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Profit vs. Passion:

A Qualitative Study Exploring The Role of Accounting Practices in Creative Film Production

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Abstract

This thesis explores how the film industry navigates the challenge of balancing creative freedom with financial incentives. Movies are products of creativity which requires the ability to operate without too much interference or restrictions, but they are also investments which must be financially safe and profitable to get funding. Through qualitative interviews with industry professionals with different positions, perspectives and experiences we investigate the tensions which arise during the pre-production and mid-production phases, with a foundation in mainly the Swedish film industry. We analyze these issues using Schad and Miron-Spektor's (2020) *paradox theory*, which highlights the persistent contradictions faced by organizations. The study identifies how production companies often exercise great influence over directors and can require both a reliance on established intellectual properties (IP) and popular actors to reduce financial risk. However, the study also finds support for cases where directors can be less affected by this managerial influence if they are deemed to create risk averse films and can thus work without external control. This suggests that the movie industry can manage the interplay between creativity and profitability without sacrificing either financial security or artistic integrity.

Keywords: Creative freedom, Accounting practices, Risk aversion, Managerial oversight,
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1. Introduction

1.1 Background

"It is a jungle, as it at the same time is a well-oiled machinery"

– Interviewee SC

The quote from interviewee SC encapsulates the industry, which is film production quite well, where both standardization and flexibility is captured. In the world of filmmaking, creativity, or the "*jungle"*, is often perceived as the lifeblood of the industry, a force that drives innovation, originality, and storytelling. However, behind this creativity lies a foundation which is just as crucial for the industry's survival, the "*well-oiled machinery*", i.e., the very accounting practices making the industry financially viable. Film production is not only an artistic endeavor, but also a business, reliant on budgets, risk management, and managerial oversight. This leads to a paradoxical environment, where the very creative freedom that is crucial for original and innovative content is dependent on the accounting actors in order to gather the funding and financial planning to make the film possible. These accounting practices' roles in making the movie profitable, and even possible, can however cause constraints which impede the very same creative freedom which the industry is dependent on.

During the making of a film, the budget is often seen as something which is holding back the creative freedom of the process, something which hinders the creative actors from achieving their goal, rather than guiding , that is, from the view of the creator. Previous accounting literature on the interlinkages between popular culture and accounting practices recognize that it can hinder the creative process, but also emphasizes its absolute necessity (Friis and Hansen, 2015; Mikes and Morhart, 2017; Maier, 2017; Jeacle, 2021). Not only does previous research advocate for how it allows for financial success, and the survival of cultural practices, but it can also work as a guiding framework.

While previous research does present views on how accounting practices affect the creative process of popular culture (Friis and Hansen, 2015; Mikes and Morhart, 2017; Maier, 2017; Jeacle, 2021), its focus lies on the process after greenlighting. In the scenario of filmmaking,

this means that the center of attention lies in between that of the greenlighting of the project and the box office weekend. Not including the time after the process is completed is a reasonable prioritization when examining the trade-off between creative freedom and financial constraints, as the creative process is completed by then. However, by excluding the "pre-process", the process of the greenlighting and the set up for the project, previous literature misses out on important aspects which lay the foundation for the project, for instance the explanation and reasoning for the financial planning.

Furthermore, one aspect which previous literature has focused less on is the managerial interference during and before the process of the creative production, something which is crucial to understanding the trade-off between creativity and financials. While previous research has discussed managerial control's effect on innovation (Haustein et al., 2014; Lövstål & Jontoft, 2017), little focus has been given to this in literature discussing cultural industries. Furthermore, while previous research mentions the effects of the budget for instance, it focuses less on the effects of direct managerial control during the production of creative outputs. These "interferences" can be everything from changing smaller parts such as the dialogue in a scene, to include a new trend, to altering the whole script or set design. The oversight in not including this section leaves unanswered questions regarding the creative process, and how it is intervened due to financial objectives.

There is clearly a gap in the research which has previously been conducted, a gap which we in this thesis seek to address. This thesis seeks to explore the dynamics of the film production industry, focusing on two key phases, crucial to understand the paradoxical nature of it; the pre-greenlighting stage and the production phase, and the managerial oversight and risk aversion strategies conducted within it.

To understand the above-mentioned oversights and exclusions of previous literature, this thesis aims to complement with data from a diverse group of interviewees, by way of cross-sectional interviews with various professionals in the field with different roles to gain a broad and diversified perspective. The question of how the tension between popular culture and accounting practices plays out in action is a complex one and requires subjective perspectives

to form a nuanced understanding. To gather these subjective views, and further add to the conversation, a qualitative approach, complemented by a narrative analysis, will be utilized.

The thesis will in section two discuss the theoretical framework which will guide the discussion and analysis of the empirics; *paradox theory* (DeFillippi et al., 2007; Schad and Miron-Spektor, 2020). Said empirics will be introduced in section four, divided into an introduction, description of the pre-production process, followed by a description of the mid process. Finally, in section five, an analysis and discussion of the empirical findings will be discussed from the perspective of *paradox theory*, finalized by a conclusion in section six.

1.2 Contribution

The findings of this research aim to provide valuable insights for both academics and practitioners. For researchers in the field, the study aims to contribute to a deeper understanding of how creative and financial priorities intersect in cultural industries, such as the film production industry. For industry professionals, it aims to offer a deeper understanding of the paradoxes within their industry, an understanding crucial for navigating the complexities of filmmaking in its resource-constrained and creative environment. Ultimately, this thesis argues that the tension between creativity and control is not merely a challenge but a defining characteristic of the film industry, as it is a dynamic force that shapes its successes and failures alike.

1.3 Aim and Research Questions

The study aims to offer a qualitative understanding of the relationship between accounting practices and creative freedom in film production. The focus will lie on the pre-greenlighting process as well as mid-production, in order to capture the foundation for projects. We therefore land in the research question:

"What role do accounting practices play in film production decisions?"

2. Literature and Theory

2.1 Domain Theory

2.1.1 Accounting and Culture

Jeacle (2009) looks at the relation between accounting and everyday life, emphasizing the importance of including a cultural perspective in accounting research. By adapting the scope of accounting research accordingly to include more cultural contexts, a deeper understanding of both accounting practices and its impact on cultural shifts can be made.

The role of accounting in popular culture, particularly cinema, reflects the current consumer culture (Jeacle, 2009). Cinema can be regarded as a cultural technology with significant impact that mirrors as well as contributes to everyday life. Jeacle highlights how accounting practices play a big part in industries within popular culture but has been understudied and thus the realm of accounting research would benefit from more studies looking at how it supports decision making. Jeacle argues that accounting can shape and influence the way people shop, dress, and even construct their homes, thereby embedding itself in our personal everyday lives.

This perspective is further built upon by Jeacle (2017) as she shifts her focus from accounting practices' impact on everyday, and individual, life to a larger scale. Jeacle recognizes popular culture as a powerful global force, which has immense financial impact, as seen in high-grossing movies like Disney's *Star Wars* as well as in best-selling albums, exemplified through Adele's record sales. Through the examples of *Star Wars* and Adele, she also shows how accounting's role in the entertainment industry involves more than merely looking at standard financial metrics, but that it also encompasses managing brand image, reputation, and cultural perceptions. Through this, Jeacle (2017) shows how accounting practices in these cultural industries influence cultural projects (such as movies and music), as these projects are "steered" in the direction which will generate more capital and greater brand image, therefore guiding collective cultural views.

