PROJECT MANAGEMENT AND THE FILM INDUSTRY VALUE CHAIN: THE IMPACT OF COGNITIVE BIASES ON VALUE CREATION AND LEARNING

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Abstract

This thesis applies an ethnographic, qualitative research approach to a central question: In what ways does the presence of cognitive biases impact negatively on project management decision-making in the film industry? Are there ways that biases can best be avoided or at least reduced? This thesis cites evidence that managers are consistently unable to devise ways of effectively escaping the impact of cognitive bias, and that the majority are unaware of potential negative bias. My study explores whether and in what ways a deep knowledge of cognitive bias helps surmount the apparent limitations it imposes. My findings suggest that strategies involving cognitive behavioural theory provide researchers with significant insights into our understanding of creative management strategies to manage projects. Building on an extensive body of literature focused on biases in decision-making and their impact on forecasting, implementation and strategy, my thesis explores the concept that deep-seated cognitive habits have a direct impact on entrepreneurs' ability to manage creative projects successfully. Drawing on my ethnographic and participant observer data over two decades of film industry research and practitioner-derived experience, I examine how useful cognitive bias theory is

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from a practical perspective. The film industry provides a rich seam of research and an intriguing case site. It provides a relevant environment to interrogate because film companies are essentially organised around projects. I cite evidence that suggests that managers capable of 'switching gears' and who openly acknowledge and embrace the role cognition plays in the leadership process gain both a creative and a competitive advantage. By testing this concept through the lens of the value chain model, we can begin to develop a cognitive methodology that inspires practical tools capable of navigating uncertainty and capturing value and knowledge.

Key words: C*ognitive biases, value chain, value creation and capture, project management, local decision-making, knowledge learning.*

SECTION 1. Introduction

This thesis applies a theoretical approach to a central question: how does the presence of cognitive biases impact on project management decision-making? How can cognitive-orientated strategies be developed and shaped in order to help mitigate such disabling behaviour, and what wider conclusions can we drawn from the evidence available?

Cognitive bias theory inspires an intriguing field of academic study and research. What role do mental models and biases play in value creation and learning? Could leaders build stronger and more enduring organisations by placing 'cognitive bias' theory (Makridakis, 1990) [1]) at the centre of their approach to project management? Project entrepreneurs who produce and traffic in film goods exist and operate in uncertain conditions [REFERENCE DE VANY], in part due to the difficulty of forecasting [Ibid]. They face considerable challenges, yet their deep-seated 'habits' (Louis and Sutton, 1991) [2] appear to handicap their performance. Their ability to form 'collaborative relationships' (Fjeldstad, et al, 1998) [3] and their reliance on self-organization and local decision making in the development and delivery of complex creative projects means that they must be able to identify and manage their 'common resources and goals' (Ostrom, 1990) [4]. But what makes something a resource that both captures value and promotes learning and yet cannot be copied by competitors? (Miller and Shamsie, 1996) [5]. And could existing cognitive biases lead them to regard as resources what are in effect liabilities and vice versa?

My literature review suggests a consistent theme: managers appear consistently unable to devise ways of effectively escaping the impact of cognitive bias, and many leaders remain unaware of even its existence, which in turn impacts on their ability to discover and exploit opportunities (Mitchell et al, 2002) [6]. My thesis suggests that strategies and active management practices involving cognitive behavioural theory offer a potentially leading role to play in our understanding of creative management strategies and capturing value from project management. In order to contribute to the debate~~following this discussion~~, it is logical to delve further ~~to contribute to the debate I delve further~~ and question which strategies, cognitive resources and practitioner testimonial insights can most effectively offer project entrepreneurs meaningful support in their quest to create value and widen their opportunities to capture knowledge.

