the studio in select theaters across the country. If the film has an international appeal they will also market the project overseas. The recipe behind this involves hiring a team to strategically target various cities where the demographic market for the film resides and utilize traditional marketing techniques to drive people to the box office. Limited capital within the studio, limits the ability to market a film.

The distribution recipes of Studio B and D have similarities and differences. Both studios are based on the need to find an appropriate time of year to release the film. The other shared similarity is that executives will debate on what strategy to adopt, meaning should it be a wide or limited release? The type of strategy will ultimately determine the type of audience and long-term goals the studio seeks to achieve. Studio B almost always utilizes a wide release strategy meaning it opens up in the maximum possible number of theaters on opening day to recoup the cost of the film. Studio D most often utilizes a limited release strategy using the processes of pinpointing specific audiences to which the studio caters. This allows them to recoup costs, but also targets a particular segment of the population. Studio D also has limited financial resources so it must be specific to the market it wishes to target. Studio B has a much higher capacity and reserve of cash that allows it to maximize the footprint it seeks to achieve.

Challengers within the overall industry recipe seek to strengthen their position while destabilizing incumbents and disrupting the industry recipe to favor their resources and capabilities. Figure 7.2 outlines the industry recipes among challenger studios.

Figure 7.2 Industry Recipes Among Challenger Studios



The challenger studios have more synergy and enjoy an entrepreneurial climate within their culture due to the need to innovate and develop ways to destabilize industry incumbents. Studios such as Studio B have accumulated a number of resources, reputation, and capabilities and are known as a tour-de-force in the industry. The studio is still seen as lacking the stability necessary to solidify a place as an established player. This is due in part to the reliance on marketing and distribution channels and resources not part of the resource portfolio. Studio B relies greatly on other studios' established distribution and marketing channels. This reliance takes away from their independence and ability to become a solely established firm leader in the Hollywood film industry. Likewise, Studio D has very little resources within the firm's portfolio. Employees make up the major asset of the studio and their reliance on piecing together all portions of the overall industry recipe through adaptation, illustrating reliance and the need of outside resources. This reliance, in addition to distributing two to four films a year, identifies this studio as a challenging minor studio.

While the recipes of incumbent and challenger studios are distinct within each studio, they all follow a broadly adapted recipe. This recipe is applied throughout the entire industry as outlined above. Through the interviews and analysis of the data, it was recognized that the decision of managers among incumbent and challenger studios accepted the current recipe. In addition, the acceptance of the recipe illustrated a relationship between firm's capability orchestration and the studio's recipes. These recipes then transcended into the development of a manager's dynamic capabilities.

7.3 Dynamic Managerial Capabilities Among Incumbent & Challenger

Studios

The industry recipe of the Hollywood film industry was established for the overall industry and for the incumbent and challenger studios. The leadership and managers based their dynamic capabilities from the roles and responsibilities they played within their individual firms. While a manager's dynamic capabilities may not solely be developed in a work environment, the work environment is where they were most often focused. Managers whose lifeblood is tied to an industry tends to focus on performing well within the work place to continually provide for themselves and their families. Their performance is often justification of their salary. This justification requires managers to utilize and acquire all the resources to outperform the competitors in other firms.

Incumbent studio managers utilize the industry recipe factors to develop dynamic managerial capabilities. For example, incumbent studios rely heavily on accessing intellectual property from various industries and markets as stated previously. But studios such as Studio A and Studio C must develop strong relationships and networks with creative agencies, writers, publishers, and authors.

These relationships, if cultivated properly, will provide access to properties not accessible in the open market. Several interviewees spoke of the blacklist of scripts. This list represents a compilation of scripts from the most respected writers in the industry, slated to acquire for optioning and development by studios. Writers who control the list and scripts on the list have close relationships and ties with all studios, but in particular are well connected with Studio A and C. These

relationships can define the financial successes or failures of a studio primarily due to the properties imparted to the studios each year.

Relationships within challenger studios extend not just beyond the studio, but also within the firm. Strong working relationships outside of the studio are equally important as they are within the studio. If challenger studios do not cultivate and foster relationships pertaining to their films, it will be increasingly difficult to get distribution rights. In addition, studios B and D must negotiate and use soft power to secure the marketing and distribution resources necessary to make their film successful. Within both studios B and D, working relationships across all areas of the business are necessary to succeed. Studios B and D require strong relationships with experts in the graphic design and development communities. The lack of resources under their corporate umbrella makes them more reliant on external relationships to accomplish the goal of creating a motion picture product than Studios A and C. Simply put, these relationships of incumbent and challenger firms represent the social capital component of dynamic managerial capabilities.

The next component of dynamic managerial capabilities involves the human capital, which is defined as a manager's "skills and knowledge repertoire, which are shaped by education personal and professional experiences" (Kor & Mesko 2013: 234). Managers throughout the incumbent and challenger studios spent their entire professional lives in the industry. Many started out as interns in the industry and rose through the ranks within the respective studios. The skill sets, customs, and business practice/culture were all developed at a young age and instilled into the managers. These practices act as a dominant logic, or the logic by which the managers and the firms conduct business.

For incumbent studios, recipes have a particular process followed by managers and outlined in the previous chapter. Their skill sets include the ability to source projects, create project ideas, coordinate co-financing and financing schemes for film projects, bringing teams together to film the project, coordinate a national/international marketing campaign, and negotiate distribution strategies and fees. These skill sets are both hard and soft power talents involving personal relationships, legitimacy of industry knowledge, and reputation/rapport.

As incumbent and challenger films appraised potential movies, cognition played a significant role in the outcomes of decisions. This involves the belief models and patterns executives utilized to make decisions. From the various interviews conducted, executives at incumbent studios expressed their desire to maintain status quo as industry leaders within the respective fields. Their decision-making pattern involved one of off-loading risk and minimizing uncertainty so they could maximize revenue and profit. However, Studio C adopted a more liberal process of moving into a major category slot while still maintaining a dominant presence as an incumbent minor studio. Incumbents took a reserved and cautious approach to their potential film projects, while challengers were seen as taking an aggressive direction of risk to maximize impact and exposure within the industry. This is in part to increase brand awareness and reputation, which eventually attracted new relationships and resources to the firm.

The structure of incumbent and challenger studios is comprised of two distinct types of people. The first are the creatives. The creatives are responsible for all of the content and design of the movie. This involves the costumes, setting, writing, development and shooting. The other segment within the incumbent and challenger

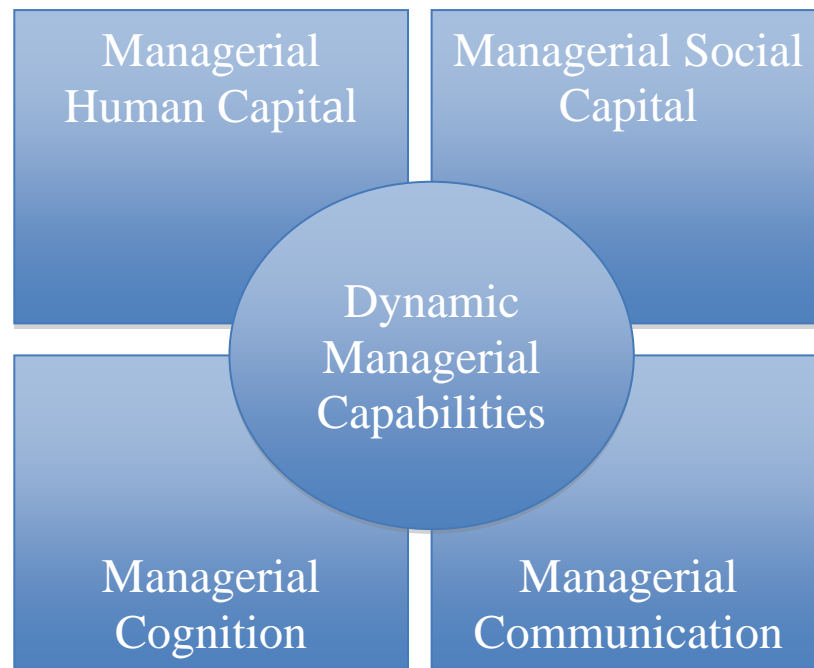
studios is the business executives. They are responsible for managing the budget and arranging the financing to create, market, and distribute the films. All studios sampled in this study highlighted the divide between the two professions within the halls of the studio. It did not matter whether they were major blockbuster studios or small up-and-coming independents; the divide was an ever-present situation. This divide in professions caused tension among creatives and business executives, particularly in challenger studios. Challenger studios sought to maximize their position as well as profits within the industry and this translated into taking risk. Business executives in the incumbent studios translated risks as a negative connotation due to the need to preserve and grow financial capital.

Creatives viewed risk as major currency to their business that often paid dividends in the long run. Thus, within the challenger studios there was a clash of communication between the professions, specifically in the green-lighting process debate on future film projects. During the process within both types of studios, long heated discussions took place regarding how the creatives needed to execute the vision. The main roadblock both sides encountered was the cost of execution. This is where the business managers pushed back and tried to discover methods of cutting corners and saving money on the cost of production, marketing, and distribution. Discussions took place regarding the validity of the creative resources versus the need to stay on budget. Both professional languages are distinctly unique to their purpose. Creatives sought to build and push boundaries, while business executives pursued maximization of profits while staying on budget. These two distinct visions clashed because neither manager knew how to speak the other's language. For this reason, the study realized that managerial communication was a significant dynamic

capability necessary for managers to orchestrate, build, and allocate resources.

Figure 7.3 outlines the structural framework of past and new capabilities.

Figure 7.3 Evolved Framework of Dynamic Managerial Capabilities



Citation: Author

The next section will highlight how industry recipes influence dynamic managerial capabilities and interact through the decision-making process of managers within the green-lighting process.