2.1.2 Accounting Practices in Cultural Settings

In Jeacle's (2021) special issue, she continues her research with an emphasized institutional focus, where previous researchers are mentioned. The author also shifts her focus from accounting practices such as budgeting to performance measurement metrics by example of museums. She references Agostino & Arnaboldi's (2020) research on Italian museums which showcases how they are increasingly judged based on performance metrics such as visitor numbers, engagement ratings, and social media feedback. This increased focus on performance forced and encouraged museum employees to adapt their exhibitions to adopt more interactive and entertaining displays to cater to broader audiences. The shift towards more measured performance in something as inherently cultural as museums highlights accounting's impact on creativity. Jeacle (2021) means that accounting practices push cultural institutions toward experiences which align with public expectations, and financial performance goals, thereby reshaping the institution's identity and purpose. Furthermore, Jeacle (2021) means that thanks to accounting's impact on cultural projects, the popular culture industry can survive, be viable, and profit-driven without sacrificing the fundamental cultural values.

The impact that accounting practices have on cultural practices, brought up by Jeacle (2021), is further reinforced by Mikes and Morhart (2017) who presents accounting as a catalyst, rather than a constraining factor, in regard to its creation. Mikes and Morhart (2017) examine the Charlie Chaplin Museum, and how, through accounting practices such as feasibility studies, revenue projections, and risk assessments, the project was made possible. The authors emphasize how it helped align the interests of stakeholders, including the Chaplin family, private investors, and local authorities. While the Chaplin family wished for integrity, authenticity and representing Chaplin's legacy, investors were concerned with financial viability, and local authorities viewed the museum as a potential economic driver for tourism. Mikes and Morhart (2017) explain how accounting practices bridged the gap between these differing views. These practices supported the authenticity of Chaplin's legacy by ensuring the museum's sustainability. For instance, by allowing the Chaplin family to incorporate core aspects of Chaplin's life, like original artifacts, more visitors were drawn to the museum, thereby allowing the cultural aspects to align with the financial feasibility. Accounting's role

in this project underscores a shift from merely a budgeting mechanism to a vital tool for managing the tensions between creativity and commercial demands in cultural productions.

Further emphasis on accounting practices' role in enabling creative processes is enlightened by Lapsley and Rekers (2017) during their study of West End musical productions. In an industry which shares similar creative aspects to that of museums, musical productions too suffer from the tensions between creative goals and financial demands. While Mikes and Morhart's (2017) case of the Chaplin Museum showed how stakeholders' interests were aligned with accounting practices through structured projections and risk assessments, Lapsley and Rekers (2017) showcase how producers adapt SMA (strategic management accounting) practices. These are more flexible and ongoing, emphasized as a social process, where continuous negotiation with intermediaries such as critics and funding bodies validate new shows and influence their success. This highlights accounting's dynamic role in cultural projects as more than just a financial tool, it becomes a collaborative, socially driven mechanism that facilitates both creative ambition and commercial viability.

Diving deeper into the dynamic possibilities of accounting, Frow et al. (2010) explains a specific type of flexible accounting practice; "continuous budgeting". Continuous budgeting builds upon the principle of dynamic accounting practices and allows for budget adjustments in response to emerging demands. Frow et al. conducts their study on a company, "Astoria", which is described to operate in an industry characterized by rapid technological change, increased levels of uncertainty and a need for creativity and innovation. The managers at said company used a continuous budgeting approach to dynamically adjust budgets to meet strategic objectives without compromising financial accountability. By using a flexible approach, it enabled an effective balance between meeting financial targets and allowing innovation to thrive.

2.1.3 Budgeting as a Risk Aversion in Cultural Settings

Friis and Hansen (2015) discuss how many previous studies show that creativity thrives in environments characterized by freedom and flexibility, and that constraints, such as those imposed by budgets, can stifle innovative thinking. They reference research suggesting that

line-item budgets, which authorize only specific amounts for predefined expenses, are typically seen as restrictive as they leave little room for adaptation. In this view, line-item budgeting systems are argued to be coercive rather than enabling, thereby limiting creativity. However, in contrast to this view, Friis and Hansen also explore the potential benefits of budget constraints, in regard to creativity. They refer to earlier research and suggest that creativity and constraints can complement each other as constraints may force creative efforts to be more focused during productive directions. This idea aligns with Elster's (2000) constraint theory, which Friis and Hansen use as the theoretical basis for their research. It explains how constraints can limit excessive options and thus encourage more focused and innovative solutions. According to Friis and Hansen, constraints can protect individuals from the "negative" effects of passion, and the risk of "limitless daydreaming", which may hinder the creative process. They cite Francis Ford Coppola, director of *Apocalypse Now*, to strengthen this point:

"We were in the jungle, there were too many of us, we had access to too much money, too much equipment, and little by little we went insane"

Showcasing how too high of a budget may in fact hinder the creativity and efficiency of a film production. Friis and Hansen's focus in the article is line-item budgeting, a method of specifying detailed spending limits for each cost category, which they note is often criticized for its rigid control over expenditures. However, Friis and Hansen express that line-item budgeting also can enhance creativity by forcing filmmakers to focus on the most critical aspects of production and encourage them to find innovative solutions to these financial constraints. Furthermore, they explain that budgeting can function as an advisory tool and a self-control mechanism, helping filmmakers manage their creative processes by limiting options and avoiding decision paralysis. They argue that by enforcing pre-commitments through budgets, filmmakers are better able to manage the creative process rationally and effectively.

In film production, accounting concepts such as budgeting are hence not seen as merely a method of controlling costs and ensuring profit, but also a way of aligning the creative

aspirations of directors with financial boundaries. Maier (2017) highlights, through a study of a television series, how budgets shape the day-to-day decisions of creative professionals, and discusses how calculative practices in cultural industries are internal to managing tensions between creativity and control.

Maier (2017), similar to Lapsley and Rekers (2017) and Mikes and Morhart (2017), further explains how the budget of a film is not only a constraint but can help guide the creative decisions which are to be made within the production. She discusses the "mediating process" through trade-offs between different aspects of the production process. During the case study Maier observes how department heads, for instance set designers and costume designers, constantly mediate between creative demands of the script and the financial limitations which are imposed by the budget. She explains how the trade-offs made during this process could for instance be reducing the scale of a scene, or adjusting the materials used for sets. Having to mediate in between departments, while still ensuring that the overall vision of the project is maintained, is hence seen as a guiding framework.

Beyond that of the mediating actors, such as the different department heads, Maier introduces the concept of "mediating instruments" and references the fashion industry. Here, budgets are part of the ongoing design process, and the final creative product is influenced by the constraints. She explains that the budget can, rather than stifle creativity, foster innovative solutions as creative teams work within these financial limits to deliver a high-quality product.

Furthermore, one of key findings of Maier's study is the concept of "framing" and how calculative practices such as budgeting are not confined merely to accountants or financial managers. Rather, she means that these are embedded in the practices of "non-accounting" actors such as directors, designers, and writers. Together, these actors form a preliminary vision of the final product, having to consider the budget constraints, where they often have some freedom over what parts they wish to prioritize. The process of framing is therefore crucial for aligning the different departments involved in production to make sure that the creative vision is maintained while still staying on budget, showcasing how these non-accounting actors embed accounting practices in their everyday cultural work.

The study also explains how budgeting practices are essential in dynamic environments like film production. Given the inherent uncertainties, such as weather delays or unexpected logistical challenges, project teams must continuously revise their budgets and schedules to meet both creative and financial targets (Maier, 2017). This flexibility in budgeting practices underscores the importance of an integrated and joint approach, where financial management is deeply intertwined with the creative process.

