

## Budgeting as an art form:

A case study on the different roles played by budgets in Swedish film

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This paper describes a case study of Swedish feature film production. The study aims to identify existing tensions between creative and corporate logics in three different stages of feature film production - development, production and marketing – and how budgets are used to deal with these tensions. Using Caves' (2000) characteristics of creative work, *infinite variety*, *art for art's sake* and *infinite variety*, we find that tensions arise as a consequence of different activities, organizational conditions and objectives and that these tensions differ between the stages. We show that the use of budgets can both reduce and cause these tensions. The budget takes on the roles of *shepherd* and *diplomat* in the development phase, *translator* and *weaver* in the production phase, and *gatekeeper* and *Dr. Jekyll and Mr. Hyde* in the marketing phase; each role performing differently in addressing these tensions. By applying the works of Adler and Chen (2011) and Frow et al. (2010), we discuss these findings and their contribution to an increased understanding for how budgets can be used in cultural industries and uncertain environments.

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## 1 Introduction

“Budgets are accounting techniques designed to control costs through *people*. As such their impact is felt by everyone in the organization.” (Argyris, 1952, p 97)

The budget is the dominating control tool across organizations (Hansen and Van der Stede, 2003). It is one of the most common accounting processes that organizations use for implementing strategy and a central part of management control systems (Hornngren et al. 2005). The use of budgets is a pivotal practice that aid the organization in its planning, coordination, resource allocation, performance evaluation and the overall control of people (Ax et al, 2009).

“Creative people tend to rebel at efforts to manage them overly systematically.”  
(Florida, 2002, p 133)

A popular and widespread image of creativity is embodied in the arcane individual genius, who in a spontaneous and inspired spur of the moment breaks new ground in science or creates an artistic masterpiece (Bilton and Leary, 2002; Boden, 1994). This romantic illustration of the individual creative genius, irrational and free-spirited, has long been celebrated in the Western culture (Weisberg, 1993) – ranging from Archimedes running naked in the streets crying “Eureka!” to Bob Dylan hastily jotting down tunes on a stained cocktail napkin in a noisy Greenwich deli; from Isaac Newton and the apple incident to Jack Kerouac hunched over his typewriter immortalizing *On The Road* on a single 120-foot roll of paper in a creative frenzy lasting for three uninterrupted weeks. In this iconic account of the creation of art and science, there is little room for the notion of control or organizations. Yet, in the cultural economy the inherent antagonism and tensions between artistic logics – *l’art pour l’art* - and the hard realities of corporate logics have to be reconciled (Cohendet and Simon, 2007).

This paper aims to address the paradoxes of the management of creativity by studying the use of the budget in Swedish feature film production. Feature films are defined as full length films specifically made for initial distribution in movie theaters, and the concept of *feature film production* is defined as a project in which a feature film is developed, produced and released for theatrical distribution. For the purposes of this study, we distinguish between the budget use for the

development, production and marketing stages respectively. The final stage of marketing includes post-production and theatrical distribution. Distinguishing between these three stages is done as we believe that they can usefully be differentiated in regards to the following:

- i) Activities
- ii) Organizational size and structure
- iii) Objectives

Two main questions are addressed:

1. *What tensions exist between creative and corporate logics in the development, production and marketing stages in Swedish feature film productions?*
2. *How are budgets used in the development, production and marketing stages to deal with tensions between creative and corporate logics in Swedish feature film productions?*

The term *used* is chosen to reflect a more holistic approach in analyzing the role of budgets, incorporating both formal and informal aspects.

## 1.1 Contribution

Lampel et al. (2000) state that not much attention has been paid by management researchers to the cultural industries and even less focus has been devoted to the managerial and organizational issues prevalent in these industries. According to Davis and Scase (2000), the economy, and with it the nature of management, work and organization, is transforming in two significant ways: (1) In general, there is more creative work, changing and maybe even decreasing the need for management; and (2) that specific cultural and creative industries are expanding in scale and importance, where the terms creative and cultural industries are often used interchangeably in theory and policy (Pratt, 2002). Or, in the words of Marshall McLuhan: “We are swiftly moving at present from an era when business was our culture into an era when culture will be our business”. Lampel et al. (2000) conclude that the managerial dilemmas faced in these industries are therefore becoming increasingly relevant “to a broad cross section of managers across a wide range of industry contexts”. Cohendet and Simon (2007) show that a cultural economy consists of two structures: a soft structure governed by professional ethos, and a hard structure ruled by organizational and corporate logics, and that these structures often give rise to tensions. As such, DeFillippi et al. (2007) characterize the cultural economy as a “field par excellence” to study these graphically clear tensions and the antagonism between culture and commerce.

Young et al. (2009) conclude that management accounting research of the motion picture industry is in its infancy. They propose several areas for future research, among which budgeting is one of the realms that management accounting research have yet to delve into. Studies on film production to date have focused on identifying predictors of success (De Vany, 2004; Walls, 2005; Hadida, 2008; Simonton, 2009), project management and coordination (DeFillippi and Arthur, 1998; Bechky, 2006), team composition and its impact on creativity (Perretti and Negro, 2007), and organizational dimensions of creativity (Gil and Spiller, 2007). Except for a few of the quantitative studies testing for budget size as a predictor for box office performance, no studies have focused on the role of budgeting within film production or explicitly how budgets affect creativity (Davila et al., 2009). By identifying the potential tensions between the soft architecture and the hard architecture present in feature film production and how the budget is used from conception to theatrical release, we hope to advance our understanding on the role of the budget, as the dominant control tool used by organizations (Anthony and Govindarajan, 2007), as a means to reconciling tensions and antagonism in the cultural economy.

## 1.2 Outline

The first section of this paper consists of a literature review on the theoretical framework relevant for our study: cultural economics, management of cultural production, the motion picture industry, and budgeting. This section is concluded by an integrated theoretical framework which will be used to guide the analysis of the empirical data. The second chapter discusses the method used and its implications for the results of this study, followed by an account of the empirical data collected in chapter three. This section is structured into the three different stages as previously defined: development, production and marketing. The fourth chapter of the paper contains an analysis of our results, drawing on the theoretical framework developed in chapter 2, and the final chapter concludes with final remarks and suggestions for future research.

## 1.3 Delimitations

Due to the broad nature of our research questions and the limited scope of this paper, several delimitations are required. To practically answer these questions, we will only conduct a single case study on the Swedish production and distribution company *Svenske Filmindustri* (SF). The study object is the only of its kind in the Swedish film industry and therefore offers a unique opportunity to study the management of a feature film production from conception to theatrical release. The aim is to acquire a more in-depth understanding of the use of the budget in the cultural economy, rather than a detailed knowledge of the specific budgeting activities of the case

company. Another delimitation is to only study budgets used in the individual film project, meaning that we will not specifically study the use of corporate, annual or any other aggregated budgets, other than in the event of their direct impact on the individual film project.

## **2 Previous research**

This section consists of two main components: previous research within the fields of cultural economics and the motion picture industry; and in the field of budgeting with an emphasis on literature of budget control and use in uncertain environments.

### **2.1 Cultural economics**

“Business art is the step that comes after Art... Being good in business is the most fascinating kind of art... They’d say ‘Money is bad’, and ‘Working is bad’, but making money *is* art and working *is* art and good business is the best art.” (Warhol, 1975, p 92)

DeFillippi et al (2007) employ an understanding of the cultural economy that is not entirely uncontroversial, in that they argue that activities with symbolic and aesthetic attributes are at the very core of value creation in the cultural economy and that competition is driven by the ‘sign-value’ embodied in design and branding, rather than the ‘use-value’ of products. Lawrence and Phillips (2002) subscribe to a similar view in that cultural products are described as goods and services that are valued for their meaning, as they are consumed in an act of interpretation rather than being used in some practical way. Hirsch (1972) defines cultural products as “non-material goods directed at a public of consumers for whom they generally serve as an aesthetic or expressive, rather than clearly utilitarian function”. There are obvious objections to this view, mainly that “meaning” can be argued to be a utility like any other and that all products can be considered to be cultural and therefore only have value in specific cultural frames. Also granted, symbolic and aesthetic dimensions can add value to products and services of many different industries. Even though we acknowledge and to a large degree sympathize with these arguments, we believe that we can usefully differentiate between different kinds of utility and different cultural products for the purposes of this study. For a sub-set of sectors in the general economy, products are valued for a meaning attached to the product, separable from its material properties (Lawrence and Phillips, 2002). This cultural economy includes artistic core industries such as art, theater, music and film.

The term *cultural industry* was coined by leading critical theoreticians of the Frankfurt School, namely Theodor Adorno and Max Horkheimer. Their account of popular culture formed an extremely negative view on the impact of commerce on art. They criticize the trend toward commercial cultural production, which is equated to factory-like production of standardized cultural goods and passive mass consumption, at the expense of *l'art pour l'art* (Adorno and Horkheimer, 1979). Horkheimer (1974) goes so far as to suggest that the cultural sector should be detached from economic laws as it has nothing to gain from conforming to them. This reasoning partly rests on the foundation of the individual creative, not allowing for a systemic and social context in which creativity can be understood. Supporters of this view have consequently wanted to limit the role of directive management in the cultural industries. Recent scholarly work has, however, been devoted to connecting creativity to concrete social and institutional conditions, showing that individual talent and imagination can be mobilized and channeled by that very context of intersecting and interacting relationships (Csikszentmihalyi and Csikszentmihalyi, 1988; Simonton, 1988). The previously mentioned structures that Cohendet and Simon (2007) identified in the cultural economy are the *soft architecture* represented by professional communities and networks of practice that are the locus for an open exchange of ideas, collective problem solving and critical debate; and the *hard architecture* of projects, organizations and corporate logics. In the cultural economy, the hard architecture is in place to capitalize on the new ideas generated through the soft architecture, and this is the source for tensions and antagonism.

## 2.2 Cultural Production

Caves (2000) identifies three core characteristics of creative work that give rise to informational asymmetries between creative talent and management, thus causing tensions and making it extremely hard to manage: *infinite variety* refers to the unlimited potential solutions to a given task, impossible to define *ex ante* or to count *ex post*; *art for art's sake* expresses that creators are deeply concerned about the quality and integrity of their work, to an extent that they may be willing to sacrifice income to fulfill their ambitions; and thirdly *nobody knows* denotes the great uncertainty of the marketability of the creative output. Caves argues that these characteristics and the hazards they give rise to explain the high failure rates for art as big business. Based on these characteristics and the writer's block syndrome, Gil and Spiller (2007) argue that creativity has serious organizational disadvantages and adds that high-level creativity, which is required in the cultural economy, must be fostered and cannot be forced through command-and-control or monetary incentives.



A few studies have focused on the *strategy* of cultural production, rather than the management of it. Hirsch (1972, 2000) finds that record companies adopt a strategy of over-production, knowing that if a few products are successful, they will at least compensate for the cost of producing the rejected items. This is similar to results made by Björkegren (1996). Lawrence and Phillips (2002) suggest that because cultural products are consumed differently and attributed meaning, managing in cultural industries becomes about “creating and maintaining an organization that can produce and sell meaning”, rather than efficiently producing the products. Thompson et al. (2007) criticize this view for failing to acknowledge that even though the characteristics of consumption may differ for cultural products, they still have to be *produced* like any others and this production has to be managed.

In their study of the popular music industry, Thompson et al. find that record company personnel engage in multiple points of management. Specifically, major music labels intervene in the creative process of artists (whether established or newcomer) to ‘change the sound’ in order to achieve commercial success. The authors conclude that the management of the production revolves around the nature of the contract between the artists and the record companies (also supported by Caves, 2000). A few other researchers have suggested various means for balancing or integrating the two paradigms of artistic and business logics: specific forms of organizing production (Davis and Scase, 2000), approaches to management (Howkins, 2001; de Monthoux, 2004) or cultural policies (Jeffcutt and Pratt, 2002). Eikhof and Haunschild (2007) investigate the relationship between artistic and economic logics of practice in German theaters and how they influence production. Their study reveals a central paradox of creative production: “economic logics tend to crowd out artistic logics”.

### **2.3 Creativity versus control in uncertain environments**

Although not specifically focusing on the motion picture industry or cultural industries, Adler and Chen (2011) account for the puzzle of how the use of management control systems has been shown to improve creative exploration and innovation activities in settings with a high degree of uncertainty (Abernethy and Brownell, 1999; Ahrens and Chapman, 2004; Bisbe and Otley, 2004; Davila, 2000; Simons, 1995), while at the same time a second stream of research has found that management control systems can have a negative impact on individual motivation needed for efficient performance in similar settings (Amabile, 1998; Ouchi, 1979) and specifically that accounting controls are relatively worse than personnel oriented controls when task uncertainty is high (Abernethy and Brownell, 1997). Adler and Chen argue that this puzzle is especially

important to solve for activities they call large-scale collaborative creativity (LSCC), which is characterized as a “context of activities where individuals face a dual challenge of demonstrating creativity and embracing the formal controls that co-ordinate their creative activities with others”, where they among others include movie production.