To explore the above questions I focus on the film industry – a project orientated creative goods sector. The film industry is an interesting field for the study of cognitive bias given that its specific culture and structure are arguably key factors in the decision-making process. Filmmaking and project managers outside the Hollywood Studios face additional challenges~~,~~ which include;~~ing~~ decentralization, fragmentation and less clearly identified property-based and knowledge-based resources when compared to the Studios [5]. When combined, these factors make centralized learning even harder to put into practice. I explore the gap between status quo biases regarding the existing mental model and the ever-changing challenge of navigating an uncertain environment. Given this challenging landscape what role do cognitive biases play and how can they best be overcome? [1]. The film industry offers a strong example of a heavily project-based industry given that films are discrete, individual goods (Finney, 2008, 2010) [6,7]. Given this project-driven environment, we might expect that film professionals have produced knowledge on project management, and that value capture and knowledge transference occurs at a significant level. The evidence, however, does not support that expectation.

Part of the challenge facing researchers in this uncertain terrain is how to navigate and rise above 'the ambiguous nature of information' (Shamsie, in Lampel, Shamsie and Lant, 2006) [8]. For example, cultural industry observers and researchers have identified that industry-formed assumptions and decision-making are based on a 'conflicting set of realities.' In turn, such ambiguity has a direct impact on learning, and 'the ability of managers to make well informed decisions, [while also promoting] the value of insight and intuition to a degree that is rarely seen in other industries' [Ibid, 8].

Researchers and scholars have attributed considerable value to insight and intuition, along with tacit knowledge, in the quest to understand film industry project management processes. Hence it can be suggested that cognitive behavioural trends demand further research and analysis. It is also important to acknowledge that cognitive bias is one of multiple elements that can shape project management and risk perception. Cognitive bias clearly interacts with a range of other contextual factors that shape the environment and the manager's behaviour within that site. Given the context of an uncertain and volatile industry [11], it can be suggested that the film industry also attracts individuals who are risk takers, innovators and entrepreneurs and/or who accept risk as part of the business because of the potential rewards. Some individuals may be less aware of the downside, while a few are operating from a position of blindness. Collaborative relationships [3], talent networks and team dynamics also play a key part in shaping project management in the film industry. Indeed, as the Literature Review (Section 2) explores, the above areas of research have been well researched, while we see that cognitive bias has arguably been undervalued and less interrogated. The review's findings further emphasise the contribution to the existing knowledge offered by this thesis.

Cognitive biases in future orientated decisions [1], including elements of overconfidence, optimism, illusion of control and the belief in the law of small numbers, (Simon, Houghton, Aquino 1999) [9] arguably play a central role in shaping project management and risk perception in the film industry. How we define and approach the concept of risk (and risk management) is exemplified by the findings of Rimscha (2009) [10], Finney (2008, 2010) [6, 7] and De Vany (2004) [11]. Historically, the two key fields of risk in the film industry are identified as (1) production and (2) consumption, alongside two further factors noted and added by Rimscha, namely (3) reputation to a producer resulting from project failure, and (4) the failure to move from development to a Green Light decision and enter production [Ibid p.5]. As I evidence in the case site (Section 4), all four factors play a critical role in testing the ability of a project manager and his/her collaborative relationships [3] to manage risk in their search to capture value.

Moving beyond De Vany's research and quantitative modelling on the Hollywood Studio system, which has focused on 'how extreme uncertainty shapes the film industry,' my thesis suggests that the role of mental models and cognitive behaviour can help provide valuable insights beyond De Vany's conclusion that 'Nobody knows anything' [11]. In a discussion around uncertainty and the challenge of forecasting, De Vany refers to the 'Nobody

Knows' principal (as does Shamsie [Ibid]) citing screenwriter William Goldman's dictum stated in his book *Adventures in the Screen Trade* (1983) [11, 12]. For outsiders, Goldman's ironic statement of conventional wisdom confirms the perception that the film industry is an area where dreams, aspirations and inspirations substitute for solid business knowledge (Finney 2008) [6]. Outsiders, however, do have an important point to make: the film industry, supported by extensive quantitative data gathered by a range of industry bodies over the past century [7], is unarguably an uncertain and high-risk business. Such a site demands further investigation, but my research methodology deserves some background explanation and examination before we delve into specific questions and themes. My approach has been shaped by academic work produced by the Cognition School of Strategy (Mintzberg, et al) [13], including the dominant role of cognitive bias, which I apply through the lens of the value chain model, in this case the film industry model.