2.2 Research Gap

A significant research gap in the current literature on the film production industry lies in understanding the process prior to when a project is greenlit, specifically examining the interplay between managerial oversight, risk aversion and creative freedom. These factors will, however, also be further investigated as to how they take form during the mid-production, complimenting the study to achieve an understanding over the entire process. Existing research emphasizes that accounting practices such as budgets act as guiding frameworks (Jeacle, 2012), balancing both financial and creative aspects to enable the realization of film projects. Studies however also show conflicting results in regard to whether budgeting either constrain creativity or manage it effectively (Friis & Hansen, 2015). However, while these studies focus on budget as a post-planning mechanism that guides production, there is a lack of exploration into what role accounting practices play initially, and the dynamics involved in negotiating creative visions before they are constrained or supported by financial considerations. The Swedish movie industry has been given little to no attention in previous academic research regarding this subject. Hence, focus will also be put on the Swedish film production industry, and the effects accounting practices such as budgeting and risk aversion have on the creative process, crucial for an industry such as the film industry. However, international productions will also be considered when researching the industry, and the focus on Sweden should be regarded as more of an isolated case study assisting the study to explain the entire industry. Furthermore, the focus will mainly lie on the process before a project is greenlit, to fill the gap which previous literature has left, and discuss how risk aversion and managerial oversight take their role in the process. However, to capture the effects which accounting practices such as managerial oversight has on the creative product, a movie in this case, the process after the greenlighting will be discussed as well.

2.3 Theoretical Framework & Perspective

In order to analyze the tensions between accounting practices and creative freedom within the film production industry, *paradox theory* will be utilized. *Paradox theory* offers a lens through which organizations and individuals can harness tensions and contradictions to foster creativity. Instead of viewing paradoxes as obstacles to be resolved, this framework views the opposing sides as dynamic forces, in need of being balanced (Schad and Miron-Spektor, 2020).

Schad and Miron-Spektor (2020), provide a foundation for understanding tensions across different organizational levels. They categorize the tensions and contradictions into four different main categories; *belonging, organizing, performing,* and *learning*, and frames said contradictions as persistent forces which interact with each other, thus shaping organizational tensions (Schad and Miron-Spektor, 2020).

The tension in the *belonging paradox* involves the tension between the individual's desire for autonomy and their need to conform to the group's wants. This paradox can arise when personal values, preferences, or goals conflict with the collective priorities or expectations of a group. According to Schad and Miron-Spektor (2020), this paradox challenges individuals to maintain their distinctiveness while trying to maintain an alignment within the group. Successfully navigating this tension requires balancing individual contributions with the collective needs of the organization, fostering both personal expression and maintaining harmony on a group level (Schad and Miron-Spektor, 2020).

The *organizing paradox* revolves around the tensions between maintaining routine and initiating change such as standardized processes, and the flexible practices. Standardizing routines can provide better stability, efficiency and predictability for the tasks performed. However, too strong conformity and adherence to these routines can also limit and decrease the ability and opportunity to adapt and innovate, hurting agility. Adaptability can be crucial in volatile and uncertain and dynamic environments, but since standardization is also valuable through its efficiency, the two must be balanced. However, an appropriate organizational structure is required to support and enable this (Schad and Miron-Spektor, 2020).

The *performing paradox* regards the tension when stakeholders voice competing interests and goals, such as the tension between creative freedom and financial constraints in the film production industry. While creative individuals often seek autonomy and the freedom to explore new ideas and produce original and innovative content, financial considerations often push them to create more "market-friendly" products. This can cause financial considerations which often also come with constraints which get pushed on stakeholders to decrease financial risk. Schad and Miron-Spektor (2020) explain that managing this paradox involves recognizing and working with both sides of the tension, ensuring that opposing goals are balanced rather than resolved (Schad and Miron-Spektor, 2020).

Finally, the *learning paradox* addresses the tension regarding new knowledge, such as the tensions between developing radical and incremental innovation. Schad and Miron-Spektor (2020) express the terms "exploring" and "exploiting", which interlink with the *learning paradox*. These discuss the balance between balancing exploration of new and innovative ideas with the exploitation of proven practices. Essentially exploration versus exploitation discusses radical change versus incremental improvement. Schad and Miron-Spektor (2020) mean that managing the interplay between stability and adaptability is essential for innovation, an aspect especially important in cultural and creative industries, such as the film industry (Schad and Miron-Spektor, 2020).

Although all these paradoxes are efficient when analyzing the tensions which appear when decisions are made in the film production industry, some are more useful than others. Those most useful to us in analyzing the tensions we have found, are the *performing paradox,* the *organizing paradox*, and the *learning paradox*. The *performing paradox* can be used to discuss the tensions between art and commerce, between creative freedom and financial constraints, hence a good fit to our research question. Similarly, the *learning paradox* will be useful to analyze these tensions as well. Using the *learning paradox,* the balance between new ideas crucial for creative freedom in the film production industry and the more standardized approach will be able to be thoroughly analyzed. Finally, the *organizing paradox* will be used to analyze and pinpoint the standardized and flexible practices of the film production industry, and how these affect creative freedom and financial viability.

Extending Schad and Miron-Spektor's (2020) framework, DeFillippi et al. (2007) explores paradoxes within the cultural economy, showing how paradoxes manifest uniquely in industries centered around symbolic and aesthetic values. DeFillippi et al. (2007) utilizes a framework similar to Schad and Miron-Spektor (2020), mainly their take on something which they call the "*difference paradox*", one of DeFillippi et al.'s "*creativity paradoxes*".

Essentially, the difference paradox revolves around a similar principle to Schad and Miron-Spektor's (2020) *organizing paradox*, where a balance between opposing forces is emphasized. DeFillippi et al. (2007) mean that quality is reached through standardized processes, while creative expression is secured through customization, two contradicting processes. DeFillippi et al. (2007) exemplify this through multiple cultural industries, for example through the industry of theater, where managers must balance the paradox of customized methods to foster creativity or to rely on established routines to maintain productivity and efficiency. They mean that managing this difference paradox is a matter of balancing or integrating these opposing demands, in order to support innovation while still maintaining a profitable process and result.

While they offer a broader framework for understanding structural and procedural balance within organizations, DeFillippi et al.'s (2007) framework dives deeper into cultural industries and explores the balance between artistic uniqueness and market-driven consistency, emphasizing the challenge of aligning creative processes with financial constraints. DeFillippi et al.'s (2007) exploration within cultural industries such as theater, film, and haute cuisine, showcase an industrial analysis through the lens of *paradox theory*. The authors mean that these very industries are great examples of where it is important to stay competitive, due to their creative nature. In combination with this however, there is still a need for economic feasibility, and because of this tension, DeFillippi et al. (2007) mean that managers cannot conduct as rigid practices as those in traditional organizational structures, but rather need to utilize more flexible and project-based models.

2.3.1 Theoretical Perspective

Our theoretical perspective builds upon the learnings of Schad & Miron-Spektor (2020) and DeFillippi et al. (2007) and the previous literature mentioned above. Together these offer a

perspective of how accounting practices take place in cultural industries as well as a wide perspective on *paradox theory* which will allow us to examine the relationship between accounting practices and creative freedom in the Swedish film industry. Accounting is viewed not only as a mechanism for financial oversight but also as a dynamic force that can both support and restrict creativity. Whether it restricts or enables, according to this theoretical perspective, comes down to the balance between creativity exploration and financial exploitation.

By focusing on the learning (Schad & Miron-Spektor, 2020), and difference (DeFillippi et al., 2007) paradoxes, this perspective highlights how actors in the film industry continually negotiates the dual demands of quality and creative uniqueness. It applies well due to its recognition of practitioners' requirement to integrate established skills with innovative ideas, therefore balancing standardization with customization. Due to the similarities of the frameworks of Schad & Miron-Spektor (2020) and DeFillippi et al. (2007), we have chosen the terminology of one of the articles. The terminology of Schad & Miron-Spektor's (2020) (*learning-, performing-, and organizing paradox*) will be used.

3. Method

3.1 Research Design

In order to fully comprehend the decision-making process behind movie projects in the film production industry, a qualitative research approach has been chosen. The research aims to explain why certain projects are chosen over others, and how the cultural aspect is considered during planning/realization. A qualitative approach allows a focus on subjective insights through interviews; crucial for the paper to be able to deep dive into different perspectives and thoughts (Lee and Humphrey, 2006).