Adler and Chen present a model summarized in 15 propositions, based on theories on perceived locus of causality and self-construal from a motivational-inducing point of view. The first proposition is that “creativity is best supported by *intrinsic motivation*” and then progressively less well supported for other forms of motivation, with external forms being least good. Control on the other hand is best supported by *identified* motivation and so LSCC organizations in particular need to use management controls that reconcile the need for intrinsic motivation for high levels of creativity and the need for identified motivation for coordination and control. This is also true for creative *small design teams* whereas for the creative *solo designer*, coordination demands do not need considering, but only creative ones.

|                           |      |                             |  |   |
|---------------------------|------|-----------------------------|--|---|
| <i>Creativity demands</i> | High | <b>Solo designer</b>        | <b>Member of a small design team</b>       | <b>Large Scale Collaborative Creativity</b> |
|                           | Low  | <b>Toll-booth operator</b>  | <b>Member of a routine production team</b> | <b>Assembly-line worker</b>                 |
|                           |      | Low                         | Medium (small scale)                       | High (large scale)                          |
|                           |      | <i>Coordination demands</i> |  |   |

**Figure 2.1**

*Illustration of the framework of six types of tasks presented by Adler and Chen (2011)*

The authors apply the framework of Simons’ (1995) four levers of control in addressing the design of these management controls to support the different forms of motivation. This framework has been widely used in previous literature to capture the dynamics of control in response to uncertain and creative environments with the balancing of different ‘levers’ of control. *Belief systems* promote the search for new and profitable opportunities by communicating values, purpose and direction and Adler and Chen propose that the use of belief systems will be positively associated with identified motivation. For *boundary systems* (specifying scope and limits of the search activity for new opportunities) and *diagnostic controls* (used for co-ordination,

planning and monitoring), which are characterized as “prototypically bureaucratic”, Adler and Chen distinguish between an *enabling* and a *coercive* use (as defined by Adler and Borys, 1996). An enabling use of boundary and diagnostic control systems is proposed to foster both intrinsic and identified motivation, thereby reconciling creativity and control demands. Conversely, a coercive use will have the opposite effect for LSCC. The last lever is *interactive controls*, which stimulate the emergence of new ideas and strategic objectives, working as mechanisms to focus the organization in the event of strategic uncertainties and their ability to respond to threats and opportunities. Using interactive controls is also hypothesized to be positively associated with intrinsic and identified motivation.

## 2.4 The motion picture industry

Similar to other cultural industries, the motion picture industry comprises artistic and creative elements. As such, they inherit all the core characteristics identified by Caves (2000) – infinite variety, art for art’s sake, and nobody knows. In his book *Hollywood Economics*, De Vany (2004) comes up with proof for the notion of nobody knows for the movie industry. A movie’s box office possibilities are found to be Lévy-distributed; they do not converge on a mean, but diverge over the entire outcome space with an infinite variance. These results have consequently been confirmed in a different study by Walls (2005). Thus, forecasts of expected revenues are deemed meaningless.

At the center of production is the producer who will seek out scripts, talent, financing, and set up project organizations and production plans (Ulin, 2010). The producer often works on an individual basis in the initial stages of development. After that, in addition to being highly collaborative, the production and distribution processes are based on extensive networks of individuals and organizations, but with the producer still being in center (Young et al., 2009).

A distinctive feature of movie production is that it constitutes a temporary project organization with a relatively short and finite time horizon. Temporary organizations have been found to be governed more through networks of relationships than by lines of authority, which is more commonly found in traditional hierarchical organizations (Powell 1990, Jones et al. 1997). As a consequence, social mechanisms such as reciprocity, socialization and reputation are of greater importance than direct and immediate control tools (Bechky, 2006). In the movie industry, this also has the effect that each film project sustains or enhances a project member’s network of industry contacts, which may provide leads or recommendations for future project opportunities (DeFillippi and Arthur, 1998). Despite their temporary nature, movie productions are partly

organized around enduring, structured *role-based coordination* (Bechky, 2006). The institutionalized nature of movie projects enables a visible and generalized role structure (role here is not to be confused with the roles that actors and actresses perform in the actual movies), resulting in a high degree of role certainty among the employees on a movie set and reducing the need for formal controls.

## 2.5 Budgeting

The budget has been defined as one of the cornerstones of management control (Anthony and Govindarajan, 2007). It expresses the expectations on certain variables such as costs, results or liquidity that a unit undertakes to achieve, and shows the economic consequences following certain activities for a specified period of time (Ax et al, 2009). A common view of management control is that its emergence is very much dependent on the contextual setting in which it is installed (Berry et al, 2009), so the design of the budget system and its effectiveness will vary greatly between organizations as their individual conditions and environments differ (Merchant and Van der Stede, 2007). The role of planning and control tools such as the budget must therefore be balanced depending on organizational and environmental circumstances. Stable and predictable environments allow to plan ahead for later implementation, whereas uncertain environments require an ability for rapid adaptation and response to unpredictable events, which may make planning obsolete (Otley, 2006).

### 2.5.1 Budgets and **uncertainty**

There are conflicting views and findings regarding the performance of the traditional budget in the modern business environment characterized by uncertainty, rapid technological development, tough competition and fickle market behavior. The critique includes that budgeting is too time consuming, encourage myopic decision-making, counters innovation and market response (Wallander, 1999; Jensen, 2001; Hope and Fraser, 2003), alongside a range of other dysfunctional consequences (see Neely et al, 2001). To address these issues the ‘beyond budgeting’ approach has suggested that the budget should be abolished and replaced with other control tools (Hope and Fraser, 2003), whereas the ‘activity based budgeting’ approach suggests that operationalization of the budget is the solution (Hansen et al, 2003). Despite this advocacy, studies have shown that a majority of companies are sticking to their traditional budget practices (Ekholm and Wallin, 2000; Libby and Lindsay, 2010). Given recent critique and developments in budgeting literature, academics have called for further research on the field of how budgetary control can be adapted to work in operations and environments characterized by unpredictability (Berry et al, 2009), which as previously accounted for is at hand for the movie industry.

Hopwood (1972) was the first to examine the effects of accounting beyond purely technical issues. This was the beginning of a vast stream of research pointing out ways in which accounting might affect and be affected by other organizational concerns. Reconciling the early work in this field, Hirst (1981) recognized that the environment and the uncertainty of tasks result negatively impact on accounting numbers' ability to depict reality. Consequently, if accounting information is incomplete then complete reliance on it as a management control tool is inappropriate (Hirst, 1981). This was the initiation of the so called Reliance on Accounting Performance Measures (RAPM) research, considered one of the most extensive strands of research in management accounting (Brownell and Dunk, 1991). This aims to investigate factors that may moderate the dysfunctional behaviors of a high reliance on budget targets (Otley, 2006).

Relying on budget targets under conditions of environmental and task uncertainty has been seen to have a negative impact on organizational performance (Merchant, 1985; Lau et al, 1995). On the other hand the use of budgets has also been seen to provide structure in environments of uncertainty and ambiguity (Marginson and Ogden, 2005), and that 'interactive' budget use can mitigate disruptive performance effects in times of organizational change (Abernethy and Brownell, 1999). Another factor having been identified to assist managers in coping with uncertain environments requiring innovation, experimentation and operational flexibility is budgetary slack (Merchant and Manzoni, 1989; Van der Stede, 2001). Defined as "the intentional underestimation of revenues and productive capabilities and/or overestimation of costs and resources required to complete a budgeted task" (Dunk and Nouri, 1998), it has traditionally been thought to lead to an inefficient use of resources (Otley, 1978). Davila and Wouters (2005) however present how budgetary slack in the form of "padding" is used in forecasted budgets in order to balance different goals with changes in external conditions and emergency situations. "Padding" refers to that budgets are set so that budget targets usually come out a certain percent level below estimated budget costs. The effect is that budgetary slack is created when attention to alternative goals demands it, and allows for adaptation to unpredictable events.

From previous research, it can be concluded that empirical research on the use of budgets under conditions characterized by uncertainty contain mixed results (Hartmann, 2000).

### 2.5.2 Continuous budgeting

Frow et al. (2010) identified and explored the concept of *continuous budgeting* as one alternative budget use surfacing in response to conditions of uncertainty. It highlights how management can

reconcile the potentially conflicting objectives of meeting specified financial targets, as expressed in budgets, and the need for flexible and innovative managing.

Like Adler and Chen, the authors apply Simon's (1995) levers of control, in a case study of a large, multinational, document technology and services organization which operates in an environment "characterised by rapid technological change, increased levels of uncertainty and a need for creativity and innovation" thereby providing a "credible example of an organization that operates in ways which are generally considered anathema to effective budgetary control systems". This organization can therefore be classified as LSCC in Adler and Chen's framework. The authors acknowledge that Simons largely confines his attention to the activities of top managers and their preoccupation with issues of strategy, whereas they turn to operational managers at different levels to see how they reconcile the responsibility for reaching individual targets with the need to promote more collective actions to meet organizational priorities – the so-called 'vital few' objectives.

The way this is carried out is labeled 'continuous budgeting', which is a process of integrating different uses of budgeting with other management controls. The authors show that the budget is used *diagnostically* to monitor performance to check progress towards managers' own outlook, but also to identify risks and opportunities that call for revised plans and a reallocation of resources to ensure achievement of the organization's "vital few" goals – this will then take precedent over individual targets and managers are therefore expected to use budgetary information *interactively*. The budget allows for flexibility to meet uncertainty in this respect, in that the *boundaries* for the budgetary control can be re-negotiated – they allow for some discretion but is also subject to certain restrictions, meaning that managers usually consult their senior colleagues before displacing individual targets. Ultimately, the authors show that although the budget is flexible, managers are still accountable for achieving their own budgetary targets as a part of their responsibility to the "bigger picture" and they need to show that every action possible has been taken to avoid negative deviations before being exonerated. These expectations result in managers proactively making trade-offs to offset any displacements to their individual budgetary targets, which is seen as integral to achieving the vital few organizational objectives. Consequently, these expectations are characterized as a part of a *beliefs system*. The authors conclude their article by suggesting further research on the role of the budget in uncertain environments (Frow et al, 2010).

## 2.6 Main Theoretical Framework

The *continuous budgeting* model shares all of the characteristics that Adler and Chen propose to be positively associated with the forms of motivation needed in an LSCC organization – a use of interactive and beliefs control systems and an enabling use of diagnostic and boundary controls to foster creativity at the same time as achieving a high degree of coordination within the organization. However, there is also an element of coercive use of the budget as a diagnostic and boundary control in the accountability of managers, which according to Adler and Chen is negatively associated with both intrinsic and identified motivation.

Applying the LSCC logic on feature film production is only relevant for the *production* stage, when the shooting takes place and there is a large project organization with different functions and several specialized contributors who need to enact various creative roles. The *development* and *marketing* stages, however, comprise of small teams rather than larger organizations (Ulin, 2010). The development stage requires a high degree of creativity and therefore inhibits the characteristics of a *small design team*. Both post-production and theatrical distribution, in the distribution stage, contains both creative and routine tasks and are therefore something in between the *small design* and the *small routine production* team.

|                           |      |                                  |  |  |
|---------------------------|------|----------------------------------|--|--|
| <i>Creativity demands</i> | High | Solo producer<br><br>Development | Member of a small creative team<br><br>Marketing | Large Scale Collaborative Creativity<br><br>Production |
|                           | Low  | Toll-booth operator              | Member of a routine production team              | Assembly-line worker                                   |
|                           |      | Low                              | Medium (small scale)                             | High (large scale)                                     |
|                           |      | <i>Coordination demands</i>      |  |  |

**Figure 2.2**

*The integrated framework's application of Adler and Chen (2011)*

By using Caves' core characteristics *infinite variety*, *art for art's sake* and *nobody knows* as guidance, we will try to identify the potential tensions arising from the different activities, organizational conditions and objectives for each stage in addressing our first research question. We will then analyze the use of budgets to deal with these and any other tensions identified. Finally, we apply the continuous budgeting model and Adler and Chen's framework when discussing our findings.

### 3 Method

#### 3.1 Empirical method

Due to the purpose and scope of the research topic and the relative lack of previous research on the subject, the empirical method chosen is a single qualitative case study. The goal of qualitative research is to study the world from the perspective of how people experience it, and gives the researchers room for a broader understanding and interpretation of results. A case study allows for the opportunity to incorporate a broad combination of observations, documents and interviews, which makes a triangulation of data possible. Another advantage is that it allows focus on a specific phenomenon and the underlying factors affecting it (Merriam, 1994). It has been suggested that the qualitative method is suitable for an area of scarce previous exploration (Eisenhardt, 1989). Although we recognize that a *single* case study has clear implications on the generalizability of our findings (Verschuren, 2003), the broad scope of our research question ultimately drove the choice of this empirical method.

Although a quantitative study would have improved the generalizability of results and thus be a suitable method to get an initial overview of an area of little previous research, there are several reasons why a qualitative approach was preferred for the chosen topic: The absence of previous research on budget use in the motion picture industry would (a) implicate a risk that results would generate a too simplistic picture, and (b) that pre-constructed surveys would address elements that may be non-applicable to the respondent. Also, (c) the culture of the industry and that it has been relatively exempted from academic research makes ‘access’ relatively difficult and would supposedly lead to low response rates, and (d) the size of the local industry constitutes a small target group. Whereas (a) and (b) would affect the reliability of the results, (c) and (d) would affect their generalizability.

#### 3.2 Research approach

Two approaches for connecting theory with empirical evidence are the deductive and inductive approaches. The deductive approach implicates that conclusions are made in advance about certain phenomena based on prior research. With this method, information that fits into a pre-determined theoretical framework is gathered which makes the choice of theory decisive for what empirical data should be collected. An inductive approach has the implication that it is the gathered information that guides the search for a theory that in turn can describe this information (Trost, 2002).