Film industry research has been dominated by a quantitative approach. Qualitative research that seeks to connect and understand cognitive bias and project management behaviour has yet to be approached in detail. Part of the challenge facing researchers studying the film industry is how to gain transparent access to the real-life context within which events occur and how to capture the essence of unfolding and unplanned events (See Section 2:

Literature Review). My thesis' methodology is structured accordingly to address that gap. The study therefore makes a further contribution to research and findings related to cognitive bias and methods of avoiding or reducing bias [1] in relation to project management, creative management and the lessons that can be learnt through the fusion of this thesis's chosen theoretical approach to the industry case site [6, 7]. My own personal experience as a senior executive running an integrated[2] film company has directly informed my research on cognitive bias and its impact on project management, and I have therefore witnessed first hand how difficult bias is to overcome. Hence, I will focus on my practitioner experience, detailed case site research and my prior publications on the film industry (See Appendix). The evidence and associated findings draw on in-depth film project analysis and industry processes across the value chain. There is, of course, a danger that my own experience, memory and recollections are also vulnerable to cognitive bias and dissonance, raising questions about the reliability of the approach and value of the research. However, my previously published work on the film industry spans a period of twenty-one years, while six years of that period was comprised of operational practitioner[3] experience. Furthermore, my role in each project was as a financial collaborator, rather than lead project manager (e.g. 'producer'),

[2] E.g.: development, financing, production and sales to market.
[3] I was appointed co-Managing Director of Renaissance Films in 1999, and went on to executive produce and finance/sell more than 20 films up to 2005.

placing me away from the centre of the project management process, but enabling me to bear witness to such processes and hence track each project's journey.

De Vany's research, while dominated by a quantitative approach [11] also embraces cognitive bias issues, including for example Hollywood's 'narrow casting and sure thing' behaviour. He depicts this theme with reference to the domination of 'large' projects, and the potential lost value capture as a direct result of the Hollywood Studios' collective and competitive obsession with blockbusters, alleged star power and scale: 'Consequently, smaller movies are undervalued' [Ibid, p.270]. My thesis concentrates on a range of smaller to medium film projects (ranging from the smallest at $8m to the largest at $60m). The research site seeks to make a contribution to the cognitive bias debate around factors of perception and behaviour, and the associated barriers to learning and value capture.

Collecting and sharing knowledge and experience in this uncertain and unstable environment is an anathema to the majority of film practitioners. When it does take place on occasion, the trend is towards subjective, informal raconteur-orientated hand-downs and memoirs [6,7]. Meanwhile, practical business experience is often regarded by creative talent (Finney, 2010) [7] as secondary to more opaque factors such as imagination, intuition and creative inspiration [Ibid]. But also, as Goldman notes (and re-enforced by Shamsie and De Vany’s research and findings), there are no reliable rules or clear models on how to make successful films, let alone forecast [1] and predict a new project’s success with a reliable degree of accuracy. My thesis seeks to specifically address the ‘smaller’ film production sector[4], with associated themes of self-organisation, local decision-making and collaborative (or otherwise in certain cases) relationships [3].

What the film industry case site offers is a mixture of professional, intuitive and incidental knowledge that is strongly rooted in individual behaviour and personal experience (Ferriani, et al) [39 and 6, 7]. Each project entrepreneur (including producer, executive producer, and financier and on occasion the writer/producer/director)[5] comes to the film business with a mental model of how film projects ought to be managed, produced and best exploited. Their assumptions and often overly ‘optimistic’ [1] expectations exist within a film value chain model[6] that requires strategic navigation if a project is to be successfully developed, produced and distributed, and ultimately reach the market place for consumption [10]. Furthermore, as De Vany concludes, ‘there really is nothing that is predictable, not costs, not performance value and

[4] Defined by the case site’s film subjects which~~that~~ range~~s~~ in~~in~~ budgets from $8m to $60m.
[5] See Section 3’s discussion and definition of a ‘producer’ etc.
[6] See Section 2’s review and analysis of the Film Value Chain.

certainly not revenue’ [11]. The film project management process depends on effective collaborative relationships [3, 14], and the role and behaviour of the individual producer demands further exploration and analysis. ‘Resources that have proven value are usually embedded in individuals and groups over which the corporation has much more limited control’~~.~~ (Lampel et al, 2006) [8].