To allow for said different perspectives to take place in the paper, a cross-sectional study has been conducted. In order to analyze the reasoning behind individuals' decisions both across roles in an organization, and across different film organizations with different orientations, the differing views will help create an overview and an overall understanding of the decision-making process.

The formulation of the research question does not allow for a single answer, and neither does the industry have a unified response to why and how they make their decisions, and what they prioritize. Therefore, interviewing different, distinct roles in said industry is pivotal when forming a perception of it. While streaming companies and large and well-funded production companies share similar financial pressures they differ somewhat in their reasoning, making it difficult to gain a nuanced understanding of the industry without obtaining views from both. Furthermore, different roles such as executive producers, writers, directors, and more, all view said reasoning differently and not all hold the power to impact it. During the data collection and analysis process, we employed an abductive approach, allowing our understanding of the research question to evolve throughout the study as we compared the data with our framework (Dubois & Gadde 2002).

Finally, our research design is well compatible with *paradox theory*; our abstract and theoretical lens. It is designed to be able to seek and explore the competing tensions inherent in the decision-making process within the film production industry, inter alia through the cross-

sectional interview method. As *paradox theory* emphasizes the coexistence of contradictory, yet interrelated forces, our approach of gathering diverse, subjective perspectives from various sides of the film production industry fits well.

3. 2 Data Collection

The interview-based data collection was grounded in our desire to involve multiple differing perspectives in our research. The interviewees have therefore been chosen due to their respective organizations and professions; streaming service companies; production companies; film journalists; as well as their roles at said organizations. The goal with the interviews was to keep them as close to a normal conversation as possible, to avoid any unnatural or uncomfortable outcomes, something which was made possible due to preparatory research and a genuine interest in the industry.

Due to the short time frame and limited contacts in the industry, four interviewees were able to contribute to the thesis. More interviewees would offer a more nuanced approach, however some of the interviewees were able to attend multiple interviews resulting in seven interviews in total. All the interviewees contribute with decades of experience, where multiple roles and companies have been explored by each interviewee. Furthermore, supplementary data through publicly available sources such as documentaries and news articles has been used to complement the scarce number of interviewees.

The interviews followed a semi-structured format, which provided the flexibility to adapt to the interviewee's situation, experience, and expertise. This approach enabled us to pursue emerging topics and ideas, allowing for follow-up questions based on the conversation. This flexibility proved valuable, as it gave us the opportunity to delve into areas we hadn’t anticipated beforehand (Ryan et al. 2002). Furthermore, they were conducted in the interviewees' native language, Swedish, and subsequently translated into English. This introduces the possibility of translation errors. However, we believe that conducting the interviews in their native language enables the interviewees to provide more accurate and nuanced responses.

As most interviews were conducted over the phone, voice recordings have been avoided, as the sound distortion is too significant. Instead, a method was used where one transcribed the conversation, and one person led the conversation, making it possible for the conversation to be natural and fluid, while still recording the most relevant information. Furthermore, all information about the interviewees has been pseudonymized to keep their identities hidden. Instead, new "ID:s" has been given, as seen in the table below.

3.2.1 Interviewee Information

Inter-viewee ID	Role/ Position	Organization	Date of Interview	Interview Duration	Method of Interview	Key Topics Discussed
CD	Creative Director	Streaming Service	27/9	50 min	Phonecall	Financing & control methods
SC	Screening Consultant	Production Company	23/9	50 min	In-person	Financing & Screening
			2/10	80 min	In-person	Financing & Screening
FJ	Film Journalist	Journal	23/9	60 min	Phonecall	Industry
			30/9	45 min	Phonecall	Industry
EP	Executive Producer	Production Company	4/11	45 min	Phonecall	Creative Process
			15/11	40 min	Phonecall	Creative Process

3.2.2 Interview Guide

Since the participants interviewed operate and work in different parts of the film industry, there was no single rigid interview guide used throughout the data collection. Instead, a more agile

and versatile approach was applied with all interviews sharing a foundation in broader terms. The interviews were then allowed to branch and adapt the questions and dialogue to fit the interviewees's roles, experience and will to share insight.

Introduction and background information	**Please tell us about you and your job history** - Education - Career milestones? - Adverse experience in different roles and companies?
Area of responsibility, role and identity	**Please describe your current area of responsibility at [COMPANY]** - Which functions (areas) does your current area of responsibility include? - Which are other roles whom you cooperate with in the organization
Research questions	**What does the process of choosing projects look like?** - What are the aspects which you require? - What are some aspects which are undesirable? - Do you work more with IP or "stars"? **How do you finance your projects?** - "Soft" money? - Independent investors? - (Other) production companies? **Have you experienced there being a lot of managerial oversight?** - How much negotiation power do production companies have? - Do directors get restrained creatively? - Are there cases where directors get more/less creative freedom?

3.3 Data Analysis

In order to capture the subjective perspectives of different players in the movie industry, the chosen method of data analysis has been narrative analysis. The central research question in the thesis is the tension between financial control and creative freedom, a tension which most effectively is captured through individual views on the subject. By analyzing the narratives of stakeholders such as directors and producers, the aim is to understand how these players make sense of, negotiate, and justify their decision-making regarding budgeting, risk aversion and the balancing of artistic and financial priorities.

Narrative analysis is particularly effective in capturing the subjective experiences of stakeholders as it gives insight into how they perceive and communicate challenges in the industry. For example, a director may describe budget constraints as a limitation to their creative vision, while a production company most likely frames financial control as essential for ensuring a project's commercial success. Through these perspectives, the goals of the stakeholders will also be able to be understood and reasoned, such as the more creative goal of the director, and the financial goal of the producer. A narrative analysis will allow a formation of a pervasive picture of these goals, showing where they integrate and where they separate.

4. Empirical Findings

4.1 Introduction and Concepts

In 2024, the worldwide cinema market is estimated to reach $79.22bn, with the US in the lead with a revenue of $20.98bn in the *Box Office* (Statista, 2024). Although movies today can generate revenue by renting out the rights to online streaming services (for example TV4 Play, Netflix, Max, Disney+), they still heavily rely on their success in the *Box Office*, which refers to the sales of cinema tickets at the release of a movie. The *Opening Weekend* is the sum of revenue generated by the tickets sold from the first day of release to the Sunday of the same week. This initial response from the audience has been proven crucial for movies' continued success in the *Box Office* (Cabral & Natividad, 2016).

The global market has been recognized to experience a resurgence since the Covid-19 pandemic and is projected to continue growing annually by 5.67% until 2029 (Statista, 2024). However, although the cinema industry has recovered in many countries, Sweden and the rest of Scandinavia have struggled more than the rest of Europe to bounce back. The Swedish 2023 ticket sales were significantly lower than that of 2019 (pre pandemic) and domestic productions also saw a drop from 25% in 2020 to 14.9% in 2022 (Carollo, 2024). This decrease can partly be explained by a shift in the demographic of people going to the movies in Sweden, with a decrease amongst the elderly, and the youth, who are less positive about Swedish movies, becoming the most frequent movie-goers. Despite the decrease of movie attendance and large increase in popularity of watching movies at home through streaming services, cinema accounts for 40% of Swedes' film spending whilst only making up 4% of their total film watch-time in 2023. Out of 329 feature-length films with theatrical release, 59 were Swedish, with an average budget of 26.2m SEK ($2.38m) (SFI, 2024). Including feature-length movies without theatrical release, there were 75 Swedish movies released in 2023, which is a considerable increase from 2019's 52 movies (Statista, 2024).