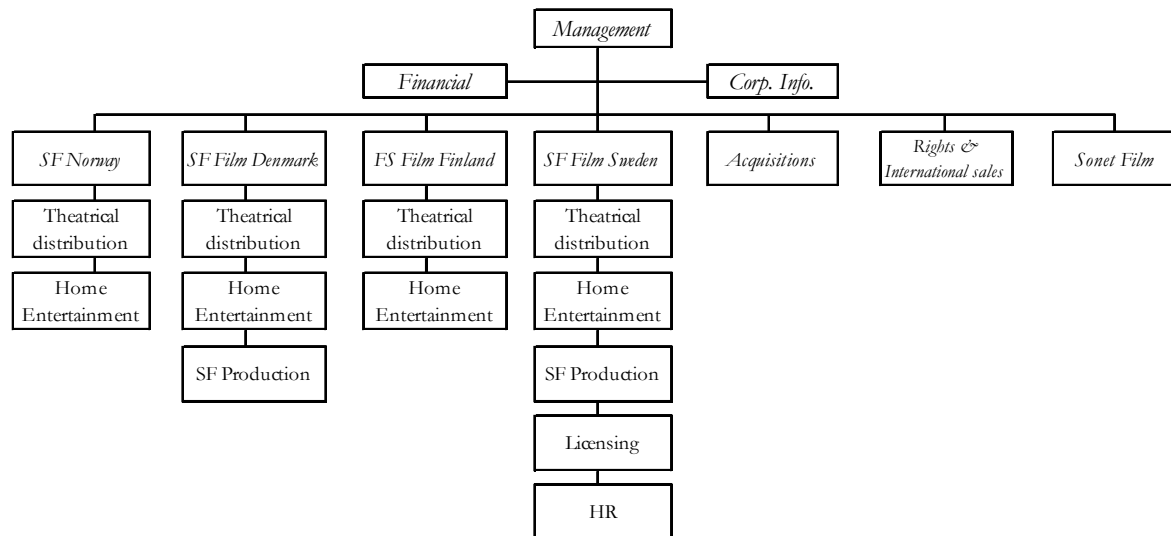


As an overarching structure for our case study approach we have followed the guidelines of Carlsson-Wall and Kraus (2010) and Edmondson and McManus (2007). Research on the management of cultural production and budgeting especially is a nascent field of research (Young et al, 2009). As suggested by Edmondson and McManus (2007), this current state of the literature has shaped our research methodology. Being an underdeveloped and nascent research area, our broad research orientation to understand the use of budgets in film production was therefore not suitable to a deductive research method. Instead, our study followed an abductive approach, meaning a combination of the deductive and inductive methods. Accordingly, theory and empirics were developed and revised parallel to each other throughout the process (Alvesson and Skoldberg, 1994). With a starting point in previous findings in cultural economics, the collection of empirical data continuously guided us towards certain theoretical branches of management accounting, which in turn directed the collection of further data. We approached the topic with two qualitative and open-ended research topics.

### **3.3 The case: AB Svensk Filmindustri**

To find a case to study the balance between creative and commercial logics we needed a study object that was active in the production of cultural products, ideally motion pictures. Furthermore, it was important that it had a commercial objective and used budgeting as a managerial control tool.

AB Svensk Filmindustri (SF) is the largest film company in the Nordic region with its head office in Sweden and subsidiaries in Norway, Denmark and Finland. SF produces feature films and content for TV and is also the leading player in the Nordic territory in theatrical and video distribution. The Swedish subsidiary SF Film Sweden is organized into different departments according to function: SF Production, Theatrical Distribution, Home Entertainment, Licensing and HR. Other divisions in the SF organization that are located in Sweden are Acquisition, Rights and International Sales and Sonet Film.



**Table 3.1**  
*The organization of AB Svensk Filmindustri*

SF's corporate objectives include the goal of producing and distributing films characterized by high standards, effectiveness and profitability. The company has an outspoken commercial approach towards film production with a portfolio historically consisting of broader productions rather than niche films. Lastly, budgets constitute one of the primary management tools used by SF.

This made SF an optimal study object for the purposes of this paper.

### 3.4 Data collection and codification

The choice of method for data collection should be driven by the chosen object of study, the researchers' relation and access to the study object, and the desired outcome of the study (Samuelsson, 1999). Yin (1994) outlines different means of data collection for empirical research: interviews, direct and participative observations, document studies, databases and physical artifacts. This study used semi-structured interviews (Merriam, 1994) as the primary method for data collection. Since our topic required a holistic and gradated view of the budget's role in feature film production, interviews was the natural choice, but document studies were used as an alternative data source. Since all the data we aimed to collect cannot be found in internal documentation a pure document study was not suitable, but as a complementary source it allowed us to get an enhanced understanding for data collected during interviews.

Data collection took place in September to November in 2011 and our primary source of data is 15 interviews with staff at SF. All interviews were made in person with both authors present in order to build trust and reduce the risk for misinterpretation. Interview objects were chosen based on function and relevance for the use of budgets and access. From this selection senior managers, operational managers and employees in development, production and distribution as well as support functions, including finance and HR, were interviewed. The interviewees were split into interview groups, characterized by the relation to the different project stages (development, production, marketing), position (manager, employee) and relation to budget (budget owner, subordinate). The interviews lasted between 50 and 90 minutes with an average interview length around 70 minutes.

The interviews followed a semi-structured method (Merriam, 1994). Since our interviewees had different functions, capacities, control responsibility and background, the semi-structured approach allowed us to adapt the conversation to the perspective of the individual. This served to give the interviewee room to speak within his or her realm of authority and confidence. A template was used as a foundation for the interviews to assure that data on specific topics were collected. Interviews were complemented by a range of documents. These included operational budgets, planning documents, websites and descriptions of the organization.

Interview data were recorded, transcribed and collated following each interview. Data codification was made through a triangulation of data from interviews and document sources. We continuously ordered, cross-referenced and classified our raw data into empirical findings throughout the collection period. Pattern identification and thematic coding of data was made to identify and substantiate our findings with regard to the research question. The continuous processing of data allowed us to draw upon our collected findings in subsequent interviews.

In the process of coding raw data into the characterization of an empirical finding, we have aimed to apply the concerns of Alvesson (2003) on reflexive research. This implicated that in the interpretation of interview answers, to the best of our knowledge we aimed to take cultural and psychological factors into consideration. Examples of these are social context of the interview (impressions, situation), the individual subject targeted (organizational position, motive orientation) and language (choice of words in question and answer). This proved especially important in the interpretation of answers relating to financial and control topics where background and culture have an effect on the interviewee's interpretation and answers. Overall,

this aided us in the understanding of ambiguous or conflicting answers, and more specifically to the reclassification of some findings.

### **3.5 Reliability and validity**

In order to give the reader a possibility to interpret the further application of the results of our study we now address the reliability and validity of our research.

Reliability can be described as the possibility to replicate the research study. To achieve a high degree of reliability it is important that a study not to a great extent is affected by chance and contingent circumstances. Hence, a study with good reliability should be possible to replicate to reach the same conclusion (Lundahl and Skärvad, 1999). That the study of this thesis has been made under a determinate period of time has an effect on its reliability. This implicates that our research object would be relatively invariant throughout the event window. However, future researchers need to consider that replicating this study on future event windows might not generate identical results, especially due to the volatile and uncertain environment the study object operates within. Although the use of a template for all our interviews increases the reliability of results (Trost, 2007), the semi-structured nature of the conversation to some extent reduces the reliability of the study. Also, the nature of the interview as a research tool creates possibilities for subjective interpretation, something that negatively affects the reliability and the possibility to replicate this study.

The validity of the study refers to which degree research results depict reality. Validity can be separated into inner and outer validity. Inner validity is a measure of whether the results of the research method are interpreted correctly (Merriam, 1994).

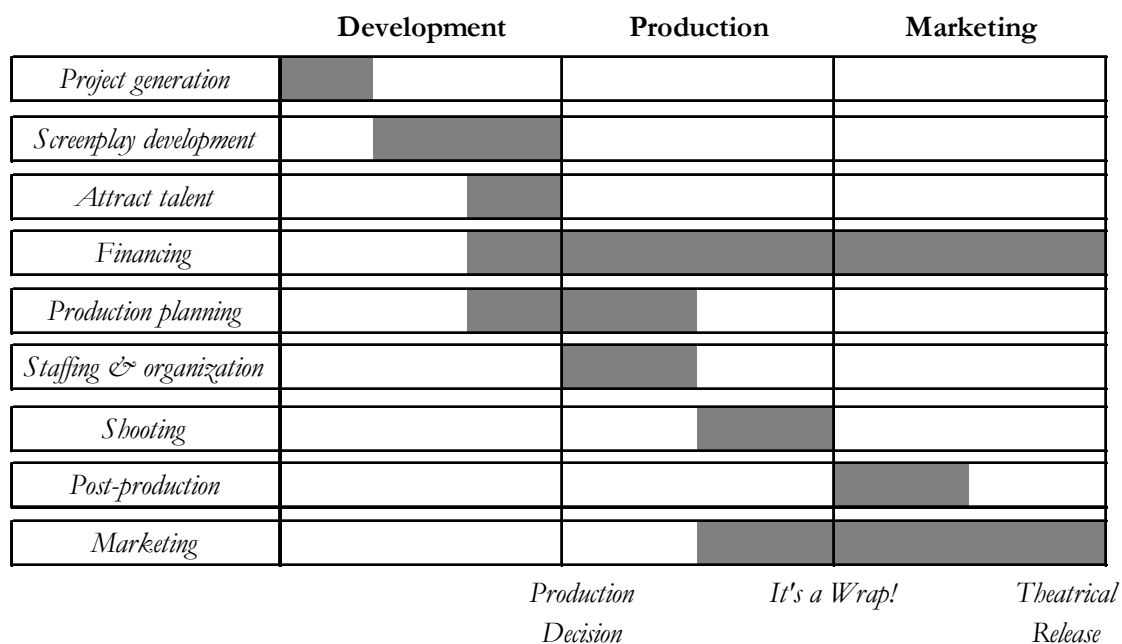
The subjectivity in our analysis of data is a risk to the inner validity. That findings will be subject to personal interpretation is unavoidable in qualitative research as this is part of its nature and purpose. The adapting of certain procedures during the collection and interpretation of the empirical data facilitated the inner validity of our study. Firstly, interviews were recorded as well as transcribed separately. Secondly, both authors summarized their interpretation of the findings from the interview. Thirdly, these were reconciled through a discussion of the results. In cases where conflicting perspectives were identified, and this was not assumed to be a consequence of a determinant related to social, individual or language concerns, the research object was contacted for clarification. Interviews were made individually in order to make room for personal expressions and individual points of view. Similar questions were asked to interviewees

within the same organizational interview group. That interviewees are engaged in different operational projects imposes a risk of giving a point-of-view that is project specific rather than company specific. To reduce this risk we interviewed staff members spread over different projects. This enriched the empirical data and gave us a broad understanding of the activities, structures and objectives encompassed in the operations of SF.

Outer validity reflects to what extent the results of the study are generalizable for other populations (Merriam, 1994). In single case studies outer validity is usually hard to attain due to the nature of the method, delving deep into the specifics of one sample. Case studies represent a bottom-up approach of theory building and risks are that the developed theory represents an idiosyncratic picture where specifics in data produce invalid generalizations of theory (Eisenhardt, 1989). Outer validity cannot be ascertained from this single case study and there are limitations to the generalizability of our results. The relative uniqueness in size, organization and maturity of our case company in relation to other participants in feature film production makes it difficult to hypothesize if observations at SF are unique or not. Hence, in this population outer validity is more uncertain. This is compensated by a supposed larger degree of generalizability in relation to the population of larger film companies in Europe and the United States, as well as large established companies in other cultural industries. This increases the overall outer validity and the fostering of further research.

## 4 Empirics

For the purposes of this thesis, we have identified and categorized three different stages included in feature film production: development, production and marketing (which includes post-production and theatrical distribution). The development phase initiated by a new idea and concluded once a production decision is made and the production phase commences. Once shooting is wrapped, post-production is initialized and with it the marketing phase, ultimately ending with the theatrical release.