7.4 Industry Recipes and the Relationship Amongst Dynamic Managerial Capabilities

The recipes for the incumbent and challenger studios are detailed and intrinsically based on their size and scope within the industry. Their ability to perform in a hyper-established market is dependent upon the managers' and leaders' abilities to

gather, orchestrate, and coordinate resources within the marketplace to achieve firm specific goals. The action of resource coordination, in response to an industry recipe, can be recognized within the minds of managers. The organization amongst incumbent studios is well established and takes significant amount of debate to alter. These managerial recipes represent the established processes set by an organization to create a product (Bingham & Eisenhardt 2011). Incumbent and challenger studios emphasized a way of doing business outlined in the general recipe and seen through the analysis. The CEO of Studio B described in the interview how the high-level recipe for movie-making is relatively the same, but the products are all uniquely different. The contrast drawn involved the brand Coca-Cola and the consistency of product, but different methods for sales, and market extrapolation. Film production is not the same. Each movie is a project whose ultimate goal is to close the project. If the movie disrupts the recipe, the movie will disrupt the industry. The example used throughout interviews involved Disney's relationship with Steve Jobs and contract to do the first full-featured animated film.

The last 80 years proved an established recipe for the animated feature film market. Studios such as Disney hired artists to create the ideas, develop characters through artistry, drawing, and creative methods. The team created cells for the story and ultimately pieced the animation together. The major resource upon which Disney relied was the artistic skills of the creative employees. These skills were developed at art schools throughout the California region. However, when Steve Jobs proposed changing the recipe of animated feature films from art cells of two-dimension scope to computer animated stories using graphic design technology, Disney was hesitant. The hesitation came from the upfront investment into a new technological recipe if the film was unable to catch the attention of the consumer. Disney took the chance,

and ultimately changed the taste and expectations within the consumer market from two-dimensional animated films to three-dimensional computer graphic films. This caused a ripple effect throughout the industry with regards to animated films. Studios specializing in animated films suddenly saw their products becoming irrelevant within the established market.

Studio B saw their products becoming irrelevant due to the shift in consumer expectations and disrupted the animated film recipe. The CEO and other executives pointed out that one of the major franchise films was set to release in the traditional method. The studio invested millions of dollars and the project took a total of four years to complete. Noticing the need to change the film, even though it was far along in production, the CEO stopped the project and invested another three years of time, resources, and energy to transform the film into a 3-D animated series. This shift required the studio to hire computer animated employees skilled in the latest software and technological design, bringing the project from a cell-animated to computer animated project.

Studio B as a challenger studio responded to the shift in recipe and ultimately saved the project and studio. Disney, which can be classified as an incumbent, but not a part of this study, led the disruption of changing the recipe for animated feature films. This disruption and response changed the recipe for both incumbent and challenger firms, and sent the studios scrambling to create a new recipe of animated feature films the consumer market would purchase. Similarly, the Internet has disrupted the distribution factors of the entire entertainment industry. Prior to the proliferation of the Internet and web platforms in the 2000's, the distribution recipe included securing intellectual property. Distribution protected the property from

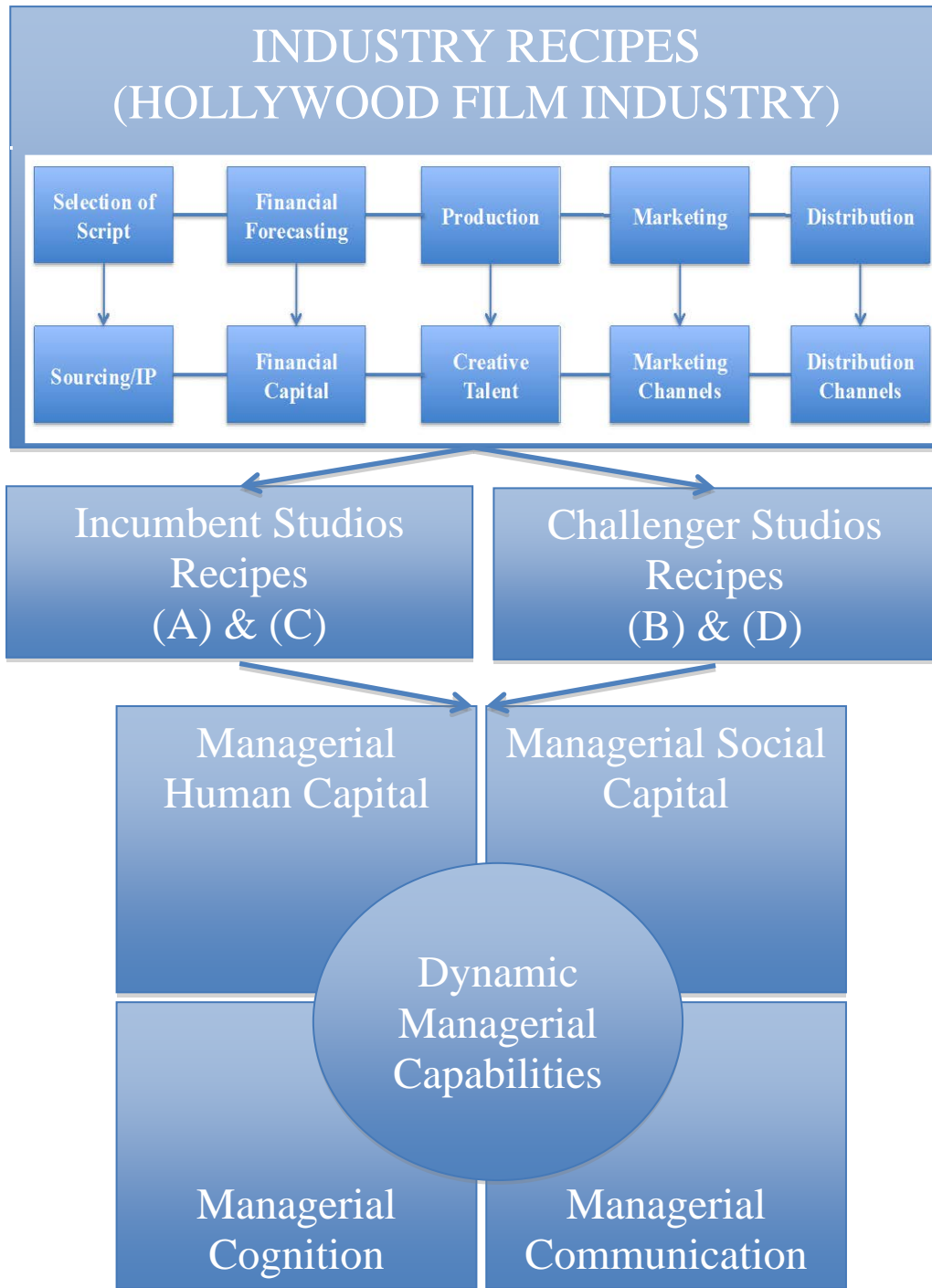
widespread piracy and distribution. Studios both incumbent and challenger, relied on the revenue and exposure of their films within the theaters and on television. VHS and DVD's put the property into the hands of the consumer, and while piracy was an issue, it did not directly threaten corporate profits and revenues. When the technological phenomenon arose, other platforms of entertainment distribution became available along with new methods of digitizing and storing entertainment. This platform and delivery of products to the consumer disrupted the recipe of the motion picture entertainment industry. The industry is still adapting and discovering the definition that will stabilize the new recipe. This situation along with the construction and validity of the Hollywood film industry recipe presents a significant insight to the theory of Industry Recipes and Dynamic Managerial Capabilities.

The examples illustrated above show how managers are present in both incumbent and challenger firms gather, orchestrate, and construct resources. These actions are based on a need to create and deliver products and services to a market in continuous fluctuation through the use of dynamic managerial capabilities. Dynamic managerial capabilities are defined as “the key mechanism to achieve congruence between the firm’s competencies and changing environmental conditions” (Kor & Mesko 2013; Adner & Helfat 2003; Sirmon & Hitt 2009). As previously defined in the literature, dynamic managerial capabilities

Evidence from findings illustrates that industry recipes influence a manager’s dynamic capabilities, but the influence is manifest differently among incumbent and challenger studios. In addition, each factor recipe is utilized differently among a manager’s dynamic capabilities. Figure 7.4 illustrates the relationship between

industry recipes outlined in the previous section via the studios and dynamic managerial capabilities. This relationship illustrates the broad conjoining among the recipe, the studios, and the dynamic managerial capabilities. In addition, it illustrates the influence of the recipe among the studios and how the recipes are integrated among a manager's dynamic capabilities.

Figure 7.4 Relationship Between Industry Recipes and Dynamic Managerial Capabilities



Citation: Author

Moreover, Figure 7D illustrates the general industry factors and outlines how those generalities are amalgamated to fit each studio. Figure 7A in the previous section outlined the recipes and how they are acclimated based on the relative industry position. Figure 7A and 7B transposes those recipes as incumbent studio recipes and challenger studio recipes and illustrates how the recipes influence the orchestration and gathering of dynamic managerial capabilities.

Each factor is manifest differently based on the need and vision of the studio. This illustration depicts the drive for resources to create a product for a specified industry as the primary goal of managers and executives, securing the intellectual property through relationships and past experiences. Raising financing capital is accomplished by using relationships and managerial skill sets and creative thinking to calculate numbers and financial models. Production teams are assembled through relationships, scenario setup, skill sets, and access to networks. Executives assemble marketing campaigns alongside distribution teams who work in conjunction with each other.

7.5 Managerial Judgment's Amongst Dynamic Managerial Capabilities

Managerial judgment represents the actions imparted by managers and the firm regarding choices made from a selection of capabilities and factors for feature film development. Managerial judgment is the point in which a manager utilizes all available dynamic managerial capabilities, resources, and assets to assess a scenario and makes a decision. The decision is a reflection of the processes utilized by the manager and a conclusion formed from the process. The dominant logic both on the managerial and firm level is a consequence of that judgment concerning the course

of action. Thus, managerial judgment's relation to "Dynamic managerial capabilities differ from ad hoc problem-solving behaviors in that they contain elements of patterned and practiced behaviors that must be repeated to be sustained," thus affirming the role of managerial and firm dominant logic patterns (Martin 2011: 122; Winter 2003). An assortment of factors could affect an individual and firm's judgment. These judgment decisions can affect the result of a firm's performance and the future positioning within the industry. For example, incumbent studios have established relationships that provide access to materials, production teams, and distribution resources.

Studio A and Studio C negotiate deals on acquisition of top tier material before other competitors. The need for material is often the source of relationships across various firms in the industry. These relationships have been legitimized through Studio A and C because of the ability to produce and create motion pictures drawing viewers into theaters. Incumbent studios have established relationships, skill sets, and competencies that drive viewers to seats. This represents the judgment model of incumbent studios indicative of accepting a recipe within the industry and maintaining the resources necessary to execute on it. Studios B and D have yet to solidify and capitalize on their relationships to secure the resources and become an established incumbent studio. This is due in part to the lock on resources, networks, and distribution processes controlled by incumbent firms.