The budget plays a big role for movie productions since it allows for greater and more popular talents and casting as well as legal rights to *Intellectual Property (IP)*. Interviewee SC explained that, In the film industry, Intellectual Property (IP) refers to the legal right of creative

products such as characters, stories and fictional worlds. IP includes franchises, book adaptations, comics as well as previous movies; all of which have been a central theme in the modern film industry and are being utilized frequently rather than all movies being entirely creatively original. Projects with a foundation in a pre-existing IP are often perceived as lower-risk investments through their ability to carry over built-in fanbases, making them attractive to studios aiming to maximize revenue potential and minimize exposure to uncertainty (Interviewee SC). Much like IP, the actors of a movie can have a similar effect, bringing viewers to a movie solely through their participation. Those who can attract many viewers are what is generally referred to as "*Movie Stars"* or simply *"Stars"*. They are often cast, aside from their skill at acting, to boost a film's visibility and appeal as their established fanbases can attract larger audiences and increase box-office success (Hoffman et al., 2017). Thus, the inclusion of Movie Stars can substantially improve financial results, despite their often substantially higher salaries.

In a survey conducted by the Swedish Film Institute (2024) examining the Swedish audience in 2023, it was shown that most swedes expect movies that they are interested in to be available on streaming services. About a third also reported to have gotten into a habit to watch more new movies at home as well as fewer feature films due to watching more TV series instead. Besides from the 4% of watch time spent in a movie theatre, most and especially Swedish movies are seen on TV (whereof 99% TV4 and SVT channels) and SVOD (Subscription-based video on demand. whereof 95% (in descending order) Netflix, TV4 Play+, Viaplay, Max, Disney+). The small and decreasing time spent in cinemas in Sweden could potentially also be linked to the disconnect between supply and demand of different genres, with a heavy skew toward documentaries and dramas. These genres have more supply than demand, whilst genres like action are the most demanded but still have quite low supply in 2023 (SFI, 2024).

At the core of film production is budgeting and financial planning for all the components to make a movie. This includes, but is not limited to, the actors, on-set filming crew, rights and marketing. Budgeting in cultural industries, especially in the film industry, serves not only as a financial tool but as a 'mediating instrument' balancing creativity and control. A film's budget thus reflects the resources needed to bring the project to completion and guides decision-

making by setting financial limits and priorities (Maier, 2017). Budgeting also incorporates risk management strategies, ensuring that funds are allocated in a way that balances creative goals with profitability. This is important for production companies since budgeting decisions ultimately dictate the scale, quality, and market positioning of films.

With a greater budget, greater precaution through managerial oversight is often taken to minimize risk. A famous instance of when managerial control was not exercised, but led to great success, is during the filming of, the Chilean director, Alejandro Jodorowsky's “The Holy Mountain”. In the documentary "Jodorowsky's Dune” by Frank Pavich (2013), Jodorowsky explains how his early success with the movie “El Topo” led to him operating completely freely.

“I did whatever I wanted. I did not have a producer, no critic, no one to mess with me. I did what I wanted and it was ‘The Holy Mountain’”

“The Holy Mountain”, created completely without managerial oversight, is explained to have performed well in Europe and in Italy that year (1973) the only movie that performed better was the James Bond movie “Live and let die”. Jodorowsky’s “The Holy Mountain” is a great example of how movies may perform well, even without financial managerial oversight.

4.2 Pre-production

4.2.1 Project Screening

The process of screening projects (not to be confused with the showing of movies) and choosing which one to execute on, often involves a pitch and detailed financial planning of not only why, but also how a movie should be made, Interviewee SC explained. This pitch can, as in interviewee SC’s case with Movie “X”[1], involve an in-depth presentation of how much budget is required to both afford the appropriate cast (movie stars) to increase attractiveness amongst a greater audience and thus reduce risk of the project failing. The proposed movie “X” was

[1] Name of high profile film, anonymized due to confidentiality

compared with 29 "favorable comparables'"[2] box-office which were deemed as a "medium case" and another movie with high return multiple as the "high case" in regard to revenue. In the pitch for Movie "X", as with many movies according to Interviewee SC, there was also a plan for how long the production would take and exactly when the release would take place, usually on a holiday.

Not all project propositions are purely based on numbers and profit projections. Instead of focusing so much on the financial side as the pitch for Movie "X", they can also be entirely separated from the commercial perspective, as with Movie "Y"[3] which was also proposed to Interviewee SC. Beyond the IP of a film, movies rely on the people behind and attached to the production. Thus Movie "Y" was pitched to Interviewee SC with only the script and a list of everyone involved in the project and their work experience, free of any models estimating ticket sales and overall pay off. This is a more qualitative approach, putting more focus and emphasis on the talent and core competencies rather than only the financial projections. This approach may, however, be just as profitable as the other by relying on the competences, reputation, and talents of the people involved, and trust that it will result in a successful movie.

Further expanding on the screening process, interviewee CD explains how they receive and review thousands of scripts and pitches and thus have a lot to choose from, but also a short time frame to consider each proposition. However, Interviewee SC also stated that they can often recognize if a script is of high quality and decide whether they are interested or not by the first few pages alone.

"*You can often feel if a script is going to be good or not already after the first pages. There is just a certain quality which some writers have, and some don't, and you can really feel it."*

It is not always enough to simply have an appealing script as the involvement of a respected director or popular actor attached to the movie is also necessary. It is important for participants

[2] Movies in the same genre released in recent years which had achieved financial success in the box-office
[3] Name of high profile film, anonymized due to confidentiality

in the industry, such as interviewee SC, to choose projects wisely, as it is their job to choose and fund films which will be profitable, they explain.

4.2.2 Financing

Despite projects being of different nature, from being meant for a streaming platform to its purpose being a large screening at the theaters, the construction of its financing is most often built up of similar components. Said components are "*soft money*" (the subsidies from governmental funds), production companies' own funds, as well as independent investors. Depending on both the type of company and which country said company resides in, the construction of these building blocks looks quite different, but movie budgets almost always utilize a combination of these (interviewee FJ).

Interviewee SC gave an insight into the financing of Hollywood movies. Due to the huge market for Hollywood-films, and the large size of production companies in the US, the organizations are able and often choose to finance a big part of their own projects. The competing market and the high demand have rendered these firms extremely wealthy.

The American motion picture industry differs quite a bit from the Swedish market. As the demand for Swedish movies is not near that of Hollywood's movies, as mentioned by interviewee FJ, it is neither as lucrative, hence not as attractive for investors. While there are some famous Swedish motion pictures which have gained quite large fame worldwide (recently "*Triangle of Sadness*" and "*The Square*", both of which won several awards nationally and internationally), the market for Swedish made films is still much smaller than that of Hollywood. Interviewee FJ explained that this, in combination with the decline of movie theater visitors and the COVID-19 pandemic, has led to Swedish films being "*severely underfunded"*. The Swedish government has issued an investigation in the matter, of which interviewee FJ is a part of whose purpose is to understand why this is, and how to remedy it (regeringen.se, 2024).

Because of the underfunded nature of the Swedish industry, movies are hardly ever made without the contribution of subsidies, which make up a large portion of the budget. With

exception to some production companies such as “Plattform”, famous Swedish director Ruben Östlund’s production company, which according to interviewee FJ has made a large name for themselves worldwide, funding seems to be quite an issue for Swedish moviemakers. Because Östlund has made a name for himself he also has more freedom in his production process. Production companies and investors want to fund his movies, despite how “crazy” and “different” they might be. At the same time, interviewee FJ means that audiences have a similar response to Östlund’s fame, as going to watch a “Ruben Östlund movie” is a selling point by itself. Because of this his movies are often financially successful despite not being as mainstream and homogenous as other films (interviewee FJ).

4.2.3 Impact on Creativity

Because the Swedish people seem to prefer Hollywood movies and series, the funding for Swedish made films is precarious. Interviewee CD explained that because of this, they must be more careful with which movies and series they pick to greenlight. They explained that they often make sure that a project either utilizes intellectual property rights or movie stars, ideally both, to maximize the chance of the movie’s financial success.