Indeed, we can playfully adapt Goldman and test the notion that ‘everybody thinks they know everything,’ but the evidence obviously suggests they do not. By studying and evidencing the cognition modes of overconfidence and underestimating uncertainty [1] we can help to reveal the traps players set themselves, often subconsciously [9, 11]. Such habits [2] have direct implications for the success rate of film projects and associated value and knowledge capture.

Producers, like all project managers, develop cognitive mental models that shape their expectations of how a film should be made, and also of the competitive environment around them. ‘Such cognitive representations condition managerial decisions and actions, which are consequently often driven by simplified representations based on implicit theories of the world’ (Hadida and Paris, 2013) [15]. However, it can be suggested that simplified theories and certain kinds of cognitive bias may in certain instances possibly benefit the project manager rather than hinder them [9]. If so, how and in what ways? Awareness alone of cognitive bias is a strong start, as noted by Pixar's long standing President Ed Catmull in his book, *Creativity Inc*. (2014) [16], but also supported by his previous talks and academic writing [17]. Catmull's patient, searching enquiry into individual behaviour, team dynamics, cognitive biases and what he calls the 'hidden' factors that need to be brought out into the open when managing creative people are discussed in the concluding sections of my thesis. A central question governing these findings is how Pixar's leadership methods might function as a potential resource for managers and entrepreneurs facing uncertainty and bias in the creative industries and beyond. How has the management discovered and dealt with cognitive bias, and how key has that discovery been in the company's journey to creative credibility and global success?

Evidence from the author's previously published research, including a range of case studies [6, 7, 18, 19, 20] go some way to suggest that the film industry – driven by self-organised individuals dependent on collaborative relationships - is built around Makridakis's assertion of 'unfounded beliefs *and* conventional wisdom(s),' [1] making it a ripe case site for exploring the impact of cognitive bias on decision-making and project management. What exists is a gap in knowledge and research that specifically links and explores cognitive frameworks through the value chain model. 'Conventional wisdoms,' as evidenced throughout the case studies, clearly play a central role in the way film industry project managers perceive risk, undertake decisions and how they manage their preferred (or at times inflicted) collaborative relationships. Testing those wisdoms is unusual behaviour in manager of a film company, yet the results when a leader 'switches gears' [2] are instructive if the Pixar method is analysed and further considered (see Section 5).

This thesis is structured as follows: The next section (Section 2: Literature review) reviews the managerial cognition literature and explores the general management concept of the value chain as a mental model. The literature review specifically explores and ties the 'objective vision' cognitive school of theory, including Simon (1947,1957), March and Simon (1958), Tversky and Kahneman, (1979), and Makridakis, (1990)) [1, 21, 22, 23, 24] to the film industry research site. I then analyse the Project Manager's entrepreneurial role that operates within the framework of the film value chain (Finney, 2010, 2014) [7, 20].

The value chain model, and its application to the film industry is discussed, while emphasising the lack of previous work that links the value chain model to cognitive frameworks. The third section (Section 3: Industry context) defines the project/entrepreneur – which in this case is the 'producer' and the collaborative relations and network required to make a film project. This section also explains project management in the film industry and analyses film production management (or in some cases 'mismanagement'). The author's work on the film value chain is also included, providing a framework for the theoretical approach.