Challenger firms seek to disrupt the recipe through innovation of distribution and project development and unbind resources, which evolve into the recipe. This is accomplished through strategic partnerships introduced through new assets that incumbent firms are too cautious to test. The judgment call for incumbent studios is

usually to maintain the status quo as a market leader through the securing of high-profile intellectual property. Challengers seek judgment calls that disrupt the recipe and attract high profile intellectual properties.

The studios all rely on what they define as intuition, instinct, or feeling along with other sources of data to formulate decisions. However, those feelings or instincts when enacted represent a manager's judgment is a culmination of all dynamic managerial capabilities processing amongst one another. The intuition and judgment calls are the output of recipes and manager's dynamic capabilities. When the evaluation procedure for film projects is complete, managers pass judgment. This judgment represents a strategic decision in action after assessing all potential courses of action and outcomes. The judgment is cataloged into a manager's dominant logic where managers, "conceptualize the business and make critical resource allocation decisions" that are, "inevitably and intimately bound up with particular contexts of activity and experience" (Spender, 1989: 187).

The behaviors and categorizations are then processed through the firm and circulated back to the decision-making process causing constant renewal and evaluation of the decision-making process. While the process may undergo ubiquitous renewal, its purpose serves to satisfy the recipe represented in the industry context. For example, executives at Studio A and Studio C recognize risk taking as a strategic decision that could destabilize the financial security of the film studio. For Studio C to emerge as a major challenger studio, it will eventually need to take greater financial risk through managerial judgment and secure a place as a major studio. Thus, judgment is an output and result of dynamic managerial capability culmination and represents a manager's intention.

Incumbent and challenger studios rely on networks of information traffic to maneuver through the industry and secure intellectual property, resources, and supplies. Incumbent studios have close relationships that establish the networks of information. Challenger studios seek ways to penetrate those networks and increase their reputation and rapport within established networks while trying to build their own. This involves information flow. The response to the lack of information and effects of bounded rationality is, “the other part of thinking [which] is creative, the application of human judgment in response to uncertainty judgment, creates facts from uncertain data” (Spender, 1989; 172).

Incumbent studios have more resources and leeway to assess uncertainty whereas challenger studios do not have the luxury nor the position to meddle in the high traffic of information and uncertainty. Thus, challenger studios must be intentional in direction, which was evident in Studio B and Studio D. Managerial intention represented as judgment amongst a company, can “exhibit strategic intent when it relentlessly pursues an ambitious strategic objective and concentrates its competitive actions and energies on achieving that objective” (Ahenkora 2012: 25).

The pursuits of these objectives are embodied within the dynamic managerial capabilities employed by the manager and representative of the firm. Studios A and C take their cues from executive management and enact the vision imparted to them through the assembling and coordination of resources. Studio B and D are required to be intentional with every single film, dollar, and person with which they interact. Studio B’s resources are tied up in digital animated films that require high up-front costs and an average of seven years of work before any profit or revenue is realized.

Studio D lives on a film-to-film basis where each film is their bread & butter and their intentionality with regard to its success is vital to their own success.

Incumbent and Challenger studios use a “combination [of] managerial human capital, managerial social capital, and managerial cognition [to] shape the resource and capability base of the corporation through the action of dynamic managerial capabilities” (Adner & Helfat 2003: 1022). Incumbents do this through accessing scripts and coordinating relationships to produce high quality films. Challenger studios do this through developing niche markets within the industry and creating a reputation for niche market films.

The findings section revealed that relationships in the form of social capital were employed to secure intellectual properties of film projects and generate and produce feature films. Social capital is also used to acquire creative talent and financing deals. Incumbents use their history, long-standing reputation, and vast array of networks and resources to leverage themselves into long-standing relationships that provide top tier products. These relationships search for individuals who have mastered their managerial capabilities within specified divisions of the industry. Incumbents attract seasoned veterans whose work has spanned across various segments of the industry. Challenger studios attract up-and-coming talent seeking to develop a niche then parlay that into a career throughout the industry. Thus, it shows that managers’ human capital and social capital are inputs amongst managerial judgment because the information and knowledge managers gain through various relationships can be crucial in building and renewing their human capital” (Coleman, 1988; Kor & Mesko, 2013).

The building and renewal of human capital is a key source and part of the dynamic managerial capabilities framework. The interviews from each film project act as an individual entity and distinctive product, utilizing innovative amalgamation of managerial social and human capital, in essence altering the construction of capabilities to adjust amongst a given atmosphere, thus prompting adoption of Beck & Wiersema (2013) model of the managerial decision-making process. In addition, the restriction of the three characterized capabilities offered a limited scope of what dynamic managerial capabilities are represented and how they are realized. Due to bounded rationality, managers may not have complete data or understanding about forthcoming events, substitutes, and consequences. Managerial value systems also, “affect the preferential ordering of alternatives and consequences” (Adler & Helfat, 2003; Cyert & March, 1963).

7.6 Industry Recipe and Dynamic Managerial Capabilities Influence On The Managerial Decision-Making Process

The variety of multiple thoughts, scenarios, and directions are that of managers and executives. These varied approaches of thinking “promotes sharing of different ideas, insights, and viewpoints” (Kor & Mesko, 2013: 239) which, “open and maintain a channel of communication that feeds critical information to the CEO embellishing his or her dynamic managerial capabilities” (Kor & Mesko, 2013: 239).

In this study, studio executives from incumbent firms rely on large networks of communication to learn about option rights to intellectual properties of high profile projects. These information flows provide executives at incumbent studios with a

significant advantage to prepare and coordinate the necessary relationships to secure the property before it is released to the open market.

Respondents illustrated that professional languages play a significant role in how information is disseminated and translated within a firm. Respondents cited that within the motion picture industry, the firm is split into two major areas, the creative side, and the business side. A commonly held definition of managerial communication states “the downward, horizontal, or upward exchange of information and transmission of meaning through informal or formal channels that enables managers to achieve their goals” (Bell & Martin 2008; 130). All parties including creatives translating information for business employees and business employees translating for creative employees where value, understanding, concept, and challenges are explicitly discussed must understand this communication flow.

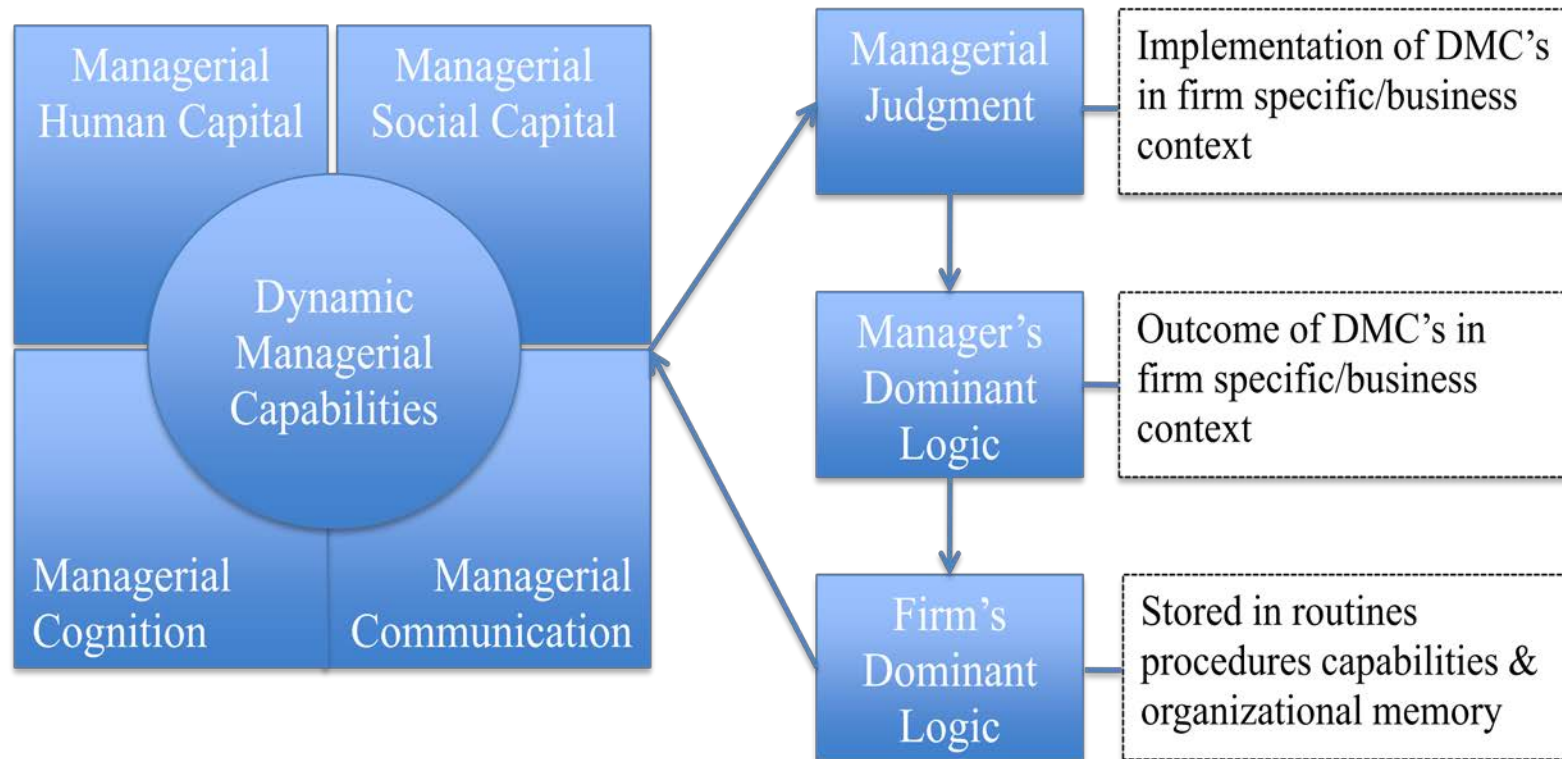
While a vision may help with communicative issues, “it is not only obligatory for an organization to have a realistic vision, but it must be communicated effectively to all employees for purposes of achieving growth and profitability” (Ahmed, Shields, White, Wilbert 2010). Participants highlighted the lack of clear and cohesive communication between the needs, desires, and resources necessary to achieve the given vision with their products, managerial communication regarding how managerial human, social and cognitive capital were orchestrated and imparted relied on how managers communicated the firm need.