**Figure 4.1**

*The overlap process flow of activities in the different phases of a film project*

### 4.1 Development

#### 4.1.1 Organizational Setting

The production department has a fixed budget for development for each fiscal year that is relatively stable over time.<sup>1</sup> “This is not a budget as much as it is just a lump sum of money, because you can’t really budget for development projects. You never know what ideas or projects might come up in a year”.<sup>2</sup> On an individual development project basis, there is a cap for how much money can be spent before consulting the CEO. The development of *The Hypnotist* was one such instance, where SF decided to sign internationally renowned director Lasse Hallström to the project at an early stage, even though it meant exceeding the individual

<sup>1</sup> Linder, Åsa, Head of Finance, 2011-11-08

<sup>2</sup> Lindbärg, Per, Controller, 2011-11-08

development cap.<sup>3</sup> Usually, however, this cap is set high enough to enable producers to pursue projects and initialize screenplay development at their own discretion.<sup>4</sup> “I have never experienced a development project being shut down for that reason”.<sup>5</sup> The budget control for development projects is characterized as loose. Börje Hansson, the Head of Production, sits down once a month with the production controller Per Lindbärg to review development costs compared to the annual budget, which is done on a relatively aggregated level without going into too much detail on the individual projects.<sup>6</sup> The production team holds weekly meetings every Monday where they review and discuss all ongoing development projects. There is also a monthly meeting with Rasmus Ramstad, the CEO, where projects are discussed. The CEO is also regularly updated on development projects through emails and phone calls.<sup>7</sup> These meetings and discussions focus on the progress and challenges of each project from a creative and commercial soundness point of view, but are not subject to cost follow-ups on the actual development work.<sup>8</sup> “I believe that we can improve in this respect, because the earlier we can discontinue a project and the tighter we can make the development process without impacting negatively on the quality of the projects, the better” says the controller.<sup>9</sup>

Once a development project has been greenlit (i.e. a production decision has been made), the associated development costs incurred in that fiscal year will be removed from the development department’s budget and balanced in the production budget for that project. The equivalent sum will consequently be added back to the development department’s total budget for that year and can be spent on other projects.<sup>10</sup> This gives producers incentive to pursue projects that are realizable (i.e. projects that lead to movie production). All costs relating to projects that are discontinued or have not yet been greenlit by the end of a fiscal year are expensed. In the event that all money for development has been spent near year-end and an interesting project appears, for instance a bidding for the screenplay rights to a novel, the board may authorize exceeding the budget as SF “absolutely depend on good projects”.<sup>11</sup>

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<sup>3</sup> Ramstad, Rasmus, CEO, 2011-11-18

<sup>4</sup> Vacirca, Paolo, Head of Development, 2011-10-19

<sup>5</sup> Westeson, Moa, Producer, 2011-11-30

<sup>6</sup> Lindbärg, Per, Controller, 2011-11-08

<sup>7</sup> Ramstad, Rasmus, CEO, 2011-11-18

<sup>8</sup> Vacirca, Paolo, Head of Development, 2011-10-19

<sup>9</sup> Lindbärg, Per, Controller, 2011-11-08

<sup>10</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>11</sup> Linder, Åsa, Head of Finance, 2011-11-08

#### 4.1.2 Project Generation and Evaluation

##### 4.1.3 *Project Generation*

The development of new film projects is internalized in the SF Production department and it is the responsibility of the producers to pursue them. Börje Hansson says that ideas for new projects can be generated in “as many ways imaginable”, but identifies three main sources for new film projects: original source material from another medium (e.g. novels, poems or TV shows), external parties (commonly smaller production companies, screenwriters, authors or directors), and original screenplay ideas generated in-house.<sup>12</sup> The development process is characterized by a relatively high degree of freedom and discretion from the production team’s point of view, as there is little corporate guidance or restrictions imposed other than that of commercial potential: “Our task is to do good business”.<sup>13</sup> This notion guides the evaluation of development projects and the producers at SF will not pursue a project that they personally like if they do not believe in its commercial potential.<sup>14</sup>

There are some guidelines and targets in place. SF has an ambition to be “present” in 10-15 Swedish feature length films on a yearly basis, and this presence includes movies from SF Production, Sonet Film, co-productions where SF is not the main producer, as well as mere distribution of Swedish movies (which is under the umbrella of the production department).<sup>15</sup> It is described as “pointless” to set more specific targets for the number of movies to be made in total or per genre in a year, as it all comes down to a dependency on commercially viable ideas, which are difficult to plan for.<sup>16</sup> One explicit goal is to produce children and family entertainment as it is a field in which SF has a long and strong tradition and a catalogue that they wish to build further upon. The production department has structured an active pursuit for projects in this genre specifically, in that they continuously scan the market for children’s literature, keep regular contact with prominent children’s literature authors and evaluate brands that they already have the rights to to see if there is unexploited potential for new projects.<sup>17</sup> Two other genres that SF has decided to focus on are comedy and Scandinavian crime, but they are open to producing any type of movie provided that they see commercial potential in the project. In rare cases, SF might participate in individual projects that they do not necessarily believe will be commercially successful. “This could be for strategic reasons, such as participating in a

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<sup>12</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>13</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>14</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>15</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>16</sup> Ramstad, Rasmus, CEO, 2011-11-18

<sup>17</sup> Ramstad, Rasmus, CEO, 2011-11-18



project within an international network or for supporting the development of talented creators we believe in long-term”.<sup>18</sup> For the purposes of talent development, SF has an employee on their production staff that actively scouts new talent and acts as a coach and mentor, herself having experience of directing and teaching arts.<sup>19</sup> The main objective, however, is to make profitable movies above all.

#### 4.1.4 Initial Project Evaluation

Internally, the production department has tried to define a set of objective criteria for evaluating ideas and screenplays, including factors such as underlying brand strength (e.g. Facebook in the film *The Social Network* or a popular novel series such as *Twilight*), market and genre trends (e.g. Scandinavian crime is currently in demand internationally), historical performance of comparable movies (e.g. from a specific director or starring actors), and target audiences (e.g. SF might develop an original screenplay aimed at a specific target group if they identify a market gap for that group).<sup>20</sup>

The last example is one of benchmarking to identify *opportunities*, but the other way around, to consider internal or market competition is rarely an influencing factor for project evaluation. As a distributor, SF acquires theatrical distribution rights to other Swedish movies (handled by Börje Hansson) and independent international ones (through Robert Enmark, Head of Acquisitions), apart from the movies supplied through the partnerships that SF has with Fox and Warner. “If I find a good project that I believe in, I will go for it and the same goes for the production department. We do not coordinate this, because the lead times [from production or investment decision to theatrical release] are too long”.<sup>21</sup>

The producer may discuss ideas for projects with their peers and colleagues at SF for input. “One of the advantages of working at SF is that I can talk to people in marketing or other departments over coffee and get immediate feedback”.<sup>22</sup> However, ultimately it is stressed that it all comes down to gut feeling and subjective judgment calls on behalf of the person evaluating

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<sup>18</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>19</sup> Edfeldt, Catti, Directing & Development, 2011-10-24

<sup>20</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>21</sup> Enmark, Robert, Head of Acquisitions, 2011-10-14

<sup>22</sup> Westeson, Moa, Producer, 2011-11-30

and pursuing the project.<sup>23</sup> “It doesn’t matter if other people tells me it is a good project, in the end I need to be convinced of that myself to go ahead with a project”.<sup>24</sup>

#### 4.1.5 Screenplay Development

The screenplay for a film is normally developed jointly by the producer and the writer, but may also include the director depending on when one is attached to the project.<sup>25</sup> According to Paolo Vacirca, Head of Development, regardless of what material a new project is initially based on - whether it is an idea, a one page synopsis or a complete script - it always needs treatment.<sup>26</sup> Paolo is a screenwriter himself and writes some of the scripts for SF’s projects, but mostly external writers are used and Paolo’s role is then to support and oversee this process. “Sometimes [the writers’] creative ambitions can be problematic. We try to work with people that understand that they are contracted by us and can carry out the job we want done as instructed, but sometimes writers get carried away in their own creative ambitions and lose track of what was originally agreed upon”.<sup>27</sup>

When contracting a screenwriter to develop a screenplay, the contractual agreement usually includes a number of exits throughout the process where SF can back out if they do not longer want to go ahead. Similarly, if SF does want to proceed to the next stage the contract depicts how much more they need to pay. The first exit stage is at the synopsis, often a one page description of the idea, and the second one is at the so called treatment, which is a few pages long summary of the movie and its individual parts. “This is a good opportunity to make bigger changes to the storyline and to add or remove parts, as the next phase is to start constructing the actual script and to include dialogue. Making major changes to the storyline after the script is written can be very time consuming”<sup>28</sup> - and therefore costly.

Apart from the contractual setup of the screenwriting process, which allows SF to save costs by terminating projects at different stages if they do not turn out as hoped, the development phase is characterized by creativity and artistic ambition on behalf of the writer and also the producer, and not one of cost awareness. “For the producer, this stage is almost all about creativity and social skills – to enthuse the creators and guide them by talking to them in their own ‘language’, so to speak. This process is like an atomic reaction – what will happen to this idea, in which

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<sup>23</sup> Vacirca, Paolo, Head of Development, 2011-10-19 & Hansson, Börje, Head of Production, 2011-10-05

<sup>24</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>25</sup> Westeson, Moa, Producer, 2011-11-30

<sup>26</sup> Vacirca, Paolo, Head of Development, 2011-10-19

<sup>27</sup> Vacirca, Paolo, Head of Development, 2011-10-19

<sup>28</sup> Vacirca, Paolo, Head of Development, 2011-10-19

direction is it headed? It is all very exciting”.<sup>29</sup> Paolo Vacirca agrees: “When developing a script, you try to tell the story as well as you can and you don’t consider practical issues such as the number of different environments or cast in a scene to keep costs down. That may come later”.<sup>30</sup> However, parallel to the development of the first version of the screenplay, the producer needs to start thinking about the financing as it is his or her job to raise the capital necessary for producing the movie.<sup>31</sup>

#### 4.1.6 Financing

##### 4.1.7 *Financing Sources and Structure*

“No one finances a movie project on their own today, you always seek partners as the risk of the individual movie project simply is too high”.<sup>32</sup> Partners may include other production companies, TV networks, industry bodies, private equity investors and others depending on the financial strategy of the project.<sup>33</sup> When it comes to financing, capital is categorized as either *soft* or *hard* money. Soft money comes from investors that do not require any rights to return and the most important sources for SF in this category are domestic national funds, domestic regional funds and the Nordic Film and TV Fund, as well as from private parties in the form of sponsorship deals and product placements. Conversely, to obtain hard money from private investors, SF have to give up various rights in exchange – distribution rights, shares of ownership or other rights to return.<sup>34</sup>

##### 4.1.8 *The Swedish Film Institute*

The single most important source of soft money is the Swedish Film Institute (SFI) and therefore the first party that SF approaches for financing.<sup>35</sup> SFI is a joint initiative by the Swedish government and various professional bodies of the film industry partly to support funding of the development, production and distribution of new films.<sup>36</sup> Projects are assessed by SFI:s Film Commissioners on a vast number of factors as stipulated in the Film Agreement<sup>37</sup>, comprising political, creative and commercial aspects. All these considerations make the commissioners’

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<sup>29</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>30</sup> Vacirca, Paolo, Head of Development, 2011-10-19

<sup>31</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>32</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>33</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>34</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>35</sup> Westeson, Moa, Producer, 2011-11-30

<sup>36</sup> Svenska Filminstitutet, (“Bestämmelser för samtliga produktionsstöd”), 2011-11-27

<sup>37</sup> Swedish Film Institute, 2006 Film Agreement, 2011-11-27

work “a bit vague”.<sup>38</sup> “Ultimately, I think it comes down to having a good relationship with the [commissioners] reading [the project documentation]”.<sup>39</sup> The commissioners commonly have opinions and specific input on the creative content of the development material (i.e. the synopsis, the treatment or the script) they receive.<sup>40</sup> It is up to the producer to decide whether it is worthwhile to accommodate the commissioners to be granted funds or if this compromises the vision or the commercial quality of the project in a way that is not acceptable.<sup>41</sup> When devising the financial strategy for each project, SF has to consider the risk and return prospects to decide on the general distribution of soft and hard money and SF’s own contribution.<sup>42</sup>

#### 4.1.9 *Revenue Estimation*

Before deciding on the financing structure, SF therefore needs to evaluate the commercial potential of the end product to decide how big of a risk they are willing to take – how many theater tickets and DVD copies can be sold? Can the movie be exported and how much can be generated from the TV window? Once the first version of the screenplay is completed, the production department will estimate revenue for the film. “There is a ton of factors to consider, but we try to identify the unique selling point to get a grasp for how to best market the movie. Is the USP an actor or the director? Maybe it’s a certain phenomenon or a brand that is the USP?”.<sup>43</sup> The different distribution departments (i.e. Theatrical, Home Entertainment and Rights and International Sales) will form their estimates and together with the production department and the CEO arrive at what they believe to be realistic estimates. “This practice is an *art form* that is just that – an art form, and in no sense scientific”.<sup>44</sup>

##### 4.1.9.1 *Theatrical distribution*

Theatrical distribution leaves their estimates and a preliminary marketing plan and budget.<sup>45</sup> The production department owns the box office result for their movies and these revenue estimates will decide how much the total production, including marketing, can cost in order to break even at the theatrical distribution stage.<sup>46</sup> The break-even therefore does not include royalties from subsequent distribution channels and the main motivation for this is the inherent high

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<sup>38</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>39</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>40</sup> Westeson, Moa, Producer, 2011-11-30

<sup>41</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>42</sup> Ramstad, Rasmus, CEO, 2011-11-18

<sup>43</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>44</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>45</sup> Svendenius, Eva, Head of Theatrical Distribution, 2011-10-25

<sup>46</sup> Vacirca, Paolo, Head of Development, 2011-10-19

uncertainty and risk attached to films as products, why SF wants the early break-even target to act as a shield.<sup>47</sup>

#### 4.1.9.2 Home Entertainment

Home Entertainment (HE) will often to a high degree base the initial revenue estimates for their different channels (DVD sales, rentals, Video-on-Demand) on the estimate made for theatrical distribution. “A few years ago, you could basically use a standard of 10% to estimate DVD sales in relation to theater tickets sold, but the market is much more volatile now and you need to do it more on a case-by-case basis today”.<sup>48</sup> The volatility is credited to piracy and changing demands as a result of the introduction of new distribution channels.<sup>49</sup>