The fourth section (Section 4: The case site) proceeds to draw on the film industry as a critical case site to examine a gap in the field of cognitive strategy research: How do incumbent entrepreneurs' habits and assumptions impair their ability to manage risk? Are all habits and bias automatically negative, and in what circumstances can they aid the manager? Some scholars suggest that individuals take 'risky' actions – actions that have a high possibility of failure – because they perceive less risk than most (Kahneman and Lovallo, 1993) [25]. If that is the case, how can incumbents potentially re-learn and adjust to significant industry challenges? And what specific *changes* in project managers' existing 'mental models' might enable them to create and capture value?

This thesis draws on the authors' ethnographical, practitioner experience and field research, and applies a qualitative approach to the case site. Such an approach, linking cognitive bias with in-depth case studies, through the lens of the value chain model, offers a complimentary yet additional perspective on the international film business and creative industries, when seen next to De Vany, [11] Shamsie and Miller (1996), [53] and Lampel, et al (2006) et al [8]. As such, the findings in this research contribute to the Cognitive School of Strategy's field of research. In particular my findings go towards providing further evidence and guidance for those managers facing the challenge of sustainability in uncertain business environments.

Another key theme concerns the fragmented architecture and decentralisation - hence demanding effective self-organisation. Its structure appears to prevent project managers from creating beneficial company cultures and sustainable business models. Positive learning models and constructive feedback loops that overcome or at least help navigate the obstacles presented by cognitive bias appear difficult to evidence.

In the case study section (Section 4), I examine five different film projects, which were all developed and produced by Renaissance Films, a UK-based, integrated film company that had previously enjoyed commercial and critical success before re-financing and re-structuring in 1999[7]. Yet despite Renaissance attracting a wealth of creative talent over the next five years, many of the subsequent films did not receive a green light eventually, failed in the production process and sunk at the box office. The resulting study, therefore, of what project managers and their collaborators did, why, and to

[7] All Renaissance cases in Section 4 took place in the years 2000-2005, and involved a range of high profile directors, actors and filmmakers, including Terry Gilliam, Glenn Close, Neil LaBute, Willem Dafoe, Paul Bettany, Charles Roven (Batman franchise, Scooby Doo), Johnny Depp, Robin Williams, Kirsten Dunst, Patricia Clarkson, Sandra Bullock, Ralph Fiennes, Killian Murphy, Laura Dern, Naomi Watts, Mark Ruffalo and Peter Cattaneo (The Full Monty), to name a high-profile sample.

what effect, offers potentially unique insights towards the study of cognitive biases. To be clear, Renaissance is hardly alone in its bid to try to traverse the US film industry from an UK/European base, and its ultimate failure joins a host of film company corpses, including Goldcrest, Palace Pictures (about which the author wrote a book) [58], and, most significantly, PolyGram Filmed Entertainment (Finney, 1996) [27, 7].

The Renaissance Films' cases are:

- **Green Lighting at Renaissance Films: *The Reckoning* (aka *Morality Play*) prior to production (4.2). This case examines risk management mistakes and project management failure as a direct result of the firm's internal culture and poor decision-making process.**

- **Delusions of Success: Project management issues on *Pobby & Dingan* (aka *Opal Dream* after production) (4.3). This case explores the gap between projected project value and the limits of forecasting once a project is completed.**

- **Creative management in crisis: how *Vapor* never made it to the screen (4.4). The case examines the curse of excessive optimism and the search for supportive evidence when little actually existed in the project.**

- **The illusion of control: the global release strategy for *The Safety of Objects* (4.5). The case examines and evidences how one key partner's selective perception damaged the value of a project, further compounded by an opposite key partner suffering from conservatism.**

- **Underestimating uncertainty: the search for a Studio deal for *Good Omens* (4.6). This case evidences the role that cognitive bias played in**

preventing a project that was heading for production from reaching completion.