Dynamic managerial communication can be defined as the communal tacit knowledge and effective communication of that knowledge in a given industry (Hynes 2008). The operational use of dynamic managerial communication in

conjunction with managerial social and human capital, are the capabilities by which managers and executives utilize managerial cognition and eventually cast judgment on a firm's predicament or decision that must be determined. All of these factors, decisions, and mental processes are encompassed under a particular industry umbrella. This industry umbrella has generated a particular process of doing business known as a set recipe by which a firm and its competitors hold fast so they can generate their products and services within a given marketplace. Thus, the knowledge gained acts as a static resource until that information is imparted through various forms of communication. This communicative ability is a resource that is capable of managerial manifestation through the understanding of various processes and recipes where, "managerial cognition and information processing shape the acquisition of new human capital via experiential search and learning" (Adler & Helfat, 2003: 1022).

To connect the analysis this research outlines to this point, Figure 7.5 provides an outline of how the managerial decision-making process connects to: dominant logics (both the managerial and firm logics), managerial judgment, and managerial communication and other dynamic managerial capabilities are all interconnected. This figure is an evolved version of the framework presented by Kor & Mesko (2013). Their framework illustrates the influence of dynamic managerial capabilities on managerial and firm dominant logic. The illustration shows a patterned flow of how all of these elements are intertwined based on excerpts and analyzed data from the four case studies.

Figure 7.5 Proposed Managerial Decision-Making Cycle



Citation: Author

The Managerial Decision-Making Cycle is an illustrated process of the decision-making cycle of managers represented from the study. Studio executives from incumbent and challenger firms utilize this managerial decision-making process when considering whether or not to green light a feature film. The capabilities collide in a variety of scenarios with a certain set of information and thus, a judgment by the manager is made and implemented. Upon executing that judgment, and understanding the consequences of the judgment, a manager's dominant logic assesses the outcome of the decision. This outcome and process is set and thus informs and affects firm dominant logic. Once firm dominant logic is set, the recipes are then transferred to the dynamic managerial capabilities and repeated. This in turn, transfers back to the decision-making process causing renewal and retooling based on the aftereffects of a manager's judgment. In addition, "differences in individual job demands are also likely to affect executive behaviors and decisions independently of executive cognitions, values, and perceptions" (Hambrick et al. 2005; Martin 2011). The key is that the individual jobs demand movement and change encompassed within a particular market represented as an industry and based on the data from the respondents, the industry encompassed by the products and services it creates, thus the industry plays a vital role in dynamic managerial composition and development.

Establishing the recipe necessitates a better understanding of how that recipe impacts managerial decision-making. The decision-making utilized by the cases demonstrates a "search and selection process to sense opportunities ahead of their competitors and thus to acquire the requisite resources to successfully pursue these opportunities" through the creation and distribution of motion pictures (Beck & Wiersema, 2013: 10). The factors necessary in the recipe, outlined in the previous

section under incumbent and challenger studios, emphasized that product creation has a bearing on the process flow for managerial decision-making. Incumbent firms utilized relationships and information networks to access high profile intellectual property. Challenger firms utilized relationships and managerial skill sets to create niche-based property within the industry to build and develop brand reputation and rapport. Among both incumbent and challenger studios within the managerial decision-making process, a script must first be selected, followed by a financial appraisal representing the estimated costs and returns the firm hopes to achieve with the film.

Upon completion of this forecast, management decides to accept or reject the project. If the project is rejected, they move onto another and repeat the process, but if the project is accepted, questions on production, marketing, and a distribution begin to emerge surrounding the product creation and release strategy. Incumbent studios utilize the first three factors through in-house resource appraisals. The studios have significant resources and leverage to conduct the necessary due diligence and arrange the right relationships to execute the project.

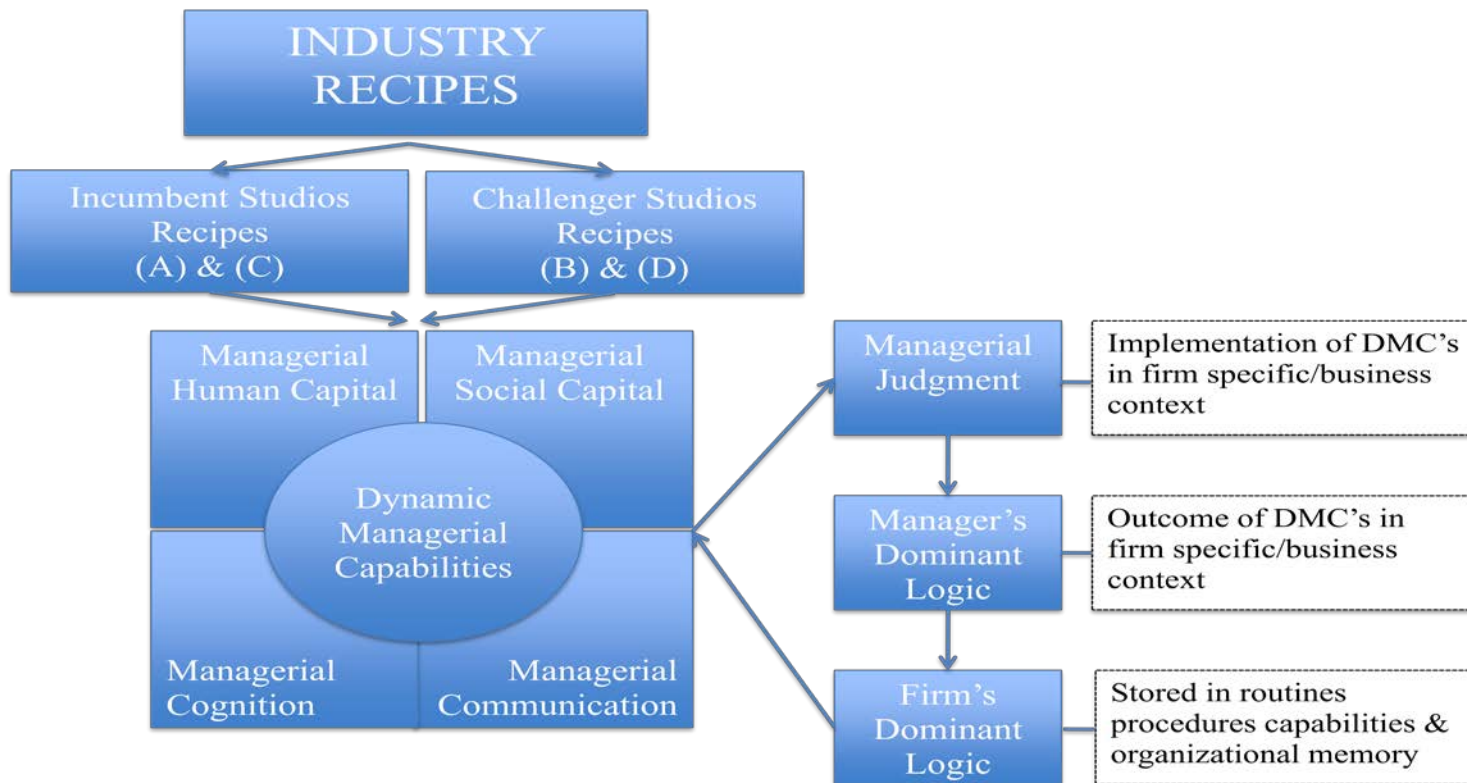
Challenger studios have to take each recipe factor one step at a time due to the need to coordinate and arrange relationships based on the specific niche they select in the industry. However, it is the underlying capabilities that drive the managerial decision-making process known as dynamic managerial capabilities (Martin 2011). It is the decision-making process that ultimately generates the necessary capabilities to execute on product/service production because, “dynamic capabilities thus enable an organization to maintain evolutionary fitness (Teece 2007, p. 1321) with

changing technologies, product-market demands, and competitive realities” (Eisenhardt & Martin 2000, Helfat et al. 2007a).

7.7 Industry Recipe Influence on the Managerial Decision-Making Process and Dynamic Managerial Capabilities

When a film project is selected, it is vetted through the industry recipe factors. Once the project meets recipe criteria, it is appropriately examined through the managerial-decision making process, drawing upon dynamic managerial capabilities. Thus, the revised and completed framework representative of firms and their managers in a given industry such as the Hollywood film industry is represented in Figure 7.6. Given the influence of industry recipes upon dynamic managerial capabilities, the emergence of managerial communication, and the use of managerial judgment, it was necessary to evolve the previous framework.

Figure 7.6 Industry Recipe Influence on Dynamic Managerial Capabilities & Dominant Logics



Cited: Author

In the framework presented in Figure 7.6, dynamic managerial capabilities are characterized as an output of firm specific industry recipes. This industry context is practical for the recipes and the managerial decision-making process, influencing the procedures of dynamic managerial capabilities as the decision-making process is developed. Social capital is a sought after base and is necessary from the context of the industry. In addition, managerial human capital is applied to the industry managers, employing a manager's ability to access resources through relationships and connections' found amongst members in and out of the industry (Kor & Mesko, 2013: 234). These two capabilities are often intertwined (Beck & Wiersema 2013).

Within the Hollywood film industry, the unification between personal relationships and business contacts is a frequent occurrence. The capability required to unify relationships and business acumen involves managerial communication. Communicating the needs of a firm, the values it can engender, and vision in the wake of the product, are capabilities that can build new relationships, provide new resources, and develop an assortment of associations. In addition, the case studies exemplify that communication can both facilitate and hamper project development due to the lack of ability to communicate desires to individuals who express a different professional language.