There are some exceptions to the early break-even target. For example, for the *Wallander* series SF has given a few of the movies theatrical releases, but the majority is released directly for video. The theatrical releases are simply to market and build the brand.<sup>50</sup> The result may not be good for the production department, but generate profits for SF as a whole, which will then overrule the production decision in favor of the latter. This works as the production department is not evaluated on their bottom line and therefore will not argue.<sup>51</sup> In such cases, the total *project* budget, including Home Entertainment, International Sales and other sources of income, is the key and not the total *production* budget.<sup>52</sup>

#### 4.1.9.3 Rights and International Sales

For Rights and International Sales, who cover all countries outside of Scandinavia, the same evaluation criteria may apply differently than for the other distribution departments when it comes to revenue estimation. “*Änglagård 3* is a perfect example of a movie that SF was very happy with, because it performed really well in the domestic market, but had no value internationally”.<sup>53</sup> For many projects, international sales outside of Scandinavia is a relatively small factor or even a non-factor, but for a project like *The Hypnotist*, which has been presold to more than 20 different countries, it is a significant part of the project financing.<sup>54</sup>

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<sup>47</sup> Linder, Åsa, Head of Finance, 2011-11-08

<sup>48</sup> Skarelid, Tore, Head of Home Entertainment, 2011-10-18

<sup>49</sup> Björck, Kari, Head of Sales (Home Entertainment), 2011-11-02

<sup>50</sup> Svendenius, Eva, Head of Theatrical Distribution, 2011-10-25 & Björck, Kari, Head of Sales (Home Entertainment), 2011-11-02

<sup>51</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>52</sup> Lindbärg, Per, Controller, 2011-11-08

<sup>53</sup> Simovic, Anita, Head of International Sales, 2011-11-02

<sup>54</sup> Simovic, Anita, Head of International Sales, 2011-11-02

#### 4.1.9.4 *Licensing and Merchandising*

Another department that might generate revenue on a project is Licensing and Merchandising. This is a very small department and this far revenue from merchandise has been quite insignificant for SF. However, SF is planning on expanding in this area as they are currently working on merchandising for a number of new projects, including the new *Stig-Helmer* movie together with the creator and artist Lasse Åberg. “I think merchandising has the potential to blow up and become an important revenue stream for SF in the near future”.<sup>55</sup>

#### 4.1.9.5 *Break-even Target and Financial Strategy*

The revenue estimates and the total allowed production costs combined will inform the strategy for how to finance the production, as SF by now has agreed on a satisfactory risk profile.<sup>56</sup> The revenue estimates for the entire project are used to pitch to hard money investors.<sup>57</sup> Unlike SFI, these investors care about returns and base their investment decisions strictly on their beliefs of the commercial potential of the project. In the movie industry, it is common to work with investors that you have a history and a good relationship with. “If they believe in [the commercial potential of] the project, and if they are insightful, they will rarely interfere or try to meddle with the creative content”<sup>58</sup> – again unlike the SFI commissioners.

### 4.1.10 Production Decision

#### 4.1.10.1 *Production Budgeting*

Having arrived at a total production cost target the producer’s task is now to construct a rough production budget based on the script to see if this agrees with what the production is allowed to cost in order to break even. The script is broken down in its various components and translated into different cost items. In film budgeting it is common to separate the budget into *above the line* and *below the line* items. Basically, below the line items relate to the expenditures associated with the physical production of the movie whereas above the line items refer to the individuals who contribute to the creative content and direction of the project, such as the director, screenwriter and cast, as well as music and special effects.<sup>59</sup> Below the line costs can be calculated in a technical and fairly straightforward manner based on the content of the script and major variables include personnel, number of shooting days, number of locations and distance between

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<sup>55</sup> Klockby, Stefan, Sr. VP Corporate Communication and Head of Licensing & Merchandising, 2011-11-15

<sup>56</sup> Ramstad, Rasmus, CEO, 2011-11-18

<sup>57</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>58</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>59</sup> Hansson, Börje, Head of Production, 2011-10-05

them, technical equipment (e.g. sound, light, photography) and scenography (e.g. props, costumes, make-up).

The purpose of this first rough version of the production budget is to serve as a check to see if the sum of the parts equals the total allowed costs and also as a basis for discussions regarding the distribution of money spent on above and below the line items.<sup>60</sup> “There is a risk involved at this stage, because you may detect that the production costs will amount to more than allowed. In these cases ‘real cuts’ have to be made”.<sup>61</sup> It is not uncommon that changes have to be made to the script at this stage to arrive at an acceptable production budget.<sup>62</sup> ‘Real cuts’ entail significant changes that reduce costs, such as cutting down on technological equipment or eliminating scenes, as opposed to more cosmetic changes such as merely reducing the number of shooting days without a plan for how to practically achieve this.<sup>63</sup> When asking for real cuts, the controller is somewhat in the hands of the producer and the creators as he is “not a filmmaking expert” and have to rely on them to make the required changes. “I can’t tell them which scenes to cut, for example”.<sup>64</sup> In turn, even though it is ultimately the producer’s decision, any cuts or changes are discussed with the director. “You don’t want to make these types of decisions over the head of the director and compromise his vision for the film”.<sup>65</sup>

Working out the allocation of money between the above and below the line categories is not a straightforward process. The below the line costs are calculated based on the script. The script together with above the line items such as screenwriters, directors and actors form the basis for revenue estimates, that in turn cap the total production budget. The revenue estimates and the production budget consequently affect and are affected by the amount and the structure of financing, as hard investors will not invest unless they believe in the commercial potential of a project. At this stage, the producer might face various tradeoffs not to exceed the total production budget – e.g. choosing between a big name actor in the lead role at the expense of another camera and five more shooting days, or a less established and popular actor but with the extra equipment and a longer shooting schedule.<sup>66</sup> Of course, in the first case changes might have to be made to the script and entire scenes removed, which may discourage SFI and other

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<sup>60</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>61</sup> Lindbärg, Per, Controller, 2011-11-08

<sup>62</sup> Ramstad, Rasmus, CEO, 2011-11-18

<sup>63</sup> Vacirca, Paolo, Head of Development, 2011-10-19

<sup>64</sup> Lindbärg, Per, Controller, 2011-11-08

<sup>65</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>66</sup> Ahlén, Emil, Junior Producer, 2011-11-21

soft investors who consider cultural and political values, and in the second case it might be more difficult to market the finished product and to raise hard money.

Either way, these choices and the composition of above and below the line investments may cause altered expectations and revised estimates, in turn having new implications for the total production budget allowance, financing and the actual product. This leads to an *iterative process* in which the producer needs to find a balance and congruence between artistic, financial and political goals and the total production budget is ultimately the tool the producer can use to facilitate and reconcile all these factors. “This is a real challenge for the producer and *Catch 22* is a good description; it is difficult to juggle all these things at the same time. Many producers hit the wall here”.<sup>67</sup>

#### 4.1.10.2 Production Decision

In a final meeting before making a production decision all prognoses, calculations and numbers are reviewed one last time and a thorough investment analysis is conducted. The focus is entirely on the economics of the project at this point, and not on creative content.<sup>68</sup> Once the script and the production budget are finalized, a director is attached to the project, the estimated revenue is sufficient and enough financing is in place, SF gives the project a green light and it goes into production.<sup>69</sup>

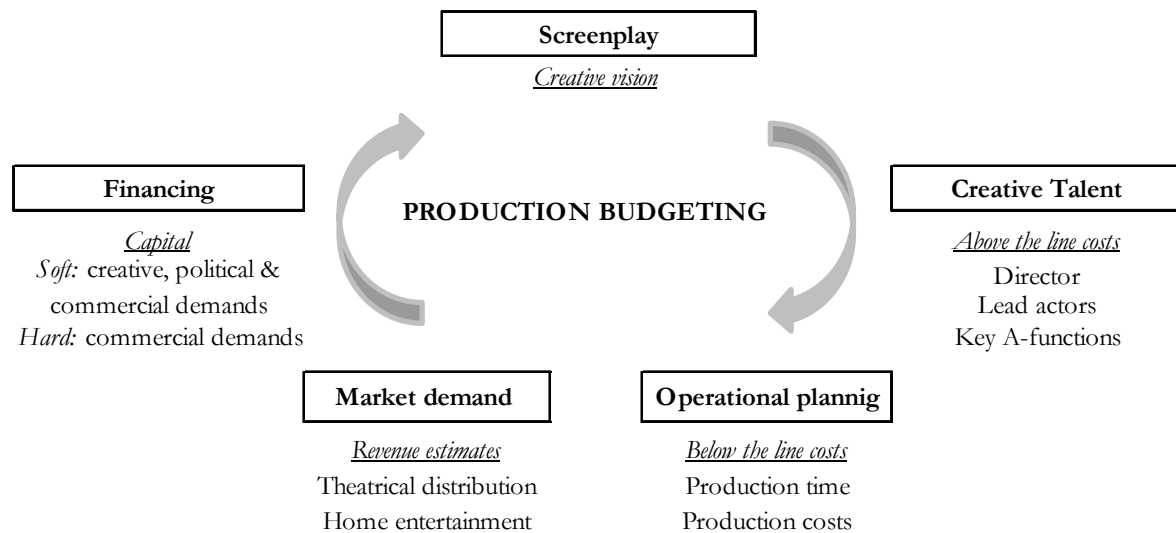
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<sup>67</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>68</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>69</sup> Ramstad, Rasmus, CEO, 2011-11-18





**Figure 4.2**  
*The iterative process of production budgeting*

## 4.2 Production

### 4.2.1 Pre-production

#### 4.2.1.1 *Production Management*

During pre-production, the producer contracts a production manager and sometimes a line producer (for bigger projects).<sup>70</sup> The production manager acts as a liaison between the producer and the director and supervises the practical aspects of day-to-day operations during production, including scheduling, staff, budgeting and technology. The line producer, if one is recruited, acts as the liaison between the producer and the production manager.<sup>71</sup> We will henceforth refer to both these functions as the production manager.

#### 4.2.1.2 *Production Planning and Budgeting*

Based on the screenplay, the producer and the production manager start to plan for how the production will practically be conducted in terms of locations, shooting schedule, casting, permit clearance, hiring staff and crew, equipment rental and other practical dimensions. Usually, the producer also hands over the production budget to the production manager. At this stage, the sum total for the production budget is locked in and the producer has the ultimate responsibility for ensuring that the total production costs do not exceed this amount. However, within that boundary the budget is flexible and reallocations can be made continuously in both pre-production and production (including shooting).<sup>72</sup> Depending on the producer, this version of

<sup>70</sup> Westeson, Moa, Producer, 2011-11-30

<sup>71</sup> Berggren, Lisa, Production Manager, 2011-10-26

<sup>72</sup> Ahlén, Emil, Junior Producer, 2011-11-21

the budget can be more or less detailed, but the production manager's task at this stage is to review the script and go more into details and break down the cost components further. The production manager acts as a second opinion on how to best use the money allocated.<sup>73</sup> "You often detect that reallocations between accounts can or have to be made".<sup>74</sup> The producer and the production manager then arrive at a revised budget, upon which they base the time frame for the production and the shooting schedule.<sup>75</sup> "The time factor is extremely important from a cost perspective. Each additional unit of time during production can be very costly".<sup>76</sup> As an example, Lisa Berggren mentions the SF movie production *Kvarteret Skatan*. When she reviewed the budget she realized that the actual shooting could be carried out in less time than originally planned, because she knew of good locations within a relatively close proximity of each other in northern Gotland that would work for this particular movie. This would mean less time spent on movements between locations and consequently free up money for other accounts.<sup>77</sup>

The total production budget usually contains a contingency reserve of around 5-10% on the variable costs that the production manager can allocate to different functions if needed.<sup>78</sup> "This practice gives me flexibility and room for creativity in the budget. If I allocate a sum of money it will be used up, so you need a buffer on top of that".<sup>79</sup> Börje Hansson emphasizes that he does not tolerate any deviations from the total production budget. "There has to be reasonable reserves for covering unforeseen events, but we do not run a playground for artists – so we need to work with people that understands this".<sup>80</sup>

## 4.2.2 Staffing and Function Budgets

### 4.2.2.1 *Staffing*

Usually, the producer fills the so called *A functions* of the production together with the director. There is an overlap between above the line items and A functions, but they are not the same. Apart from the director, other A functions can include the scenographer, the choreographer and the cinematographer (director of photography).<sup>81</sup> As a producer, it is seen as important to try to accommodate any preferences that the director might have in regards to filling these positions.