To guard against danger of subjective cases, the research site concludes with a study that draws on research and material beyond the author's own practitioner experience (although he has written and taught on it). The analysis of See-Saw Films' project management approach and its involvement in the development and production of *The King's Speech* [7] is set out below:

- **Risk management lessons: *The King's Speech*'s journey from script to success (4.7). The case examines how a former Renaissance Films executive overcame extensive risk management challenges as a result of his creative and cognitive project management skills.**

The final case and focus on Pixar Animation Studios (Section 5), when viewed in the light of the Renaissance case site (which is dominated by repeated project management failure), is designed to examine what positive cognitive behaviour traits can be gleaned from successful film projects and film companies. To what extent can we evidence and identify such themes? And critically, what role has cognition awareness and the application of bias theory played in the overriding and enduring success of the Pixar creative management track record and company culture? [16,17]. Does the Pixar experience simply complement existing research, or is there a case to be made that the evidence cited not only contradicts the literature to date, but that its findings will play a central role in the Cognitive School of Strategy in years to come?

These are central questions that I discuss in my sixth and final section. This section then bears down on the core research question: how do cognitive biases in project management decision-making affect value creation and learning?~~.~~ Through the anlysis of ~~By studying~~ the presence and influence of cognitive biases in a series of critical case studies rooted in film project management, my thesis argues~~concludes by arguing~~ that cognitive biases and pre-set mental models deeply restrain incumbent entrepreneurs. Unchecked biases also severely impacts on their ability to transfer knowledge and thus hinders learning. However, from the evidence cited in the last two studies, in particular the Pixar experience, it appears that Catmull's cognitive approach and detailed evidence improves our understanding of the field. The wider implications and lessons of this thesis'~~s~~ findings – in particular how Pixar overcame cognitive barriers during its initial decade of business - are then discussed in relation to other creative industries, such as ~~the~~ music, ~~and~~ television industries and other art forms~~further fields~~.

SECTION 2. Literature review

2.1 The Cognitive School of Strategy: the mental model and bias

Attention and interest in human cognition and ~~in~~ the influence of managers' ~~and leaders'~~ perceptions on decision-making has been an area of expanding research over the past 20 years. The 'cognitive school', as outlined and summarised by Mintzberg, et al (2009) [13], forms a body of work that is less a 'tight school of thought as a loose collection of research', which seems, nonetheless, to be growing into such a school. If it can deliver on its intentions, it could very well transform the teaching and practice of strategy as we know it today." [Ibid]. The authors suggest that the school deals with strategy formation as a mental process that is derived mainly through direct experience. Personal experience determines what that manager knows, which in turn influences what they do, and which shapes their subsequent experience. This combative ~~reflexive~~ 'interplay of reflection and action plays a central role in the cognitive school, giving rise to two rather different wings.'[Ibid].

Comment [D1]: The second half of this paragraph could be said to conflict with the second. Strategy formed from personal experience would be less inclined to grow into a tight school of thought.

One wing is described as the 'objective school,' the other as the 'subjective.' The objective position approaches the acts of processing and structuring of knowledge as a way of re-creating the world: as a kind of *objective vision* with the challenge of distortion always close at hand. The opposing wing sees the positivistic 'objective' mental model as subjective, meaning that it sees strategy as an interpretation of the world. The mind has a 'take' on all the elements out there in the world, and it believes that cognition *creates* the world, as opposed to *re-create* [Ibid].

Does the researcher need to make a choice between the two different approaches, and if so, why? As an evolving school of thought on strategy formation, critics point out that we are still some way to understanding how concepts form in the mind of the strategist [Ibid]. Both the 'objective' and 'subjective' positions offer interesting positions to consider, but the 'objective' wing seems to relate more clearly to strategy as formed by the individual rather than strategy formed through a collective process. However, it could be suggested that the relationship between the leader as an individual and their impact on teams, projects and collaborative relationships have a reflexive relationship to one another rather than existing in mutual exclusion. Hence my thesis has chosen to draw on both sides of the School, and look at both the role of the individual and the collective process rather than be limited to one perspective and approach.