The personal beliefs and gesticulation of an individual and firm reflect a cognitive process of capabilities known as managerial cognition. While the benefits of dynamic managerial capabilities are known, a deficit of relationships, business insight, or inability to communicate can create a long list of problems for the firm. In this study, communication is a dynamic managerial capability. Dynamic managerial communication can be defined as the communal tacit knowledge and

effective communication of that knowledge in a given industry. The operation of dynamic managerial communication in conjunction with managerial social and human capital, are the capabilities in which managers and executives retain managerial cognition and ultimately radiate judgment on a firm's predicament for which a decision must follow. All of these assets, factors, decisions, and mental processes are encompassed under a demanding industry umbrella with a set recipe by which a firm and its competitors adhere, leading to the manufacturing of products and services within a given marketplace.

Relationships are distinguished as the currency of success within the Hollywood film industry. Every studio that occupies space within this industry, both major and minor, relies on relationships to generate and distribute feature films. However this relationship is born from the predictability to accomplish the common goal of creating and distributing film projects. The relationships, or social capital is galvanized by a need or desire to gather resources and capabilities to begin or conclude a part of the industry recipe. Social capital is derived from a rationale and that rationale is usually an innate need to gratify a portion of an industry recipe. In addition, managerial communication is a theme essential to fulfill recipe requirements. Both major and minor studios are alienated between two professional lines, creative executives and business executives.

Members on both sides develop and use their own professional languages. To carry out an industry recipe, collections of individuals from a studio fuse and join a feature film through the incorporation of the two professional languages. On the other hand, when individuals from both sides unite, they run the risk of a poor working relationship, unable to understand each other's professional language. This

carries an innate risk of miscommunication concerning one of the recipe constructs, which could affect the outcome of the finished product.

The major studios within the case studies encompass an advantage concerning the completing of the managerial process. Due to the major studio's sizeable supply and aptitude to bundle resources, the decision-making procedure is significantly prepared and straightforward. This is represented within the major studios through easy access and first-looks option rights to scripts and financial capital, the ability to access A-list inventive talent, and access to marketing and distribution networks. Minor studios include a more difficult time concerning the decision-making procedure due to the lack of structural resources and an obligation to acquire all parts of the recipe through unconventional channels. This creates a slower process. The development represents, "a snapshot of a stage in a dynamic process—a process with both a history and a future characterized by change" placing importance on the dynamic process of decision-making (Beck & Wiersema, 2013: 8). Thus, the momentum and rapidity by which the decision-making process is pursued and executed varies based on size and scope of a studio. While the recipe of the motion picture industry is portrayed and linked to the managerial decision-making process, three major themes, relationships, communication, and judgment emerged from the process.

7.8 Theoretical Model Differentiation

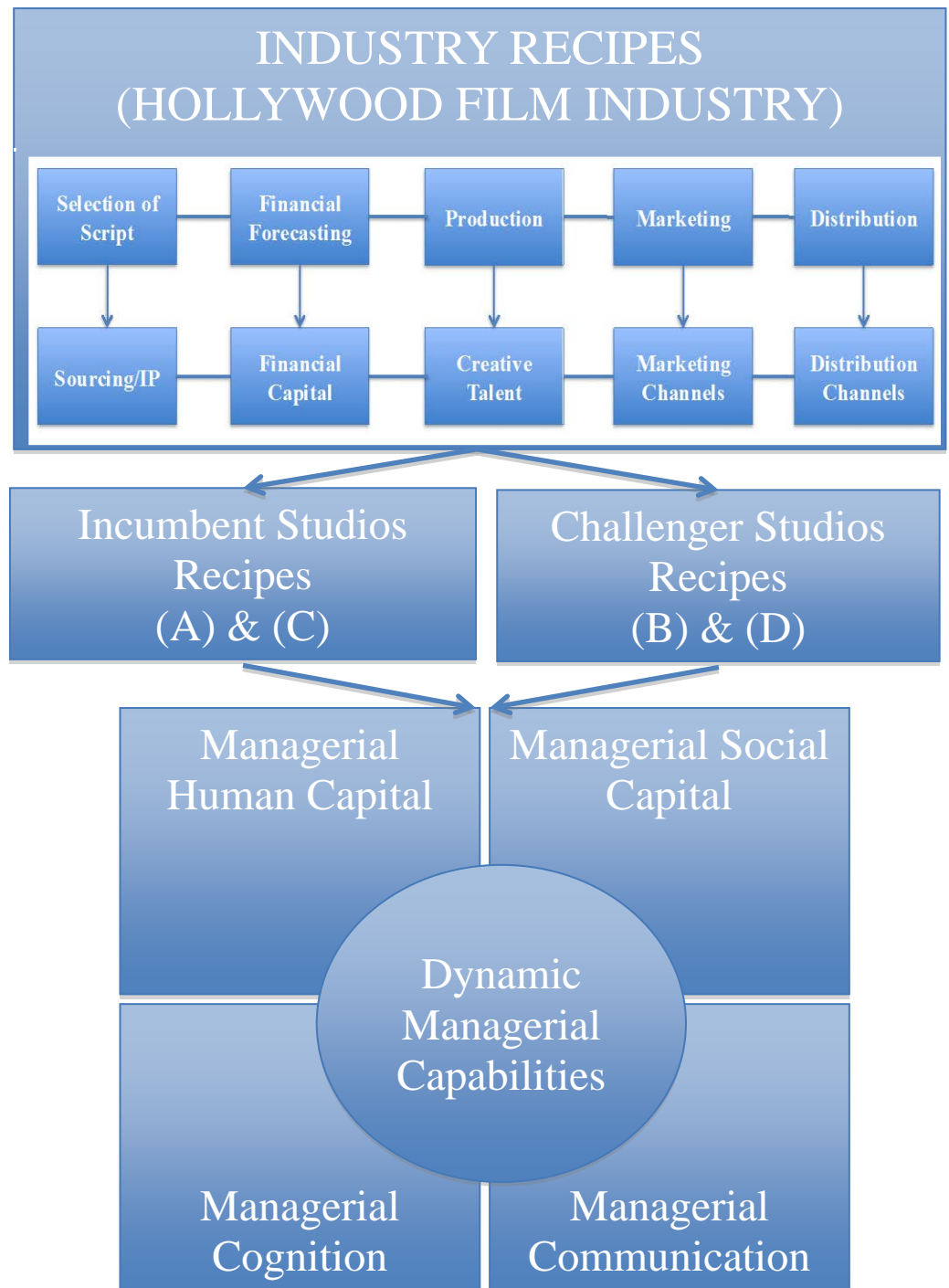
Within the Literature review the author presented two major models on dynamic managerial capabilities that were at the forefront of strategic management literature. Table 7.1 outlines the two theories along with the similarities and differences.

Table 7.1 Comparing Past Theoretical Frameworks

Author(s)	Theory	Similarities	Differences
Kor & Mesko 2013	Dynamic Managerial Capabilities and Dominant Logics	-Each theory views dynamic managerial capabilities as influencers to Decision-making	-Firm Performance Focuses on the influence of dynamic managerial capabilities on dominant logics
Beck & Wiersema	Strategic Decision Making & Firm Performance	-Both theories represent dynamic managerial capabilities as inputs to their respective framework	-Illustrates how DMC effects Decision-making and resource allocation

The main point between these two frameworks is that both sets of authors and theories represent Dynamic Managerial Capabilities as the “Key” to the solution and problem of mismatched dominant logic and failed strategic performance due to improper resource allocation. Originally, the researcher believed that dynamic managerial capabilities influenced decision-making, however analysis of data illustrated that dynamic managerial capabilities are an output of a greater industry recipe at work, rather than just an input to dominant logics and decision-making. Figure 7.7 illustrates this point.

Figure 7.7 Relationship Between Industry Recipes and Dynamic Managerial Capabilities



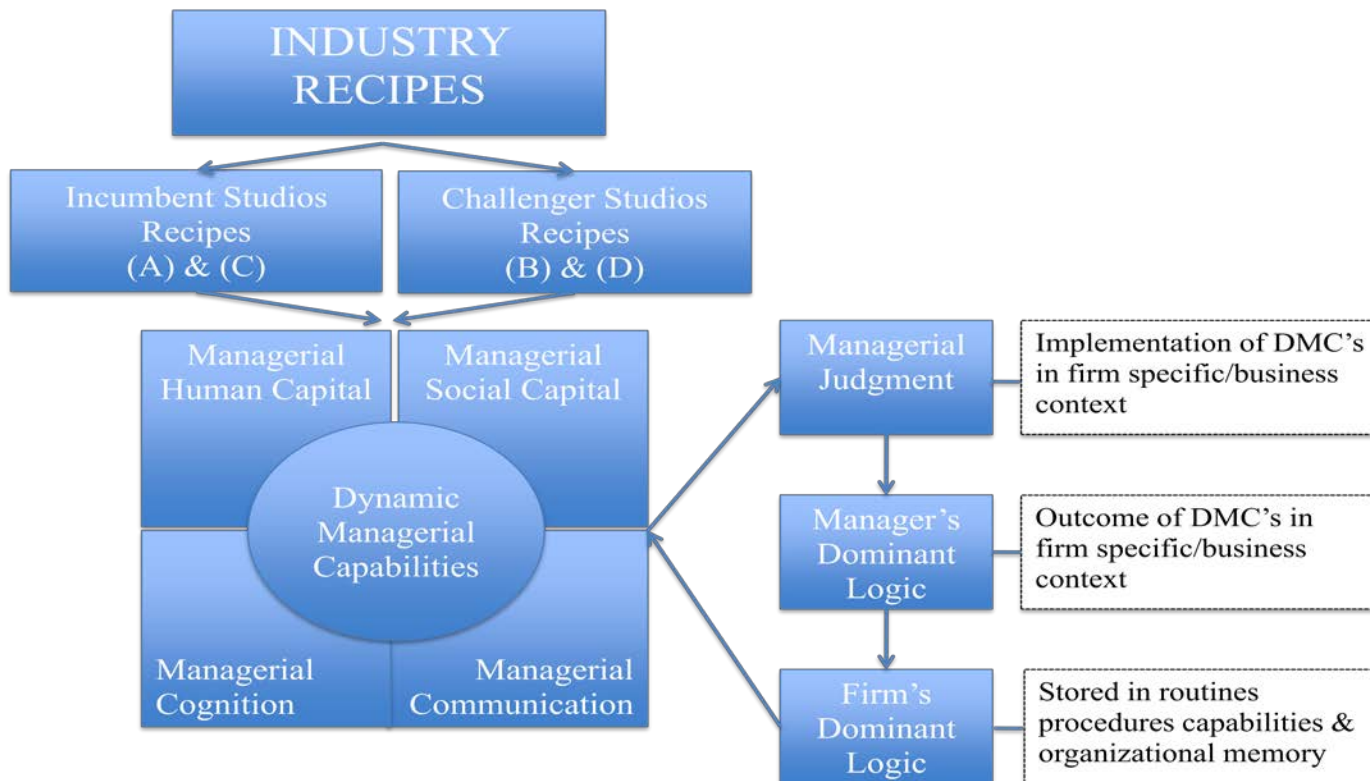
Citation: Author

The figure illustrates that the industry-wide recipe influences the absorptive capacity and understanding of how dynamic managerial capabilities are applied. Thus, the

dynamic managerial capabilities are applied within the context of the industry recipe.