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<sup>73</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>74</sup> Berggren, Lisa, Production Manager, 2011-10-26

<sup>75</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>76</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>77</sup> Berggren, Lisa, Production Manager, 2011-10-26

<sup>78</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>79</sup> Berggren, Lisa, Production Manager, 2011-10-26

<sup>80</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>81</sup> Berggren, Lisa, Production Manager, 2011-10-26

The director will often ask for professionals with whom he or she has worked on previous projects. Apart from keeping the director happy and obtaining some assurance that these key functions will be able to co-operate to realize the creative vision of the project, it is often desirable from a cost perspective too as people who have prior experience of working together successfully will not need to spend time getting to know and learn how to work with each other.<sup>82</sup> Other staffing below the A functions may fully or to some extent be delegated to the production leader and once the entire project organization has been staffed, it can consist of several hundreds of people.<sup>83</sup>

#### *4.2.2.2 Function Budgets*

As staff is recruited, different functional departments within the production starts with their respective preparations. Some functions have their own separate budgets, such as make-up, costume design and scenography (“the more creative functions”<sup>84</sup>) and are responsible for keeping track of their spending and staying within budget. They will be allocated a sum of money that is to cover all their expenses, and exactly how they spend it is at their own discretion as long as they stay on plan.<sup>85</sup> The functions that do not have their own budgets, such as photography, electric and grip (i.e. the more technical functions), will initially go to the producer with their requests of things they want and deals will be negotiated.<sup>86</sup> All their expenses will then have to be authorized throughout production by the production manager.<sup>87</sup>

### **4.2.3 Production**

#### *4.2.3.1 Shooting*

As previously mentioned, the production manager is the one in charge of supervising the physical production and liaising between the producer and the director, who is the creative leader on set. Arguments are progressively frequent throughout the shooting phase and often passionate among people on set, on issues ranging from camera angles and lighting, to props and positions of the actors in a shoot. “There is a lot of noise: ‘We can’t shoot this scene here, we have to do it over there!’ people will shout. ‘OK, you do that then.’ As a producer you have to remain calm in the eye of the storm and keep focus on the more important goals”.<sup>88</sup> The production manager can authorize overtime and make decisions on other relatively minor

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<sup>82</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>83</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>84</sup> Berggren, Lisa, Production Manager, 2011-10-26

<sup>85</sup> Berggren, Lisa, Production Manager, 2011-10-26

<sup>86</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>87</sup> Berggren, Lisa, Production Manager, 2011-10-26

<sup>88</sup> Hansson, Börje, Head of Production, 2011-10-05

deviations from the production plan and the producer is only consulted in the case of more major issues (such as if real cuts have to be made for some reason).<sup>89</sup> “You can never avoid overtime completely, because sometimes you simply have to get certain things done that day”.<sup>90</sup> Reserves for overtime are therefore usually included in the production budget, aside from the general contingency reserve.<sup>91</sup>

#### **4.2.4 Budget Control**

##### *4.2.4.1 Cost Control*

Invoices are entered into the system as they are received and the production manager and the controller usually meet once a week to follow up on the budget. They review if expenses are according to plan, make new prognoses for the immediate upcoming period as well as for the entire remainder of the production period.<sup>92</sup> This is consequently reported directly to the producer and to the Head of Production,<sup>93</sup> and for larger productions to the CEO as well.<sup>94</sup> This is the most frequent follow-up phase during the feature film production. “This work is quite demanding and time consuming, but has to be done to keep the production costs under control. This phase is where the risk for escalating costs is the greatest”.<sup>95</sup> In the event of a deviation from budget for a functional department, the production manager contacts the department head for follow-up. “It could be that a department according to plan should have spent 12% of their total in a week, but actually spent 14% - then they need to explain why, and if it’s a strict cost overrun, they need to cut down on future expenses”.<sup>96</sup> This also works as an early warnings system, in that the production manager will inform the functions with own budget responsibility on their status according to plan not only for deviations. For instance, it could be to notify them at certain thresholds, that 50% or 25% of the allocated money remains so that they need to mind incoming invoices and keep a tight ship for the rest of the production period, and not to incur too many new costs.<sup>97</sup>

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<sup>89</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>90</sup> Berggren, Lisa, Production Manager, 2011-10-26

<sup>91</sup> Westeson, Moa, Producer, 2011-11-30

<sup>92</sup> Berggren, Lisa, Production Manager, 2011-10-26

<sup>93</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>94</sup> Ramstad, Rasmus, CEO, 2011-11-18

<sup>95</sup> Lindbärg, Per, Controller, 2011-11-08

<sup>96</sup> Ramstad, Rasmus, CEO, 2011-11-18

<sup>97</sup> Berggren, Lisa, Production Manager, 2011-10-26

#### 4.2.4.2 *Cost Awareness and Creative Challenges*

Lisa Berggren's experience is that the production functions that have their own budget responsibility are usually cost aware. They will not exceed their budgets without prior authorization from the production manager, but rather embrace the creative challenge of "making as much of as little as possible".<sup>98</sup> According to Emil Ahlén, it is usually not a problem to give the director and other creators within the production directives by referring to budgetary restrictions. He characterizes the Swedish film industry as being production friendly: "People are generally cost aware and have an understanding for economic boundaries, they don't take them as a violation of their artistic integrity".<sup>99</sup> This might be because SF is careful in choosing who they work with on projects. "To be successful as a producer, you need to be responsive to both financial and artistic factors, and the same goes for directors. Movies are hybrids: they are commercial products with cultural content – the director and the producer need to collaborate to get this right".<sup>100</sup>

Emil Ahlén and Börje Hansson both share the notion that talented creators enjoy the challenge of making the most out of as little as possible. "People enjoy coming up with creative solutions to problems, and if not for any other reason, money that they can save at one point can be used to improve the quality on something else later. They see it as creative gains, not financial ones".<sup>101</sup> Börje tells of when he worked on the production of 24 *Beck* movies. For the first eight they were on pretty tight budgets, before they had built the strong brand that *Beck* is today, and they shot the movies at a very small studio in the south of Stockholm. Börje handled the budgetary restrictions by challenging people to shoot as many different sceneries as possible using the same backdrop. "Everyone, directors, scenographers, property masters and so on thought it was so exciting that it turned into a sport: 'How many sceneries have you shot on that wall?' they would banter".<sup>102</sup> Lisa Berggren explains that the role of the production manager is not to try to save money in order to produce the film at a lower cost than budgeted and that she wants all of the allocated money to be spent, but in a way that realizes the director's vision of the project.<sup>103</sup>

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<sup>98</sup> Berggren, Lisa, Production Manager, 2011-10-26

<sup>99</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>100</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>101</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>102</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>103</sup> Berggren, Lisa, Production Manager, 2011-10-26

## 4.3 Marketing

### 4.3.1 Post-Production

Once the shooting of the movie is concluded the material goes into post-production. Post-production activities include video editing, special effects, soundtrack editing and similar. At this stage, there is not that much risk left regarding total production costs and the frequency of cost follow-ups decreases, but the set target within the remains of the production budget is strictly monitored and enforced.<sup>104</sup> The work during this phase is led by a post-production manager and supervised by the production manager and the director, but also the producer.<sup>105</sup>

### 4.3.2 Marketing Activities

The first PR or advertising activity occurs already after the production decision is made by announcing the project, usually through a press conference or a press release. During production, it is common to arrange a press day, when media is invited to the set for interviews and photographs, but the majority of the marketing activities for the movie begins during the post-production stage.<sup>106</sup>

After seeing the first rough cut of the movie, the marketing department (included in Theatrical Distribution) will review the preliminary marketing budget for theatrical release, which was made before the production decision was made, and potentially revise their initial estimates based on what the end product now looks like. “If the movie turns out better than we had expected, we will invest more heavily in marketing, and vice versa”.<sup>107</sup> Once again, this is referred to as something of an art form and a judgment call on the commercial potential of the movie.<sup>108</sup> As these costs will be absorbed in the production budget, the producer has to give approval for the marketing budget. This budget includes art work, trailer production, number of copies (both analogue and digital) for distribution to movie theaters, PR consultants and more.<sup>109</sup> When the marketing budget has been approved, the marketing department will start to develop art work (movie posters, other prints and ads) and the trailer for the movie. This can lead to heated

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<sup>104</sup> Lindbärg, Per, Controller, 2011-11-08

<sup>105</sup> Westeson, Moa, Producer, 2011-11-30

<sup>106</sup> Svendenius, Eva, Head of Theatrical Distribution, 2011-10-25

<sup>107</sup> Svendenius, Eva, Head of Theatrical Distribution, 2011-10-25

<sup>108</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>109</sup> Svendenius, Eva, Head of Theatrical Distribution, 2011-10-25

discussions: “Many directors usually want art work and trailers that are not commercial enough – we need material that can boost sales”.<sup>110</sup>

#### 4.3.3 Marketing Strategy

The Swedish Film Institute (SFI) also grants funding to distributors in the Swedish market. In deciding which films to support, SFI promotes films that, among other criteria, are seen as having “a high artistic or content value”.<sup>111</sup> “They also want a geographical spread for the films they support”<sup>112</sup> – meaning that they will sometimes specifically require the production of additional copies for more rural distribution in order to grant (additional) funding, which can then be financially beneficial for SF to accommodate.<sup>113</sup>

The most important variable to consider when devising the marketing strategy is as previously mentioned the unique selling point of the movie - how to best market it. As an example, Börje Hansson mentions director Richard Hobert’s latest film *En Enkel Till Antibes*: “I started by looking at statistics for Hobert’s prior 18 movies and the number of tickets they had sold. The spread was 5,000 – 300, 000. What good would the average of that do me? I need to decide if this is the film that sells 5,000 tickets or 300,000. In this case, I arrived at an estimate of 50,000 tickets, based on what I believed to be the strongest commercial variable of the movie – that this film in all likelihood is Sven-Bertil Taube’s last major film role. This was a stronger argument than Richard Hobert being the director”.<sup>114</sup>

#### 4.3.4 The Final Edition

Before the final edition of the movie is made a number of people sees the first rough cut. Besides the marketing department for theatrical distribution, these screenings can be attended by a range of people, including the CEO and people from the production department as well as the other distribution and sales departments. After the screening, everyone provides feedback and input on the material with the specific aim of editing the movie to optimize its commerciality. In rare cases, the conclusion may even be that additional or re-shooting of scenes is required to make the movie work. Regardless, any considerations made are strictly commercial.<sup>115</sup> “I think that it is important to strive for the realization of the creative vision of the project during production, and not necessarily to do stuff for commercial reasons at that stage. But when

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<sup>110</sup> Svendenius, Eva, Head of Theatrical Distribution, 2011-10-25

<sup>111</sup> Svenska Filminstitutet, (“Riktlinjer för lanseringsstöd”), 2011-11-29

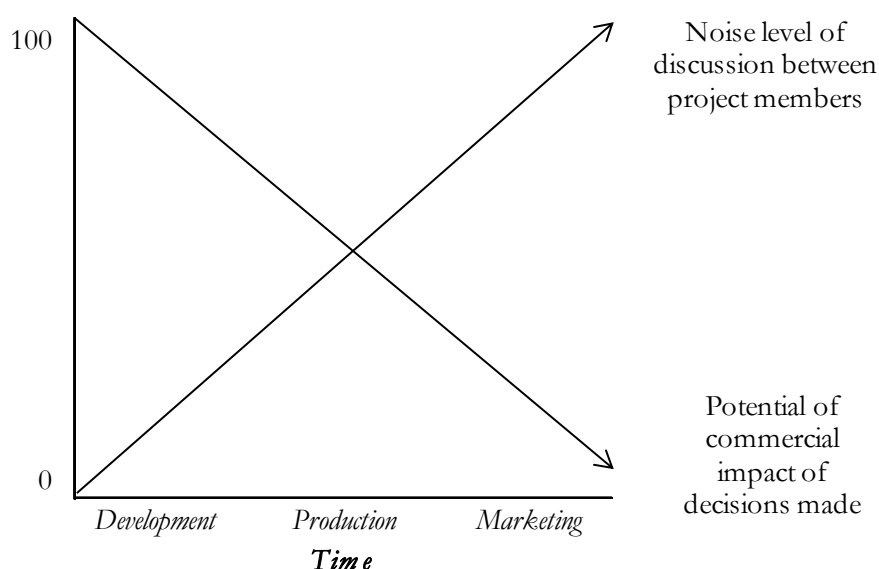
<sup>112</sup> Svendenius, Eva, Head of Theatrical Distribution, 2011-10-25

<sup>113</sup> Svendenius, Eva, Head of Theatrical Distribution, 2011-10-25

<sup>114</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>115</sup> Ramstad, Rasmus, CEO, 2011-11-18

reviewing material in post-production, you have to be prepared to kill your darlings”.<sup>116</sup> As an example, Lisa mentions a few scenes in *Kvarteret Skatan* that they laughed hysterically at while shooting them, but later realized would not work in theaters when reviewing the material and therefore decided to cut. The feedback that is given to the director based on these screenings is not always well-received and often leads to arguments. However, “most directors understand that we only want the movie to do well and are therefore open to our input”.<sup>117</sup> Ultimately, unless the director has a final cut clause in his contract, it is up to the producer, and thereby SF, to decide. SF may also arrange test screenings as a market proxy before the final edition is released. In the case of *Kvarteret Skatan*, test screenings of two different editions were arranged to see which one the test groups responded better to.<sup>118</sup> “Ironically, this final stage of the production is when people are most agitated and argue about the smallest of issues” says Börje Hansson and draws the below chart:<sup>119</sup>



**Figure 4.3**

*Graph illustrating the development of the noise level of discussions in relation to the potential impact of decisions made throughout the life-time of a project  
(Hansson, Börje, 2011-10-05)*

Börje explains that the starting point is the point in time when a producer has identified an idea and decides to pursue it. He attributes this decision a 100 score on a 0-100 scale on the potential of commercial impact and as the producer makes this decision on his own, a zero score for the level of argument surrounding the decision. As a project progresses, the potential of the commercial impact for each decision made decreases whereas the level of debate and discussion

<sup>116</sup> Berggren, Lisa, Production Manager, 2011-10-26

<sup>117</sup> Ramstad, Rasmus, CEO, 2011-11-18

<sup>118</sup> Ahlén, Emil, Junior Producer, 2011-11-21

<sup>119</sup> Hansson, Börje, Head of Production, 2011-10-05



only increases and gets progressively heated between people involved. In the end, the discussion revolves around movie posters and similar comparably small issues: “the director and the producer usually have a real falling out here and shout loudly at each other, but as all development and production costs are sunk by this stage and the final product is completed, the potential of the commercial impact of these decisions on the project as a whole is almost none”.<sup>120</sup> Lastly, when the final edition is developed the movie is ready for theatrical release.