“It is extra important to make use of IP’s and stars in Sweden, due to the already quite low viewership of Swedish films”

Interviewee FJ further discusses how this risk aversion may be one of the reasons why we have seen a rise in use of IPs and stars even in Sweden. The same interviewee means that this rise in need of IPs and stars could impact creativity and originality and references the famous “Sune”-film series in Sweden.

“Just look at the “Sune-movies”, how many of those do we have? They will keep and keep being made because of the low risk associated with them. Everyone in Sweden knows the Sune-movies and knows what to expect when watching them, in contrast to something new and daring”

They explain that the low risk of failure associated with the famous brand of "Sune" makes it more attractive to production companies to keep making them. The use of IPs and stars, and the reliability of these concepts in movie creation (to minimize risk of financial failure) often leads to the budget favoring these over other components requiring funding during filming. Although budgets for movies in most cases are confidential, and the interviewees were limited in what they were able to share, interviewee CD provided one important detail:

"I cannot give you any specific budgets, and since all budgets differ it is difficult to give an estimate, however I can tell you that the IP or relevant stars for the project always takes priority, and that often these are the ones that occupy larger parts of the budget"

Interviewee EP reinforced the statement and said that *"Although a great script often always will find its way to the big screen, a good IP and some famous actors connected to it will almost always triumph"*. The interviewee built on this claim and expressed similar thoughts to that of interviewee CD. *"It is impossible to tell you a general formula for the budget in movie projects, however the people are the ones that cost the most, especially actors"*.

It is evident that not only a great script or an interesting idea of a movie is enough to compel the executives, but that a famous IP and/or actors are crucial for the film to even be greenlit. The crucial use of famous IPs and actors were explained as an absolute necessity due to the familiarity factor. Interviewee EP expressed:

"When viewers see a trailer or a poster with either actors they are familiar with or a story which they know they like from before, they feel like they know what they will get and are guaranteed some sort of ground level of quality."

When asked about whether they felt that this hindered the creative freedom of the project, they answered that although it becomes *"a must",* you can still operate freely once you have overcome said must and concluded that they did not feel that it was that big of a hindrance. Instead, interviewee EP meant that other factors had more impact on the director's vision.

"I would say that one of the largest factors that hinder the director's vision is when producers, such as myself, try to change the movie so it is more homogenous with movies which have previously been successful."

He explained how this often is done throughout the project and that it starts as early as when the project is presented to the producers. A movie may be presented and only accepted on the basis that the director accepts certain terms or that specific alterations are fulfilled. Interviewee EP claimed, however, that this interference often may not have the expected positive financial impact but could instead result in a "worse" movie and therefore lower profits.

4.3 Mid-production

Once a movie has gone through the pre-production phase by getting greenlit, decided upon a cast and production team, set a budget, chosen location to film, managed to get funding and set a schedule for filming, the mid-production phase begins. This is where the budget comes into play and needs to be carefully and strategically spent to get the envisioned end-product without running out of money. It can be hard to estimate how much the entire production process will demand due not only to the complexity, but also due to the risk of unforeseen events occurring while filming (Interviewee EP). The most feared events which can have a big impact on budget spending, according to Interviewee EP, is first of all bad weather and equipment breakdown making it difficult or even impossible to film the scenes in the planned conditions.

Additionally, interviewee EP explains, the health of the key talents is essential since the project can quickly come to halt if the director becomes seriously sick, or worse, an actor gets injured during filming which can cause weeks and sometimes even months of delay. These delays can create large increases in expenses since many filming crew members are employees who get paid even when not filming. Furthermore, delays can postpone the release date, potentially missing out on the holiday season initially intended to capitalize on. Interviewee EP explains that since risks like these can have large enough impact to determine whether the project ends up being profitable or not, production companies thus take measures to avoid these risks at all costs. The most common method is to have someone from the company present during filming as an executive producer, ensuring that actors either don't do too dangerous stunts or do them

themselves at all. Their influence can, however, be stretched much further and affect the entire production and filming process, but said measures differ from project to project (Interviewee EP).

4.3.1 The Managerial Control – Culture Versus Profit

Since movies are inherently risky with uncertainty of both financial and creative result, production companies often try to strongly control the mid-production. The attempt to minimize risk can, however, demand them take substantial control from the director and hinder creative freedom. Similar to the pre-production, interviewee EP explains that, in the Swedish movie industry, executive producers from production companies can often take even greater control over the production to make them safer in the risky Swedish market.

Interviewee EP gave some insights into the managerial control which producers so often exercise over directors. They explained how they had been involved in trying to reform movies to fit the more mainstream audience, which in some cases have been financially successful, and in many cases not, but have in all cases impacted the director's vision. Interviewee EP expressed how they wished that they had not interfered with the directors' visions during their career and conveyed how although the original project might not have reached as broad of an audience, it would have been something original and creative that at least a smaller audience would have liked. Instead, they meant that the altered version, aimed to reach a larger audience, more often than not failed completely. Interviewee EP means that audiences often recognize the attempt at creating a homogenous and "*basic*" film, and that it often leads to a negative response.

Interviewee CD gave a differing view on the managerial interference. They expressed, similarly to interviewee EP, how they often interfere with the filming and planning of the movies which they fund.

"Yeah, we often tell them that okay, we will do the movie, but then we need to have these specific actors, you know for the consumer's sake"

They continue explaining that as a streaming service, their role is not only to create films which earn a great profit, but also to draw in more subscribers. Therefore, the use of stars and IP is explained as crucial for them. Because of this, the producers often start "interfering" as early as possible, by setting these criteria. Furthermore, they explain that the audience is their number one priority and that they conduct a lot of market research in order to make out what it is that the consumer wants. After obtaining a view of what the end consumer wants and what the latest trends are, Interviewee CD explains how this is introduced in the project.

"If we see a spike of a trend or something similar which we think we can incorporate into the project to gain some viewership or some publicity we will tell the director to use that in the movie or series"

Interviewee CD continues explaining that they sometimes also must intervene to make sure that the project is not too controversial. To avoid any negative publicity or anything that might spark a negative experience among the audience, they explain that the director can be told to remove certain dialogue or sometimes complete scenes.

5. Analysis and Discussion

The findings of this study highlight a complex interplay between accounting practices and creative processes in the film industry. Movie production is an artistic process. Creative participants want the freedom to express itself freely to achieve the imagined end-product, whilst investors look at movies as an investment to make a profit from. This can cause a clash in the method and sense of risk taking that the parties are willing to take on which in turn can lead to a dispute over authority regarding the decision making.

On the one hand, movies are required to be a viable investment with reasonable risk for its return in order to get funding to execute on their creative vision. Movie makers do thus have to comply with investors requirements by applying risk managing control systems to make them feel confident about investing. On the other hand, movies become successful financially through creative success and execution. Thus, investors also need to limit their control to a reasonable level to allow the moviemakers to make their investment profitable. This interplay between controlling to make the movie a good investment and creative freedom to make an appealing product to the consumers creates a paradox which needs to be navigated for both parties' best interest. Miron-Spektor and Schad's (2020) article on *paradox theory* will be used as theoretical framework to discuss the different aspects of paradox that takes place in the process of choosing and making a movie.

5.1 Balancing Creative Freedom and Financial Constraints

Within the film production industry, there is a clear tension between creative freedom and financial constraints, meant to secure a profit by limiting costs. This tension aligns well with Schad and Miron-Spektor's (2020) *performing paradox* which describes the tension between competing interests and goals. It can be recognized by the stakeholders like the director wishing for less restrictions on their creative work, and the production companies wishing to form a more homogenous project which reaches a broader audience, aiming to secure a greater profit.