Upon recognizing this particular structure, the researcher reverted back to the previous literature to understand how this phenomenon would interact with prior research represented. In this study, dominant logic and decision-making were indeed outputs of dynamic managerial capabilities, however these outputs were done within the context of an industry recipe and that recipe has significant influence over a firm's dynamic managerial capabilities. In addition, the researcher recognized the need to include managerial judgment within the context of the framework due to deliberation and cognizant understanding of how a decision could affect the industry. This meant the researcher had to include a separate area reserved for a manager's judgment. Figure 7.8 illustrates the newly discovered relationship between dynamic managerial capabilities, managerial judgment, managerial dominant logic, and the feedback loop that is created.

Figure 7.8 Industry Recipe Influence on Dynamic Managerial Capabilities and Dominant Logics



Citation: Author

This figure illustrates how the recipe of an industry is absorbed within a firm relative to industry position. The absorption then is adapted to help orchestrate, acquire, and deploy dynamic managerial capabilities based on the needs represented from the recipe. The dynamic managerial capabilities are then deployed through the form of managerial judgment. This judgment and the after effect of a decision is processed within the manager and firm's dominant logic and then adds back into the loop of dynamic managerial capability formation. This model captures the whole process and cycle that firms undertake within an industry.

7.9 Chapter Summary

The chapter provides an overview of how this research project further evolves the understanding of industry recipes, dynamic managerial capabilities, and dominant logics. The summary of the chapter is represented in Table 7.2.

Table 7.2 provides a brief summary of the chapter

Chapter Section	Summary
Industry Recipes Among Studios	Industry recipes is an influencer on dynamic managerial capabilities and the strategic decision-making process
Dynamic Managerial Capabilities Amongst Studios	Dynamic managerial capabilities acquisition is a result of how the industry recipes are absorbed and processed through incumbent and challenger firms. Each studio has a unique embodiment of these capabilities and utilizes their corporate and firm structures to exploit dynamic capabilities to best their competition and create products that are relevant within the marketplace
Dynamic Managerial Capabilities among Industry Recipes	Dynamic Managerial Capabilities is an output instead of an input amongst firms. Thus Dynamic Managerial Capabilities are determined by the structure and absorption of industry recipes.
Industry Recipe Influence Among Dynamic Managerial Capabilities	Industry recipes influences dynamic managerial capabilities. These capabilities ultimately feed into dominant logics and managerial judgment and route back to reassessing how dynamic managerial capabilities are structured. They are constantly being compared and assessed through the eyes of the industry recipes
New Framework	Several new frameworks were outlined and introduced related to the research and data findings. The new framework illustrates industry recipes influence on dynamic managerial capabilities. In addition it also outlines a process of decision-making reflected after dynamic managerial capabilities are engaged. Managers use dynamic managerial capabilities to make a judgment. That judgment will then render a result, which is processed through the manager's dominant logics and then the firm's. After this process, the decision-making method is revisited with the next film.

Dynamic managerial capabilities are denoted as a production or output from industry recipes and the managerial decision-making process surrounding a given industry context. This industry context is implemented amongst the recipes and the managerial decision-making process, influencing the actions of dynamic managerial capabilities as the decision-making procedure is utilized. Social capital is sought based on a need delivered from the circumstances of the industry. In addition, managerial human capital is applied to the industry managers inhabit, employing a “manager’s ability to access resources through relationships and connections” found within the industry (Kor & Mesko, 2013: 234). These two capabilities are often intertwined. Within the Hollywood film industry, the unification between relationships and business savvy is a common occurrence. The capability necessary to unify relationships and business acumen entails managerial communication.

Communicating the requirements of a firm, the value it can generate, and vision in the wake of the product, is a capability that can create innovative relationships, access to new resources, and develop a variety of networks. In addition, the case studies within the research study illustrate that communication can equally assist and encumber project development through the incapability to communicate needs of individuals who speak a different professional language. Additionally, the personal processing of thoughts and mannerisms of an individual and the firm, mirror the cognitive process of capabilities known as managerial cognition. While the remuneration of dynamic managerial capabilities is recognizable, a lack of relationships, business acumen, or inability to communicate can generate a variety of problems for the firm. When the evaluation process for film projects is complete, managers impart judgment. This judgment represents a strategic decision in action after assessing all possibilities and outcomes. The judgment is logged into a

manager's dominant logic where managers, "conceptualize the business and make critical resource allocation decisions" that are, "inevitably and intimately bound up with particular contexts of activity and experience" (Spender, 1989: 187). Those activities are then developed through the firm and circulate back to the decision-making method causing recurrent renewal and appraisal of the decision-making process. While the process may undergo continual renewal, its purpose serves to satisfy the recipe represented in the industry context. The next section will highlight concluding remarks, contributions to theory, future implications, and limitations.

CHAPTER 8: CONCLUSION

8.0 Introduction

This research project was prompted by the desire to understand and decipher the interaction between dynamic managerial capabilities and industry recipes. This interaction involves a firm and firm's managers dynamic managerial capabilities within a given industry context. Literature surrounding a manager's decision-making capabilities, dynamic capabilities, and dominant logics were discussed. Given this extensive review, the researcher outlined an opportunity for further understanding on how dynamic capabilities interact with industry recipes within the context of managerial decision-making amongst the Hollywood industry studios. Thus, the researcher sought to further the study of dynamic managerial capabilities by asking: **“What are the industry recipe factors adopted by managers of incumbent and challenger firms in a rapidly evolving environment?”** and trying to understand **“How do industry recipes of incumbent and challenger firms interact with manager's dynamic managerial capabilities in a rapidly evolving environment?”** The context of these questions involves the green lighting process for feature films in incumbent and challenger major and minor studios. **The green lighting process is the decision-making process managers use to decided what movies to make and why.**

The methods regarding the approach to this study were outlined in the methodology chapter. The researcher sought to inductively seek the answers to the questions through a comparative case study utilizing semi-structured interviews. Various case-based methods were researched, however a multi-case base research study encompassed with semi-structured interviews of managers involved in the decision-making process provided the best option and course for this research. Additionally, the choice of a multi-case study utilizing semi-structured interviews provided an

opportunity to build theory. The sourcing of data was comprised of two established studios and two challenging studios situated in the Hollywood industry. The researcher utilized personal contacts and industry insiders to gain the trust and develop rapport with individuals from each Hollywood studio to conduct the semi-structured interviews.

A total of 30 semi-structured interviews were conducted amongst the four studios. In addition, secondary sources were utilized such as internal memos, documents, and templates necessary for a greater context and supporting information surrounding the decision-making process of film selection known as the green-lighting process.

After merging the data, the researcher was able to format and structure the raw data and initiate a detailed coding regarding each response to the interview questions imparted through the inductive pattern coding processes. This process included the creation of upper-level and lower-level categories that uncovered the industry recipe factors and a third-level analysis to discover the driving themes amongst the interviewees.

8.1 Theoretical Findings

The researcher found that the managerial decision-making process for film selection involves dynamic managerial capabilities, industry recipes, and firm/managerial dominant logic.

The new dynamic capability that was revealed from the data is known as managerial communication. Managerial communication was highlighted through the justification to approve or disapproval of a feature film project. The debate of a film takes place in two professional mediums: (1) the business medium (2) the creative medium. The business medium views a film as a business while the creative medium views a film as an art. Reconciling these two mediums with one another requires strategic managerial communication. This communication requires proper understanding and interpretation of visions.

In addition, managerial judgment was represented as a bridge between the dynamic managerial capabilities amalgamation and managerial/firm dominant logics. Managerial Judgment was recognized when the manager or executive came to a conclusion surrounding whether or not to produce a film. This conclusion was a result of dynamic managerial capability blending and is represented as a judgment. Once the judgment is made to produce or not produce the film, other capabilities are utilized to assemble the movie. If the film is not produced, capabilities are utilized to search for new intellectual properties.

Finally, industry recipes act as a significant influencer on the decision-making process and dynamic managerial capabilities revealing that dynamic managerial capabilities are an output of industry recipes rather than an input, which had been previously established. This process is ultimately what produces a manager's requirement for dynamic capabilities. This means that a manager will seek out the dynamic capabilities to satisfy the industry recipe to produce the given product or service.

Equally important, the study divulges that dynamic managerial capabilities are shaped by their operational context. Regarding this research study, dynamic managerial capabilities are valued based on how effective they are regarding the orchestration of the recipe. When these capabilities are blended, a judgment is reached by the manager/executive. This is recognized as a managerial judgment that renders a decision with consequences. If those consequences provide positive results, dynamic capability blending and processing may be replicated. If the consequences of the judgment fail, blending and capability orchestration will be refined and optimized. The result of a judgment will influence how dominant logics are utilized and processed within the firm. Firm and managerial logics replenish and feedback into the dynamic managerial capabilities constructs, continually restocking the dynamic managerial capabilities practice, shaping dynamic managerial capabilities.

8.2 Contributions to Theory

This study expands the theoretical framework of Kor & Mesko's relevance in understanding the, "co-evolution of dynamic managerial capabilities and the firm's dominant logic" (Kor & Mesko, 2013: 241). The first contribution surrounding this research involves the direct influence of industry recipes upon the managerial decision-making practice and the employment of a manager's dynamic capabilities. These recipes regarding the creation of a product or service influence dynamic capabilities because it, "includes well-known organizational and strategic processes like alliancing and product development whose strategic value lies in their ability to manipulate resources into value-creating strategies" (Eisenhardt & Martin 2000: 1118). It outlines that industry recipes among incumbent firms are assembled to

maintain the status quo or their position as an industry leader. Recipes within the challenger firms are assembled to form a niche within the industry to gain reputation and credibility along with purpose to disrupt the status quo of the incumbents. The result is dynamic managerial capabilities acting as an outcome of a manager's decision-making instead of an input as previously summarized in prior literature (Ireland et al., 2003; O'Reilly & Tushman, 2008; Helfat et al., 2009).