#### 4.3.5 Theatrical Release

After the opening weekend, the outcome will be compared to the most recent revenue estimates made and a new prognosis will be made for the end result. Again, we turn to *En Enkel Till Antibes* for example: “Upon completion, when we saw the movie, the estimate was revised to 75,000 tickets – higher than what was first said. After that the film received fantastic reviews in the press and overwhelming response from the audience during test screening! And then it premiered on a Friday... and performed poorly all through the weekend”.<sup>121</sup> The movie only attracted around 7,000 people for the opening weekend and at that point in time SF revised the prognosis back down to 50,000. The final outcome will then be compared to the revised estimate of 75,000 tickets, which the final marketing budget was based on and set out to achieve, and not to the original estimate which actually was 50,000.

The annual budget is made in the fall of each year for the next calendar year and is basically an accumulation of all the individual project budgets. Revenues from theatrical distribution, which relies on new movies and unlike video does not have a back catalogue to profit from, is therefore almost exclusively based on estimates for products yet to be made. Therefore, as the controller puts it: “Frankly, this budget is not used operationally”.<sup>122</sup> This is explained by the high uncertainty attached to forecasting revenue before even having seen any material, but more importantly, SF also acknowledges the difficulty in predicting sales even after having seen the final product. “As long as I keep my budget during production, people have believed in the idea, which is required for a production decision to be made to begin with, and the vision of the project is fulfilled, I am not held accountable if the movie performs worse than expected”.<sup>123</sup> In other words, producers will not have to answer for negative deviations from the last box office estimate made before theatrical release.

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<sup>120</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>121</sup> Hansson, Börje, Head of Production, 2011-10-05

<sup>122</sup> Lindbärg, Per, Controller, 2011-11-08

<sup>123</sup> Ahlén, Emil, Junior Producer, 2011-11-21

By the time a movie premieres, all development and production costs are sunk as well as around 80% of the marketing budget. This does not give SF that much room to make any significant changes in order to recover costs based on the opening weekend results if a movie fails. Everyone, including the CEO and the board, has an understanding for the nature of the business and the great inherent uncertainty attached to individual projects and so accept that the end result is not always as desired.<sup>124</sup> At the other end of the spectrum, a movie may be a much greater success than expected. Even though the box office performance for the individual movie can differ substantially from what was estimated, it is explained that SF are usually fairly accurate in reaching their annual targets on an aggregated level.<sup>125</sup>

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<sup>124</sup> Ramstad, Rasmus, CEO, 2011-11-18

<sup>125</sup> Ramstad, Rasmus, CEO, 2011-11-18

## 5 Analysis

The analysis in this section follows the same structure as presented in the empirical section. Each sub-section will start with addressing our first research question:

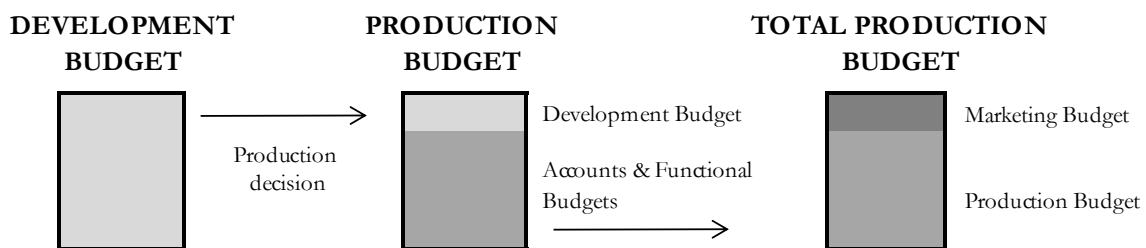
1. *What tensions exist between creative and corporate logics in the development, production and distribution stages in Swedish feature film productions?*

Guided by Caves' three core characteristics of creative work, *infinite variety*, *art for art's sake* and *nobody knows*, we will discuss the different tensions between creators and management identified in the empirical data resulting from the activities, organizational conditions and objectives for each stage. As they appear, we will analyze the use (or non-use) of the budget to deal with these tensions, thereby addressing our second research question:

2. *How are budgets used in the development, production and distribution stages to deal with tensions between creative and corporate logics in Swedish feature film productions?*

We will subsequently apply our main theoretical framework (presented in chapter X) based on the works by Adler and Chen (2011) and Frow et al. (2010) to guide our discussion of the results for each subsection.

The below flow chart provides an overview of the different budgets discussed.



**Figure 5.1**

*Relationship between development budget, production budget and total production budget. When production decision is given development costs are lifted to the production budget. The total production budget is made up of the production budget and the marketing budget.*

## 5.1 Development

### 5.1.1 Tensions and Budget Use

Two different budgets come into play during the development phase: the *development budget* and the *production budget*. All of the core characteristics of cultural industries as defined by Caves (2000) are present in the development phase to a large degree. Obviously, the degree of *infinite variety* is immeasurable in its infinity, but more to the point is that SF recognizes and appreciates this fact to a large degree. This is manifested by the fact that there are no fixed annual targets on the number of feature films produced or what kind, little corporate guidelines or restrictions imposed on the process of idea generation and loose cost control on individual development projects. As there are infinite ways in which a project can be generated and initiated, producers at SF are free to pursue projects at their own discretion and to rely on their gut feeling. In other words, the possible tensions arising from trying to control the infinite variety is handled by a *lack of use* of budgets, where instead creativity can freely dominate. This is not to say that commercial logics are overlooked. This practice seems commercially sound given the moral hazards that might otherwise arise, for instance if a producer had a set target on the number of movies to produce in a year, in that he or she then potentially would have to pursue bad projects to reach that target.

Gut feeling is also at the heart of dealing with the *nobody knows* trait of cultural economics – however this is only true for the initial stage of a development project where the individual producer is guided by the notion and overall objective of doing “good business”. Once the critical decision of production is drawing near, other people from different departments in SF are included to provide revenue estimates, and for theatrical distribution also a marketing budget that will be part of the total production budget. This procedure aims to mitigate the fact that nobody knows, but as box office possibilities follow a Lévy distribution and estimates for consequent distribution channels are partly based on box office estimates, this is in theory pointless (De Vany, 2004; Walls, 2005). Instead, as more people are included to commercially evaluate the project based on its creative content, tensions *will* arise due to the nobody knows characteristic. People will have different opinions on the content and have differing views on the commercial potential, which will lead to discussions and decisions that might have an effect on the total production budget allowed, in turn affecting the script, financing and the recruitment of actors and other creative talent.

Ultimately, the production budget will have to be reiterated a number of times until it aligns creative, commercial and political aspects or fails to do so. In this sense, the role of the production budget is the one of a *diplomat* – talking to different parties without taking sides, aiming to reach agreement. Reiterative production budgeting is also an acknowledgement of the infinite variety characteristic, as the producer can shuffle around money between above and below the line accounts until reaching congruence between creative and commercial logics and a production decision can be made or the project unravels. The production budget is effectively used as a tool to show a variety of ways in which the film can be made (or *what* film can be made) and, ultimately, if the production budget fails to reconcile the soft and the hard architectures (Cohendet and Simon, 2007) both will be at a loss as the creative vision will not be realized and the development costs will only be expensed.

The potential tensions that can arise due to the *art for art's sake* characteristic only relates to the screenplay development, which involves writers and sometimes the director, as this is the only activity that includes creative talent in this phase. As the production department has a fixed annual budget for development projects, one of the ways in which they try to avoid cost overruns is through the contractual agreements they form with screenwriters with clearly stipulated exit stages for the treatment process. Tensions arise if a writer has a creative ambition that diverges from the one envisioned and stipulated by the producer (who in turn may be influenced by soft investors like SFI who have opinions on the content), which will then become apparent during the screenplay development. SF can then use an exit clause to discontinue this collaboration at various stages. As the development budget is devised to give back all money expensed on a project that is greenlit, it provides incentives for the producer to proactively oversee the creative process to mitigate the risk of diverging ambitions due to the art for art's sake characteristic, but the budget itself is not formally used to address this potential tension. The main role played by the development budget is therefore the one of *shepherd*, letting producers loose within a boundary and guiding direction when needed.

In large, the development phase is characterized by a relatively low degree of tensions between creative and commercial logics.

***Finding 1:*** *The development budget provides a high degree of flexibility as it is largely not used, allowing for creativity and discretionary pursuit of project development within a loose boundary. The production budget is used as a facilitator and reconciliator of incongruent creative and commercial forces during the development phase,*

*ultimately deciding whether or not a movie is made. The roles performed by the development and production budgets in the development phase are that of shepherd and diplomat respectively.*

### 5.1.2 Discussion

The only control use of the development budget is the fact that it even exists and thereby acts as a frame. This frame, however, is porous and flexible in that it allows for individual and aggregated cost overruns in cases deemed necessary to do so. This bears resemblance to features of the continuous budgeting model, in that managers who are allowed a high degree of discretion still remain accountable for their budget targets at the same time as being expected to react flexibly to take advantage of attractive opportunities arising in highly uncertain environments. The conscious decision of exceeding the individual cap or the department budget cannot be made by the individual producer, but if a good opportunity is identified he or she can take it to the CEO and the board for approval. Like in continuous budgeting, the budget boundaries “are there as a general guidance but can be re-negotiated” (Frow et al, 2010) and consistent with Adler and Chen’s proposition of the positive use of *belief systems* and *enabling boundary controls* for the *solo designer* who needs a high degree of creativity. Even though at least a screenwriter is contracted in the development stage, the producer is the only one that is subject to the individual development budget, hence designated a solo designer rather than a *small design team* including the writer, why coordination issues are not as important for the budget to address.

Analyzing the iterative work on the production budget in terms of Adler and Chen’s framework is not similarly applicable as the budget in this respect is used as a different tool than for management control or for inspiring creativity – it serves merely as a way to tailor a solution where incongruent creative, commercial and political forces can agree. This role is also enacted internally when the production decision is based on the total project budget rather than on the total production budget – the corporate objective overrules that of the production department, but as long as the project budget can be used to show production and theatrical that something is beneficial for SF as a whole, there will not be any arguments. This latter role played by the total project budget is an example of an interactive use, similar to the one defined by Frow et al. for “the vital few”, as it aligns different departments to achieve the overall corporate goal of making ‘good business’ – even though it may mean that the production department does not reach break-even themselves.

## 5.2 Production

### 5.2.1 Tensions and Budget Use

Two overarching objectives can be identified for this stage: realizing the creative vision of the project and not to exceed total allowed costs. The work during the production stage is subject to tight cost control and frequent budgetary follow-ups. This is primarily due to the characteristics of *nobody knows* and *art for art's sake*, which are intertwined. Despite having consulted market expertise from the distributing departments in estimating the commercial potential of a project, SF as a company still very much acknowledges the fact that the end product and final outcome are associated with a high degree of uncertainty (*nobody knows*). As the revenue side is extremely unpredictable, it is of even greater essence for the project organization to stay on budget and not exceed total allowed costs – this is the one area that they can exercise control over. Whereas the development phase may include only one creator and seldom more than a few, the production phase may consist of several hundred more or less creative functions and there is a significant risk of large production cost overruns due to the sheer size of the project organization, where each delay and consequent additional unit of time can be extremely costly.

To control costs in this phase, the production management therefore needs to mind the issue of art for art's sake. Initially, this is done by only contracting so-called “production friendly” directors and by utilizing the professional network and community – the soft architecture (Cohendet and Simon, 2007) – that the director is part of for the recruitment of other key functions, but after that it becomes a matter of cost control and delegation of budget responsibility. Interestingly, the more creative functions are rewarded their own budgets, whereas the more technical functions are not and whose expenses are more tightly controlled and need to be authorized by the production manager. Intuitively, this might seem counterproductive and that this practice would increase the risk of art for art's sake by simply giving creative functions an amount of money ‘to use responsibly’. However, this is in part because of a recognition of the *infinite variety* characteristic. By giving the freedom to create within the boundaries of the functional budget, production management acknowledges the room needed for creativity and the expertise of the employees assigned to generate it and thereby reduces the risk of tensions arising. Throughout shooting, however, there tends to be an increasing level of argument and discussion on how to carry out individual, more or less minor tasks and while the budget does allow flexibility, it still limits the variety of ways in which creators can perform a task and therefore do give rise to some tensions. For more technical tasks, the variety of ways in which to

carry them out are *not* infinite and can therefore be more directly controlled. This more direct form of control through the production budget was also seen to cause tensions.