As Schad and Miron-Spektor (2020) imply, there is a need to balance this paradox. The performance paradox between different stakeholders in the film production industry is as of

right now unbalanced, tilting more towards the needs and wants of the investor, hence prioritizing a financially safer option over a somewhat riskier and more creative one. This could be explained by Schad and Miron-Spektor's (2020) outline that the paradoxes mentioned often emerge in times of change. The movie industry, especially the Swedish one, has after COVID-19 been quite unstable with fewer people attending the theaters which may have made it more prone to paradoxes arising. During these uncertain times the industry might have become more cautious and, as a result, pushed for an increase in managerial oversight to reduce risk. While this is speculative, it is reasonable to assume that a rise in control would, however, only strengthen the tensions in the *performing paradox* by putting more restrictions on directors and causing greater imbalance.

Furthermore, in the case of the film production industry, the *performing paradox* may be used to explain how yet another of Schad and Miron-Spektor's (2020) paradoxes takes place in the industry. Due to the differing objectives of the participants in the film production process, that mainly being director's ambition of a creative product and producer's aim for financial success, it easily emerges a tension regarding the way of managing and obtaining new knowledge. Said tension can most reasonably be likened to the *learning paradox*, and its connection to Schad and Miron-Spektor's (2020) exploration and exploitation tensions, further discussed in the section below.

5.2 The Role of Risk Aversion and Exploitation in Film Production

One of the most evident expressions of this tension of obtaining new knowledge, gathered from our empirics and from the industry in itself, is the reliance on established IPs and recognizable movie stars. Production companies have more often than not a lot of power in the making of movies, as it is their money that allows the films to be made. As the project is an investment from their point of view, they often prioritize projects with proven market appeal. The "Sune" film series is a clear example of this, and of how the *learning paradox* causes tensions in the film production industry, as it is both a utilization of famous, high-profile actors, and an established series which has been part of the Swedish film heritage for a long time. The choice of filming another Sune-movie, a sort of exploitation rather than exploration, over another movie is driven by a need to minimize financial risk. However, this approach based in risk

aversion leads to homogenization where directors are often pressured to exploit proven formulas and conform to market trends and avoid exploring new, experimental ideas and themes. This showcases an unbalance in the *learning paradox*, yet again tilting more towards the side of risk aversive manor than that of the exploration of new, original ideas. Said tensions are in need to be balanced, in accordance with Schad and Miron-Spektor (2020), to secure a more stable financial and organizational future.

The imbalance of the *performing paradox* in the film production industry showcases the overtaking of financial insurances such as stars and IP's and how the creative potential of filmmakers easily is overlooked. Despite there being exceptions to the case, it is evident that the industry leans more towards homogenous alternatives that easily and often stifle the director's image, and as seen in the case of interviewee EP, that in itself often fails financially. Perhaps a more balanced approach is needed where the creativity of filmmakers is embraced in order to create more original and creative films which, as seen in Östlund's case, grab the attention and liking of the audiences.

Furthermore, the trend to prioritize and rely on IPs and movie stars, factors which in most cases secure a market appeal, showcases the heavy use of exploitation in the industry. Adaptations, and especially sequels, are often a more financially secure choice than risking investing in something more daring and original but may cause the industry to get caught in a self-reinforcing cycle. The repeating use of IPs and stars, showcases the film production industry's standardized practices, linking to the *organizing paradox*. In the industry, the tension between wanting to focus on safe and predictable models, such as sequels, is imbalanced. In an industry dependent on flexible practices, the ongoing trend of using more and more risk aversion, and safe tactics, showcases this imbalance. It has and will continue to impact the industry's agility and adaptability to innovate. Previous research (Jeacle, 2021) means that accounting practices can influence cultural institutions toward experiences which align better with public expectations and see this as a positive aspect. However, said research was conducted through a case study on museums, and despite being a cultural industry like the film production industry, these differ. As seen in our empirics (interviewee EP), film audiences are not easily

deceived and see through the attempts of creating a more homogenous film, resulting in bad audience reception and thus also low ticket sales and ultimately financial failure.

Exploitation of established IPs, stars, and more efficient and homogeneous production methods are effective in, in some instances, creating a less risky and financially viable film. However, exploitation and exploration should aim to be balanced according to Schad and Miron-Spektor (2020), and filmmakers, be those directors and producers, are currently seen leaning more towards the safer, exploitation, option. To avoid interviewee EP's observation of audiences dissatisfaction with homogenous movies, a more balanced approach could be utilized. While still utilizing famous movie stars and established IPs, but at the same time giving more creative freedom to the innovative part of the crew, a balance can be found in the paradox and the risk aversion tactic can be unified with original films which the audience appreciate.

5.3 The Impact of Managerial Oversight on Creativity and Stability

Despite the decline in demand, and the predominant theme of conflicting interest of accounting and creative actors within the industry, there are instances where the *performing paradox* is managed effectively. For instance, Swedish director Ruben Östlund's success demonstrates how a director's established reputation can grant them greater creative freedom while still achieving commercial success. Östlund's films are often seen as controversial and challenging conventional storytelling norms but have still managed to resonate with not only the Swedish audience, but even international audiences. Without incorporating an established IP or actors famous enough to draw an audience just by their appearance, these films not only won several awards, but also performed well financially. The films showcase how balancing the *performing paradox* in the film production industry is not merely a matter of compromise, but rather of finding innovative ways to align financial objectives with creative aspirations. Thus, by allowing the interests of the stakeholders within the film production industry to align effectively, rather than "resolving" the goals of the participants, a balance is achieved, and the paradox is managed effectively. It seems as if an approach of choosing a director, which famously creates good movies, is a way of balancing the paradoxes.

Furthermore, the insights gained from the empirics emphasized the necessity of using standardized elements such as famous actors and or incorporating established IP's. In the case of streaming services, they do not only have to make sure that audiences enjoy their films, but also that subscribers keep subscribing to their service. Because of this, the predictability and security of these standardized elements is crucial for their business. However, while said predictability seems to be a safe choice for the streaming service as of now, other perspectives show that it is not a viable long-term alternative. The approach reflects an *organizing paradox*, the balancing of standardization and creativity, where the standardizing side weighs more than that of creativity. An example which showcases the other side of the scale is that of director Jodorowsky. In his case of "The Holy Mountain", he had near to no managerial oversight which still resulted in a successful film.

The two cases showcase each side of the scale, and while "The Holy Mountain" was a great success, and while the streaming service's approach works as of right now, both are open for criticism. While our empirics show that excessive managerial oversight could impede creative thinking and lead to less financially viable films, previous research (Friis and Hansen, 2015; Maier, 2017; Mike and Morhart, 2017) demonstrates that some financial constraints and managerial oversight can benefit both profitability and creativity. A more balanced approach between standardized practices such as IPs and stars, and more flexible creative practices is according to Schad and Miron-Spektor (2020) necessary in order to manage the volatile industry, and at the same time be dynamic and flexible enough to maneuver the industry's creative demand. Furthermore, a balanced approach to the *organizing paradox* would incur a more viable, stable, and sustainable long term film production (Schad and Miron-Spektor, 2020).

The cases of Östlund and Jodorowsky showcase scenarios of financial success and innovative products, and how these do not have to be mutually exclusive. However, it may be argued that the success of the films is grounded in the famous directors' competence and popularity. Not only does their creativity produce original films which are enjoyed by the audience, but their name carries a heavy weight which draws the watcher's attention. To balance the paradoxes mentioned above, an investment in a famous and great producer rather than a famous IP or

movie stars, could therefore be a more balanced alternative, satisfying both the creative and the financial actors in film production.

6. Conclusion

6.1 Summary

The film production industry operates at the intersection of creative freedom and financial obligations, a duality which has been explored in this thesis using the framework of *paradox theory* (Schad and Miron-Spektor, 2020). Interpreted as "*a jungle"* as well as a "*well-oiled machinery*", the industry endures tensions between the interests of both creative participants such as directors and that of accounting actors whose goal is not an artistic product, but rather a profitable one. This thesis has highlighted these tensions, between creative freedom and accounting practices such as risk management and managerial oversight, and how these practices play their role in the industry. While these practices are essential for ensuring financial viability, they often impose constraints that limit creative exploration, a distinctive trait crucial for the film production industry.