The recipes act as a guide or instructional set for creating the product or service. While practitioners focus on gathering materials, resources, and capabilities to have a dominant recipe, practitioners should seek out ways to evolve the recipe rather than master it. Incumbent firms that seek recipe stabilization and leadership dominance run the risk of turning into a firm that maintains rather than innovates and those that fail to innovate will fail to be relevant.

Secondly, managerial communication was identified as a dynamic managerial capability. When merged with other dynamic managerial capabilities, it creates a strategic decision-making atmosphere where other dynamic capabilities are interacting with one another. Managerial communication illustrates a significant finding for both incumbent and challenger firms. Recognition of this illustrates that communication as it relates to creating products and services can have a bearing on the outcome of that good. If the parties involved do not understand the communication, problems may result with the product or service. Regarding the study, communication between the creative and business professionals within the studio are embodied in two different elements. Creatives seek to create the product, while business professionals seek to maintain the firm who employs them. Dissension among those who create a vision and how to market that vision may

result in the wrong target market being accessed and thus result in low sales. Communication and translation of goals, intentions, and purposes will safeguard against assumptions and the potential of damaging sales. The resulting creative production of dynamic managerial capabilities (represented in this process) is a managerial judgment.

The third and final contribution delineates that managerial judgment is an input to firm and managerial dominant logics as well as an output of dynamic managerial capabilities. The input causes the appraisal of managerial judgment through the logics framework to assess and appraise how decisions are made in a given industry. It also acts as an output of dynamic managerial capabilities, which encompasses the results of a manager's dynamic capability processing. This result emphasizes, "dynamic capabilities, knowledge resources and learning mechanisms are related positively to each other" (Chien & Tsai 2012: 435). While the literature does reference characteristics of industry or the circumstance by which dynamic managerial capabilities are investigated, it does not provide evidence of industry recipe influence over dynamic managerial capabilities. The research within this project does provide such evidence. This contribution exemplifies the association between dynamic managerial capabilities, managerial judgment, and firm/managerial dominant logic is a continuing loop of input that is ultimately influenced by an established industry recipe.

Managerial judgment is a decision regarding a plan or idea put forth by a manager's known industry recipe and dynamic managerial capabilities. This is significant the prior model constructed by Kor & Mesko (2013) when from dynamic managerial capabilities to the outcome of dynamic managerial capabilities. How could there be

an outcome if there is no decision made by the executive or manager? Thus managerial judgment acts as the manager's action upon which dynamic managerial capabilities are enacted. This model is illustrated with assertion in a newly constructed framework that prior models from scholars (Kor & Mesko, 2013; Beck & Wiersema, 2013) combine the theory of industry recipes. As the contributions were outlined and explained regarding the respective areas, implications regarding practice will be further outlined in the next section.

8.3 Implications for Practice

The recognition of dynamic managerial capability blending and the implementation among the rest of the capabilities has significant implications. The integration of managerial decision-making process possesses a noteworthy role amongst industry recipes and the implications for the firm and overall industry. Firms are motivated by product and services, which establish them amongst a group of direct competitors comprised of an industry and the firms occupied within them. Understanding the recipe of feature film products provide a course of action behind the conception of the products and services. This conception and action is a stage of awareness to the decision-making process of managers. A more in-depth analysis may be utilized amongst a larger sample set within the industry, thus examining the forward and reverse process surrounding the green lighting methods of new film project selection. This critique and longitudinal study may reveal forthcoming areas for development and opportunities as well as discover any weaknesses or challenges in the firm's decision-making process and positioning within the industry. In addition, examination of the industry recipe structures that are utilized and viewed by managers regarding the firm through the scope of the recipe may improve cross-

department communication among the creative and business segments within the firm. This allows for a segmentation of departments to communicate with a particular factor of the recipe and lean into scrupulous expertise, while translating that knowledge across professional areas. Translation of expertise roles and their fit within the overall strategy of the firm emphasizes the role of dynamic managerial communication and can refine misunderstandings between departments.

Additionally, involving more employees regarding the accumulation of resources to produce and create a feature film may spark an entrepreneurial approach to resource and capability related problems that may hinder the success of a product. For example, by engaging all employees involved with the firm and presenting the challenges a film project may face or the firm may face as a whole, could spark the emergence of additional dynamic managerial capabilities from the individuals within the firm. This may also provide an improved process of engaging with different communicative areas of the firm and allow for better understanding amongst colleague's specialties. This understanding could lead to further ideas and cross-collaborations surrounding the evolution of products and services, thus possibly leading to an additional evolution of the recipe. This in turn would further evolve the decision-making process and ultimately the needed dynamic capabilities.

Evolution of the industry recipe can cause a shift in the decision-making process and industry desired capabilities necessary to operate. Thus, if a firm initiated such a disruption by changing a recipe, they could potentially become industry leaders if the disruption proved successful. If the disruption proved unsuccessful, they could be forced out of business altogether. Thus, taking a risk on a new technology may pay off if the market responds positively, or could back fire and put a firm out of

business if the market responds negatively. Limitations and future research avenues will be addressed in the next section.

8.4 Limitations & Future Research

The researcher recognizes using a multiple case study methods and partnered methodology. This multiple case study involves four cases within a specific context presents restrictions and some findings maybe generalized. A major issue the researcher encountered was time. Many of these interviews were scheduled three to four months in advance due to the executive's schedule. This made it difficult to coordinate and consolidate questions and understanding of the industry as time was spent seeking access at a later date. Additionally, gaining the rapport of the executives to gain access to sensitive information required time spent with direct contacts to the participants and full disclosure of intention. Regardless of these obstacles, the researcher does believe the overall message of the findings is exchangeable, that industries include a recipe concerning the formation and distribution of the firm's products and services. The recipes follow a formula comprised from an identified list of factors from a set of industry and utilized in a decision-making processes. These factors are then absorbed and developed in unique fashions based on the positions of the firms within the industry. This process then acts as an influencer to the development and deployment of certain dynamic managerial capabilities.

The output of dynamic managerial capabilities then leads to a formation of judgment surrounding actions firms should take on behalf of the creation of products and services. These products or services can be a factor to both the firm and individual

mental maps and models. These models are subsequently tested alongside the manager's decision-making capabilities, producing a circular course of information and activity.

As the representative paradigm evolves, there are additional sections that may be influenced from this particular model. This model includes the evolution of the particular industry based on the revised model. Can the combination of two or more additional industries evolve the recipes of all industries involved? In addition, in what way would dynamic managerial capabilities respond to an industry and the inherent recipe if the models have become obsolete? Further researcher involving the resource based view and knowledge based view of strategy theory could provide varied perspectives of how industry recipes are formed, created, and structured based on the factor composition of outside entities. In addition, the knowledge versus resource-based debate may find similar or more common ground through the theory of industry recipes through the advancement of dynamic managerial capabilities theory. Moreover, added investigation and inquiries surrounding the evaluation between industry recipes adjoining the decision-making process may emphasize inconsistency or similarities across a multitude of industries.

Additionally, further research is still necessary regarding how the individual capabilities interact with one another amongst a managerial decision-making paradigm within other industries. The execution of strategic change surrounded by the decision-making model may contribute to how managers blend dynamic managerial capabilities in light of industry and firm strategic change. This change can demonstrate what areas within a firm can be affected when transformation is intentional. Thus, questions posed could be: How do these managerial models and

managerial dominant logics transfer when leadership alters? Do these mental models modify along with a manager's dynamic managerial capabilities?

Another area to consider for limitations and constraints involved the method of study. Considering other methods such as financial data, interviewing a broader base of individuals, or strengthening the study to include each case study's film portfolio could lead to greater understanding of the dynamic managerial capabilities feedback loop. By including the film portfolio, researchers can observe the aftermath of decision-making through the performance of the product and learn how the performance affected the way in which dynamic managerial capabilities are assembled. Conducting focus groups on individuals within the greater studio could provide a larger scope and understanding of firm operations and their position relative to the overall industry.

This study advocates that industry recipes influence dynamic managerial capabilities. This approach exemplifies that dynamic managerial capabilities are no longer an input to the decision-making process; rather they are an output of the decision-making process and industry recipe, directly related to a manager's judgment amongst individual and firm dominant logics. This is portrayed within the environment of the Hollywood film industry, exploring four studios and the influence the industry has on firm and managerial decision-making. The managerial decision-making process further purports that dynamic managerial capabilities, managerial judgment, and dominant logics act in a circular renewal process. The industry recipe directly affects this circular renewal process and the influence the recipe exerts on managerial decision-making process. As it relates to the recipe, if the recipe is disrupted and evolves, the decision-making process will be disrupted

and evolve. Thus, the natural flow of understanding, processing, implementation and feedback can directly affect how firms structure, create, acquire or deploy dynamic managerial capabilities.

In addition, examining the data from a different theoretical lens such as neo-institutionalism would provide a formula for understanding the film industry institutions. This would allow for understanding a perspective through categorizations and the classification of boundaries within the industry. Classifying firms within an incumbent/challenger framework would classify as a neo-institutional method adoption, however another route was taken. This paper took the Verstehen approach in order to understand the phenomenon of the green-lighting process. This process provided the antiquated framework the researcher proposed. Further research could be conducted using the neo-institutional theory focusing on incumbent/challenger adoption strategy of industry recipes.

As industries form from firms that create competing products and services, recipes are created to instill a continuity of manufacturing consistent with the product. That continuity represented as industry factors, coupled with decision-making appraisal process implemented by managers, utilized dynamic managerial capabilities to assess confronted decisions. When a decision is made the manager passes judgment and the outcome of that judgment and the process utilized to make the decision undergoes scrutiny amongst an individual and firm level understanding. As managers approach the strategic direction and trajectory of the firm, a comprehensive outlook of their given industry should be held amongst upper management. Those managers and executives should also be keenly aware of the industries that indirectly interact with their given product or services due to varying

degrees of environmental turbulence and activity that might create volatility amongst the adopted industry recipe and decision-making paradigm. If any changes are necessary, those changes are implemented within the process and then exercised all over again. While this process is nowhere near complete in its understanding of industry recipes, it does provide practitioners and academics with a framework that maybe adapted per the industry managers, industry practitioners, and academics occupy.