The other reason for giving creative functions their own budgets was perhaps best summarized by American actress, director and producer Debbie Allen put it: “But out of limitations comes creativity”. Production management actually uses the confines of economics to challenge creators creatively, and it works. In this respect, the functional budget (and thereby the production budget) is used to both encourage creativity and to save money by acting as a *translator*, interpreting the language of economics into the words of culture. The production budget thereby harmonizes creative and corporate logics and reduces tensions arising from the nobody knows (that need to be dealt with through tight cost control) and the art for art’s sake characteristics. The allowing of reallocations in the production budget as a whole (not just in the functional budgets) reinforces the ability to cope with infinite variety and one of the logics behind this flexibility is that it serves to help the director realize his or her creative vision without breaching the total cost objective. The role the production budget performs in this respect is the one of *weaver*, interlacing different threads to form a beautiful cloth, and strong and tight enough not to let anything through. The translator reduces tensions, whereas the weaver both create and eliminate them.

Even though not a feature of the production budget, the risk of art for art’s sake is partly mitigated in itself by the soft architecture of the Swedish movie industry. As it is relatively small and structured on a project basis, networks of relationships are of importance and the need for a good reputation is often crucial for individuals and crews when it comes to future job opportunities (Powell 1990; Jones et al 1997; DeFillippi and Arthur 1998; Young et al., 2009). This reinforces cost awareness and reduces the risk of tensions arising from the art for art’s sake characteristic.

***Finding 2:*** *The production budget is used to enable the realization of the artistic vision of the project within a given financial boundary, by allowing for flexible reallocations between accounts and utilization of reserves and by turning economic restrictions into creative challenges during the production phase of a movie. The roles performed by the production budget in the production phase is that of translator and weaver.*



### 5.2.2 Discussion

The project organization at this stage is a perfect example of Adler and Chen's large-scale collaborative creativity (LSCC), meaning that management simultaneously needs to address high creativity versus high coordination demands in a highly uncertain environment. The production budget is used to separate the functions whose activities do not require high creativity and these are consequently controlled through a coercive diagnostic and boundary use of the production budget, whereas the functions with their own budgets are granted more autonomy to enact their creative roles. The functional budgets are used as an enabling boundary control by the production management, reinforced by the notion of *making as much of as little as possible*. The overall coordination of departments is only partly addressed through the use of the production budget with flexible reallocations between accounts and the use of contingency and overtime reserves (thereby serving both as an enabling diagnostic and an enabling boundary tool for the production management), and more through a reliance on the soft architecture, which in turn reinforces the *role-based coordination* in movie production described by Bechky (2006) – people can effectively get to work immediately on a new project and perform. These factors allow for the production budget not having to address coordination issues to a larger extent. Overall, the use of the production budget is parallel to the interactive aspect of continuous budgeting in that the use of flexible reallocations and padding (also consistent with the advocacy of Davila and Wouters, 2005, and of beyond budgeting proponents such as Hope and Fraser, 2003) within the strict confines of the total production budget allows the production management to balance the tensions of the need for creativity and the need for financial control. Ultimately, this interactive use of the production budget serves to achieve the 'vital few' objectives of the project: to realize the director's vision and to meet the overall cost target.

## 5.3 Marketing

### 5.3.1 Tensions and Budget Use

Once shooting is wrapped and the large project organization is reduced to a small team again, the end product is near finish and theatrical release. Before the final touches are added in the post-production phase, there is a screening arranged for employees at different departments at SF and the final edition will be based on their judgment informed by strict commercial reasoning – the only objective at this stage is to maximize revenue. Unless the director has a clause for last cut, potential tensions due to the *infinite variety* and *art for art's sake* characteristics can more or less be ignored by corporate directives at the potential expense of any artistic considerations when

finalizing the movie and the products marketing it (art work and trailer). This is similar to the finding made by Thompson et al. (2007) for the record industry where companies change the sound of records for commercial reasons. The tensions at this stage are often very explicit in heated arguments between the director, the only remaining ‘creator’, and the producer surrounding relatively minor details in post-production and marketing activities. By letting strict commercial judgment rule the decisions made at this stage, these tensions arise because of the infinite variety and art for art’s sake characteristics.

The corporate screening and in some cases public test screenings are used as market proxies to deal with the fact that *nobody knows* and guide the completion of the final edition. A new marketing budget is made and this budget works as a *gatekeeper* for the theatrical release – worst case scenario is that a movie is not exhibited in theaters at all, and tensions between creative and commercial logics arising from the nobody knows characteristic are progressively greater the lesser the gatekeeper lets past. This gatekeeper role is similar to findings made in studies of distribution in other cultural industries (Hirsch, 1972; Caves, 2000; Thompson et al., 2007). However, an interesting reverse situation can arise, when even though the marketing plan and budget is strictly based on commercial judgment, this judgment can partly be informed by cultural considerations made by the Swedish Film Institute (SFI). As they may grant marketing funds for increased distribution to movies that they consider to have “a high artistic value”, SF can actually receive more grants than it costs them to increase distribution – i.e., they can profit from a strict creative judgment on behalf of SFI, even if the movie does not sell so much as one additional ticket from this increased distribution. In this case the marketing budget can be used to reconcile creative and commercial tensions.

In summary, however, this stage is entirely dominated by commercial considerations, and artistic logics are crowded out (similar to Eikhof and Haunschild, 2007). Potential tensions are not so much handled as they can be overlooked as a result of contractual agreements on last cut, and if anything, the use of the marketing budget increases tensions. Consequently, tensions between creative and corporate logics are at their greatest at this stage for the entire project.

Lastly, after the theater exhibition period for a movie is over, the total production budget will either have succeeded in meeting its targets or failed. As long as the cost targets have been met, the producer will not be held accountable for not meeting estimated ticket sales. The total production budget therefore acts as Dr. Jekyll and Mr. Hyde - while exceeding total production

costs is not tolerated by Mr. Hyde, Dr. Jekyll will not hold a grudge for failing to meet estimated revenue related to theatrical distribution. This is a final and ultimate recognition of the fact that nobody knows in the motion picture industry.

***Finding 3:** The use of the production budget is diminished in post-production and tensions are not dealt with. The marketing budget is used to decide the degree and spread of the finished movie in theatrical distribution based on strict commercial judgments that also decide the final edition of the product. The total production budget is not used to hold producers accountable for revenue generated, only for total costs. The roles performed by the marketing budget and the total production budget in the marketing stage are that of gatekeeper and Dr. Jekyll and Mr. Hyde.*

### 5.3.2 Discussion

The post-production activities are handled by a small team that can be characterized as something in between a *small design* and a *small routine production team*. However, the creativity demands are simply overlooked and the team is instead treated purely as a routine production team. The production budget achieves this by being used strictly coercively not to exceed remaining costs allocated.

Most of the marketing activities, save for maybe art work and trailer production, does not require a high degree of creativity. Furthermore, even the art work and trailer production are guided by commercial logics, as the final editing in post-production is, and also circumvents potential tensions through contracting. The marketing activities are therefore conducted by a *small routine production team*. Consequently, the budget does not need to address either high creativity demands or high coordination demands and is mainly used as a coercive control tool at this stage to optimize revenue.

Finally, the fact that the total production budget is not used to ultimately hold producers accountable for negatively deviating box office revenue, and thereby for consequent failure for those projects, is another characteristic shared with continuous budgeting. As expressed by producer Emil Ahlén, failure is acceptable if the producer can demonstrate that he or she has lived up to all other expectations and therefore has done everything in his or her power to meet the targets. This was deemed a key aspect of the continuous budgeting model, and a view supported by everyone interviewed at SF. As for the company in the article by Frow et al., this is certainly not to equate with a license to fail, but an important feature for the success of SF's own production as a whole in pursuing profitable projects.

## 6 Concluding Remarks and Future Research

Our study shows that there exist different tensions between creative and corporate logics in Swedish feature film production. The main sources of tensions arising in Swedish feature film production are the characteristics of cultural production identified by Richard Caves (2000), *infinite variety*, *art for art's sake* and *nobody knows*. We have shown that these characteristics and sources of tensions differ in degree of importance between the different stages identified in feature film production - development, production and marketing. This is a result of the different tasks and organizational conditions and objectives involved in each stage. Consequently, we find that the need for reconciling creativity and control in managing these tensions imposes different challenges on the production management for each stage. By applying Adler and Chen's (2011) framework for management control in creative organizations and the continuous budgeting model (Frow et al., 2010), we show that these challenges can be addressed through different uses (or non-uses) of budgets by incorporating different levers of control for each stage. Furthermore, we find that the *soft architecture* and the project structure of movie making can help reduce management's need for formally addressing these tensions, through the use of professional relationships and *role-based coordination*, in the production phase, which can be characterized as a *large-scale collaborative creativity*.

| Development  | Production  | Marketing   |
|--|---|---|
| <i>Shepherd</i>  | <i>Weaver</i>   | <i>Dr Jekyll and Mr Hyde</i>  |
| The development budget provides a high degree of flexibility as it is largely not used, allowing for creativity and discretionary pursuit of project development within a loose boundary.        | The production budget is used to enable the realization of the artistic vision of the project within a given financial boundary, by allowing for flexible reallocations between accounts and utilization of reserves              | The total production budget is not used to hold producers accountable for revenue generated, only for total costs   |
| <i>Diplomat</i>  | <i>Translator</i>   | <i>Gatekeeper</i>   |
| The production budget is used as a facilitator and reconciliator of incongruent creative and commercial forces during the development phase, ultimately deciding whether or not a movie is made. | The production budget is used to enable the realization of the artistic vision of the project within a given financial boundary, by turning economic restrictions into creative challenges during the production phase of a movie | The marketing budget is used as a gatekeeper for theatrical release based on strict commercial judgments that also decide the final edition of the product. |

**Figure 6.2**

*The different roles of the budget throughout the life-cycle of a film production*

Specifically, we find that the relative *non-use* of the development budget and the use of reiterative work on the production budget can reconcile creative and commercial logics in the development stage. The development budget acts as a *shepherd* whereas the production budget in this stage plays the role of *diplomat* at the time of production decision. In the production stage, the production budget acts as a *translator* to align creative and commercial logics by using creative

challenges as a means to deal with economic restrictions and a *weaver* by allowing for flexible reallocations and padding to help the director realize the creative vision of the project without exceeding total production costs. Ultimately, in feature film production as a creative industry, the marketing budget plays the part of *gatekeeper* at the time of theatrical release decision and depending on the final outcome, the total production budget will perform the role of *Dr. Jekyll* if the producer has lived up to all expectations but not met the estimated ticket sales, but quickly enact the role of *Mr. Hyde* if production costs have been exceeded. This serves as something Frow et al. labels “encouragement of failure”, which does not constitute a license to fail, but an important feature for reaching the overall objectives of doing ‘good business’ in the inherently uncertain movie industry.

Ultimately, commercial logics crowd out creative logics (similar to Eikhof and Haunschild, 2007) and the tensions between them are largely overlooked by the end of the project. Overall, we find that these tensions tend to increase progressively throughout the course of production in the case company, where the use of different budgets have been shown to both reduce and increase tensions.

Even though the development, production and marketing budgets are separated practically in their uses, for the finished feature film the development and marketing budgets are absorbed in the total production budget. Our finding of different uses for different purposes within and between different phases throughout the length of the feature film production is consistent with a practice supported by Fisher et al. (2002), who argue that positive externalities can arise when a combination of budgeting reasons are used. The antecedents of the reasons to budget are different for each stage and consequently the budgeting characteristics optimizing performance may need to change too (Hansen and Van der Stede, 2004).

The film industry is part of the cultural economy, but sector specificity is still a factor that comes into play when considering the applicability of these findings on creative or cultural industries in general. The film industry differs in many respects from the music, literature or fashion industries, such as organizational structures and size, skill sets, contractual relationships and employment structure. Furthermore, as our study is confined to one organization the results cannot be generalized for the rest of the film industry because of organizational specificity. However, it shows an example of how the budget can be used in different ways to deal with the tensions arising from the need for creativity and the need for control in a cultural industry, and

also its limitations in this respect. Clearly, studies on the use of budgets by other organizations in both the film industry as well as in other cultural industries would advance our understanding for how management can deal with issues related to a supposedly emergent cultural economy, in which creativity is considered an increasingly important factor for competitive edge. Nevertheless, our results demonstrate that the use of budgets can play an important role in a highly uncertain environment, similar to the findings of Frow et al. (2010) and consistent with the propositions of Adler and Chen (2011).

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## 8 Appendix

The outlined questions below made up a basis for the semi-structured interviews. Follow-up questions and more specific questions regarding the specific field of each interviewee are not accounted for below.

### General

1. Personal background
2. Role at SF

### Budget

3. Budget responsibility
  - a. Budget owner
  - b. Affected by which budgets
4. Budgeting
  - a. The budgeting process
  - b. Input variable planning
  - c. Participation (Other managers, other staff, external parties)
  - d. Other issues (Contingencies)
5. Budget use
  - a. Budget emphasis
  - b. Follow-up
  - c. Deviation from target
  - d. “Small problems” (Alternatives to reach target)
  - e. “Big problems” (Cancellations, new directions)
  - f. Revisions and updates (Frequency, time period, new target use)
6. Other controls
  - a. Operational planning
  - b. Other planning
  - c. Incentives and evaluation
  - d. Process orientation and guidelines

### The environment

7. Creative environment
  - a. Work and tasks
  - b. Need for creativity
8. Commercial vs creative
  - a. Goals and targets
  - b. Ambiguities (multiple goals, conflicting demands)
  - c. Control of creative staff
  - d. Task uncertainty
  - e. Environmental uncertainty