The study builds on previous research which have shown how accounting practices do not merely function as financial mechanisms, but also as a cultural force that influences artists' outcomes (Jeacle, 2009, 2017, 2021; Friis and Hansen, 2015; Maier, 2017; Mike and Morhart, 2017). Previously, budgeting and performance metrics have been described as guiding decision-making, balancing the competing priorities of stakeholders. However, while these findings have been found in cultural industries, the film production industry has a differing stance, as seen by the empirical findings in this thesis. The accounting practices' restrictive impact on the creative process of the film production industry creates paradoxes; while they are necessary for its survival, the very creative characteristics of the industry is what encapsulates it.

Paradox theory provided a lens to dissect these tensions, framing them as dynamic forces rather than conflicts to be resolved. The *performing paradox* emerged prominently, capturing the tension between creative freedom and financial constraints. While directors often seek unrestricted artistic expression, production companies and other investors prioritize safe, market-driven projects, as shown by the recurring reliance on IPs like the "Sune" series. Yet, examples like Ruben Östlund's internationally acclaimed films illustrate that these tensions,

when balanced, can yield both artistic and commercial success, demonstrating the potential for harmonizing creative and financial goals.

The *organizing paradox* further highlights the industry's struggle between standardization and adaptability. While managerial oversight ensures stability and minimizes risks, excessive control can stifle innovation, and in some cases even incur financial losses, as seen in the cases where directors' visions were altered to align with market trends. Conversely, projects with minimal oversight, such as Jodorowsky's *The Holy Mountain*, showcase the creative potential unleashed by freedom, albeit with higher financial uncertainty. A balanced approach, where financial oversight supports rather than hinders creativity, could better align the interests of diverse stakeholders. Over-reliance on standardized approaches risks stifling innovation and alienating audiences, who may perceive the output as overly homogeneous and uninspired and must therefore be balanced with more flexible and innovative practices.

The *learning paradox*, focused on exploration versus exploitation, highlighted the film industry's tendency to favor proven formulas over experimental ideas. This reliance on exploitation, while offering short-term financial security, risks stagnation and alienating audiences seeking original content. The findings echo Schad and Miron-Spektor's (2020) assertion that balancing these opposing forces is crucial for fostering innovation. Encouraging exploration within controlled financial frameworks could help the industry, aligning it with evolving audience preferences and global trends.

This thesis integrates these theoretical perspectives with empirical findings, illustrating how accounting practices mediate the tensions inherent in film production. While these practices often constrain creative freedom, they also provide the structure necessary for financial sustainability. By leveraging the paradoxes identified, the Swedish film industry has the opportunity to redefine its approach, embracing innovation without sacrificing economic stability. This requires a cultural shift toward viewing accounting as a facilitator of creativity rather than merely a tool for constraint.

The Swedish film industry's current approach to managing tensions between financial

constraints and creative freedom, as emphasized by the *performing paradox*, can create long-term effects. Although risk aversion through relying on IP and movie stars has proven to provide short-term financial stability, an over-reliance on exploitation and a disregard of exploration risks stagnating the creative output of Swedish cinema. Similarly, the imbalances which can be recognized in the *learning* and *organizing paradoxes* could be regarded as potentially harming the industry's ability to produce innovative and creative films to compete globally.

The industry's attraction and preference of choosing safe, predictable productions, such as sequels or utilizing a famous IP, has fostered the industry to become more homogenous and less daring. This approach, although currently efficient at lowering financial risk, runs the risk of alienating audiences who crave original and experimental ideas. As our empirics highlighted, audiences are often quick to recognize and reject formulaic productions, creating a pushback which can cause the film to end up losing money. This is an example of how overinvesting into exploitation can cause it to become less risk averse than intended and how occasional exploration is needed to evolve and adapt film production to changing demand. This trade-off can be recognized as a trade-off which must be navigated to both satisfy audiences' changing preferences as well as yield a high profit to make the risky industry financially viable. Additionally, this cycle may over time erode the cultural significance of Swedish films, reducing their appeal both domestically and internationally.

Furthermore, this approach could cause stagnation and decrease the amount of new talent that penetrates the field. Young or experimental filmmakers may struggle to get funding for new-thinking and innovative projects since they do not align or conform to the industry's preference for established formulas. This loss of creative diversity could hinder the industry's ability to evolve and adapt to changing audience preferences, leaving it increasingly reliant on government subsidies and external funding.

Miron-Spektor and Schad (2020) explains how a company applying paradox theory can nourish organizational innovation and corporate growth, emphasizing how paradoxes are opportunities to capitalize on rather than problems to avoid. Without a greater effort to balance exploitation

and exploration, Swedish cinema risks becoming irrelevant in a global market that rewards innovation. This imbalance could also cause a negative impact on international collaborations and co-productions, further limiting the industry's financial resources and creative opportunities.

In regard to what role accounting practices play in film production decisions, this thesis finds that there is a significant interplay between the financial and artistic side of the film industry. Already before a film is greenlit, production companies, who provide funding, resources and distribution, can be seen having influence on the filmmaking. Besides choosing which project to pursue based on the appeal and quality of a script, they can also dictate the inclusion of IP and movie stars. They further oversee their productions by almost always including managerial oversight during filming, extending their control further. Although these implementations have shown to make some movies less risky and ultimately yield a greater profit, restrictive governance has been acknowledged to hurt directors' creative freedom, causing films to fail. In contrast, there are cases where directors are allowed to work more freely with less managerial interference due to investors trusting them more through their reputation as filmmakers. This approach has been shown to work, but not necessarily only due to the lack of control, but also the competence of the director. It is important to note, however, that both productions companies and directors strive for the same goal: to make a successful movie which is well received by the audience. Since the two cannot operate without the other, it is crucial to understand and utilize both parties' strengths and resources, instead of pushing potentially destructive measures.

6.2 Limitations and Suggestions for Future Research

The findings of our thesis do not come without their limitations. For starters, the sample size of interviewees was quite small. Despite their long and broad experience within the film production industry, spanning over multiple decades for most interviewees and where all have had multiple types of roles, a greater sample size could offer even broader perspectives. Although some of the interviewees could attend multiple interviews, and therefore offer a great deal of insight and expertise, this is the greatest limitation of our research. Therefore, we urge future researchers to conduct their studies based on greater sample sizes, interviewing enough

participants to grasp even greater understandings of the industry. Furthermore, our thesis's greatest focus was on larger film productions. The focus on this side of the industry was due to its greater financial impact, but to fully capture the entire industry, we encourage future research to branch out and investigate the side of the film production industry which produces smaller “indie” movies.

Finally, by further addressing the industry’s tensions, and how to navigate through these and find a sustainable balance, not only will the financial viability of the film production industry be secured, but also its cultural value. Therefore, we encourage future researchers to lay their focus on the tensions of the industry, and further develop the insights we have been able to contribute with through the lens of more theoretical frameworks. While the *paradox theory* (Schad and Miron-Spektor, 2020) allowed us to understand how and why the tensions appeared, the theory is somewhat limited in explaining how to navigate these. Its limitation lies therefore in explaining *how* to balance the accounting practices with the need for creative freedom.

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8. Appendix

8.1 The use of generative AI

In order to ensure that the writing of this thesis is as legible as possible, language-checking tools which use generative AI to operate have been utilized. They have been applied to highlight grammatical and spelling errors which then have been manually considered and evaluated by us, to avoid automatic replacing and rephrasing of text without supervision. This approach was chosen to guarantee that the final output remains our own choice of wording and not a misinterpreted correction of the language checking tools, while also making the text as comprehensible as possible to the reader.