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APPENDIX

Appendix 4 Ethical Criteria of the University of Edinburgh and Academy of Management

- The University of Edinburgh required all PhD Students to submit ethical paperwork and signatures regarding their methods of data collection. This was submitted with each end of year review to the committee that would appraise and approve the process by which PhD students conducted their study. During the first year of my PhD studies, I took a course in ethical research methods and practices. I learned about the four levels of ethical study. My research fell into a Level 2 out of four, which focused on examining individual's actions as it related to a phenomenon. More information can be found on the University of Edinburgh website.

- The Academy of Management provides an ethical guideline and framework for researchers. The ethical guide consists of three general principles known as: Responsibility, Integrity, and Respect of People's Rights & Dignity. These were the three guiding principles I followed throughout my research study. Furthermore, there are strict standards but which we must adhere to protecting the integrity of the respondents of a study. These standards and compliance was agreed upon when I became a member of the Academy of Management. More information on guidelines and specificity can be found from the following link:
http://aom.org/uploadedFiles/About_AOM/Governance/AOM_Code_of_Ethics.pdf

Appendix 4A. SPSS Analysis Screen Shot 1

The screenshot displays the SPSS Text Analysis for Surveys interface. The main window title is "Q2 What factors contribute to the success or failure of film projects UNI.tas - SPSS Text Analysis for Surveys". The menu bar includes File, Edit, Categories, View, Tools, and Help. The toolbar shows various analysis and navigation icons.

The interface is divided into several panes:

- Categories Pane (Left):** Shows a tree view of categories. Under "All Records (8)", there are sub-categories: Uncategorized (0), Communication (8), Finance (8), IP (8), Audience (8), Relationships (8), Judgment (8), Visionary/leadership (8), and Managerial Capital (8).
- Unused Extractions Pane (Bottom Left):** Lists terms extracted from the text, such as "no (7)", "not like (1)", "not dumb (1)", "jim carrey comedy (1)", "steven spielberg (1)", "george clooney (1)", "steven spielberg movie (1)", "blair witch project (1)", "jim carrey movie (1)", "seth rogan (1)", "not competitive (1)", "crazy (1)", "sad (1)", and "problem (1)".
- Main Response Pane (Center):** Displays a single response (Id: 1) with the following text:

you start out with putting together comps. So comps based on the genre, comps based on the director, comps based on the star or stars, and then there is enough data out there that you can kind of get a pretty good trend line as to how it will perform. Then you have to factor in, is it a global release? Are you just keeping domestic and selling foreign rights? Again, that comes back to genre. Comedies play well domestically - not so great overseas. So things like that, and then again, you start to factor in when will you release the movie? What potential competition is there? If you're going to release it around the holidays or in the middle of summer that impacts your marketing spent. And then it really becomes, how committed - you can make the numbers anything you want them to be, how believable are those? - and how committed is everybody it make it a film. I think the talent attached to the project is important, budget is incredibly important, potential competition - you know, if there happens be a very similar movie - another factor is if you have George Clooney starring but he's also in another movie on your release date or somebody else's release date, you've got to factor that in. How marketable the movie is, - that's always a huge thing. You try to get a four-quadrant movie - so that's males, females, young, and old- that's your four. Who's going to come see it? And factors like that. relationships are crucial but one - the challenge in the industry I think is it's very insular and hard for an outsider to break in. And so, so sometimes the relationships can be so solid that you lose your objectivity. So it's a balance there. So credibility - and you got to have some credibility too - and it's a factor but I think you have to be careful that the relationships don't cloud your objectivity. And that's probably the biggest challenge, quite frankly.
- Categories Pane (Right):** Lists the categories assigned to the response: Audience, Relationships, Managerial Capital, Finance, Visionary/leadership, Communication, IP, and Judgment.

The Windows taskbar at the bottom shows the system tray with the date and time: 10:52 AM, 11/19/2015.

Appendix 4B. SPSS Analysis Screen Shot 2

The screenshot displays the SPSS Text Analysis for Surveys interface. The main window title is "Q5 What factors contribute to the success or failure of film projects.tas - SPSS Text Analysis for Surveys". The menu bar includes File, Edit, Categories, View, Tools, and Help. The toolbar contains various icons for file operations and analysis.

The interface is divided into several panes:

- Categories Pane (Left):** Shows a hierarchical tree of categories: All Records (8), Uncategorized (0), Communication (7), Social Capital (7), Finance (7), Audience (8), Vision (8), Judgement (8), Risk (8), and Process (8).
- Unused Extractions Pane (Bottom Left):** Lists terms extracted from the responses, such as "doesn't matter (2)", "skeptical (1)", "none (1)", "not crazy (1)", "mark smoooger (1)", "adam fogulson (1)", "clint eastwood (1)", "ryan gosling (1)", "brad pit (1)", "line of progression (1)", "robotics (1)", "personality of this corporation (1)", "warner bros (1)", and "warner (1)".
- Main Table (Center):** A table with columns for Id, Response, and Categories. It shows two entries:

Id	Response	Categories
1	Again, the list of factors is long, but I would emphasize two... Quality - If the quality of the idea and of the execution is great, then the odds are good the film will succeed... Timing - Audience tastes change. There have been films that were pretty mediocre but offered something that resonated with audiences at that particular time and became hits. There have also been outstanding films that just didn't connect with audiences or were overshadowed by other releases in a crowded marketplace, so they were overlooked. However, there is good news with this latter category - home entertainment. There are many films that didn't succeed at the box office but went on to find audiences on home video and now through online distribution. For example, "The Shawshank Redemption" grossed only \$28 million at the U.S. box office but went on to be a big hit on VHS and then DVD. Similarly, films ranging from "It's a Wonderful Life" to "Newsies" were ultimately successful after initially underperforming in theaters. So, poor timing can hurt, but if the quality is there, this need not be fatal.	Audience Risk Process Finance Vision Judgement
2	I mean, I think you cant... it's really not that cut and dry. First of all, a compelling story and who's the audience. Those I think would be the key questions. But there are times that I think there are certain filmmakers that you just believe in and there are certain filmmakers that have a pretty consistent track record of picking material and selling compelling stories. And so you're probably more inclined that that filmmaker is attached to a project that you're not so clear on but you're willing to make a bet on that.	Audience Process Risk Finance Vision Judgement Communication Social Capital

The bottom status bar shows "8 Categories", "8 (100%) Responses Categorized", and the system clock "10:53 AM 11/19/2015".

Appendix 4C. Analyzing Response Questions 1

The screenshot shows the Microsoft Excel interface. The title bar reads "Universal Qual [Compatibility Mode] - Excel". The ribbon includes FILE, HOME, INSERT, PAGE LAYOUT, FORMULAS, DATA, REVIEW, and VIEW. The HOME ribbon is active, showing options for Clipboard, Font, Alignment, Number, Styles, Cells, and Editing. A notification bar at the top indicates "SUBSCRIPTION EXPIRED" and "GET THE NEW OFFICE". The spreadsheet has a single column labeled "ID" and a row of text containing a question and its responses.

ID	Text
1	What are the main factors that studios use to manage uncertainty surrounding new and unknown film projects?
2	I think, the question you start with trying to manage I mean it can be handled. Well they, yeah there were differences in views. Because some people would feel like 'yeah this is a risk worth taking' and others would say, 'I don't think the first one is. Well it depends: you have all these financial partners... studios will work as the kind of the main bank. And then they'll work with financial partners. So like for example at Sony we have Relationships. So the way that so a couple things it's really hard there is a, I think, a lower appetite for risk when it comes to the uncertainty. That's why you're seeing just this propagation of franchise/green root/projects I would say, not so I would say Yeah, I would say So the films are Yeah, you take a risk. It's risky, it's a risky business. Again, to me, it's having those three elements that are going to reduce the risk, but in the end, So there's not I think again it's a studio and then I guess at the end I would guess that every studio probably - everyone you'll talk to will have a different answer on that. Pre-existing IP can be a blessing if you have Trademark Let me sort of Well, first of all Communication it's similar as if you had some money you wanted to invest in 12 stocks. You're not going to buy 12 whale stocks. You're going to diversify in different well like you might mean distribution I mean currently I Okay, well yeah One word: Marketing. It's completely marketing. I mean, any film has - every film - has a degree of uncertainty. You don't know if this person's washed I mean broadly The short answer these studio men So quality of them Yeah, well look one of the avenues we've talked about which is staying close to franchises, sequels, known quantities which sometimes works and so

Appendix 4D. Analyzing Response Questions 2

The screenshot shows a Microsoft Excel spreadsheet with the following data:

ID	What are the factors that studios consider when deciding whether to greenlight a film project?
1	It is true that again, the list of factors is long. First of all, not before green There's a long list of financial strategies that studios employ to mitigate risk. But, in the end, it's really just about being smart. It's more, because again, you mean, first I mean, I think a lot of the studios, I don't think that it's like a rule of thumb like the budget cost if you multiply this by this to get this. It's more, because again, you know, it's kind of like well, it was well, its nepotism. From short stories with their fingers crossed, I guess... They do their research and they have people who do advance... its similar to polling in elections. Again, maybe one of the things, in this regard that's an interesting thing. Yeah, yeah. So, they, studios in this regard will try as much as possible to follow, and I'm putting this in quotation marks "tried a lot of things". We could speculate that you have to run relationships. It depends on the company, every company is organized differently. Companies now a days are more diversified and have multiple revenue streams. Honestly, that's a combination. You know, that's of course, I think at the end of the day, there's really no way you can plan for what happens. You can have your best guess, you're going to be a little bit off. I think so much. I think that's the way I think that the way it's like, it's like, Yeah, I mean I think its like, it's a little bit... Its funny, its kind of like a philosophical question, but of course studios do try to mitigate risk. You know, well I think in terms of I think its two things. So usually every studio, Yeah, well I mean the truth is, if you look at some of the sequels that come out these days they're not doing as well as I think they should be.
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