2.2 The complexity of human behaviour and its impact on judgments

Research into how individuals process and act on information to make decisions, in particular under the influence of cognitive biases and dictated by mental models, is rooted in the work by the political scientist Herbert Simon [12-14]. Simon described 'Human beings, viewed as behaving systems, [as] quite simple. The apparent complexity of our behaviour over time is largely a reflection of the complexity of the environment in which we find ourselves,' [18]. In his book *Administrative Behaviour* (1947, 1957) [12-13], Simon introduced the notion that the world is complex and very large, when compared to the limited human mind, and its relative information-processing capacities. His work on behaviour examined value and fact in the decision making process, arguing that a 'great deal of behaviour . . . is purposive -

oriented toward goals or objectives' [Ibid]. Simon goes on to explain that, 'each decision involves the selection of a goal, and a behaviour relevant to it; this goal may in turn be mediate to a somewhat more distant goal; and so on, until a relatively final aim is reached. In so far as decisions lead toward the selection of final goals, they will be called "value judgments"; so far as they involve the implementation of such goals they will be called "factual judgments."' Unfortunately, problems do not come to the administrator carefully wrapped in bundles with the value elements and the factual elements neatly sorted [Ibid].

The above research can be directly linked to the challenge facing the project manager~~:~~ their goal is to: identify an opportunity, develop and produce that project, and ensure it reaches the market. As such, value judgments play a central role in the research and development process, while factual judgments arguably dominate the production and marketing phases.

Simon later went on to explore the role of intuition and emotion in the management decision-making process. Human processes, in particular the essence of intuition, judgment and creativity, are simply 'analyses frozen into habit and into the capacity for rapid response through recognition' [19]. Habits however, are formed over time, and are shaped by the wider assumptions, conventional wisdoms and may even be grounded in unfounded beliefs in the view of Makridakis [1]. And what if the project manager constantly recognises the wrong or less important problem or challenge, in part because their ability to see is distorted by their destructive habits?

2.3 Risks, high level mistakes and taking responsibility

Following Simon's earlier work [12,13], a considerable amount of research literature on judgmental biases and cognitive behaviour has been undertaken. Work carried out by psychologists Tversky and Kahneman (1974) [24] is generally referred to as 'prospect theory'. Their research explored in particular the relationship between risk, mental models and decision-making. In addition to looking at hypotheses around risk aversion that start with the assumption that 'most people are generally risk averse', Kahneman and Lovallo (1993) [26] also introduced two other causes: the 'certainty effect' and 'loss aversion', concluding that the latter 'strongly favours the avoidance of risk.'

The authors also raised the issues set by near-proportionality, the costs of isolation, unrealistic optimism and narrow framing, but considered each aspect from the ~~an~~ 'inside view' and the~~an~~ 'outside view' [Ibid]. Their focus on a mechanism: the adoption of an inside view of problems, which leads to 'anchoring' [1] on plans and on the most available scenarios. And they counter that such errors of intuitive prediction can 'sometimes be reduced by adopting an outside view, which forecasts the outcome without attempting to forecast its history' [15].

Their observations and ideas regarding risk suggest that decision makers tend to deal with choices one at a time, and that their attitudes to risk exhibit risk-aversion and near-proportionality. And given the high costs of mistakes, "the reluctance to take explicit responsibility for possible losses is powerful" [20]. These concepts and findings can be helpfully placed within the work of the project manager, where the optimistic bias of investment projects is a familiar fact of life.~~:~~ T~~t~~he typical project finishes late, comes in over budget when it is finally completed, and fails to achieve its initial goals. Highly 'optimistic' errors of judgement and 'delusions of success' [25] appear to be especially likely if the project involves new technology or otherwise places the firm in unfamiliar territory" [Ibid]. As we shall see evidenced in the case site, the inability to take responsibility, both when looking forwards and when looking back (see below), alongside optimistic errors when project managers are working in unfamiliar territories are common and re-occurring themes throughout my thesis.

2.4 Seeing is believing

Building on Tversky and Kahnemann's 'inside' and 'outside' views, which has contributed to the status of cognitive representations and influences in managerial action [15], the concept of how the manager 'sees' follows one of two cognitive logics: In the experiential logic, action leads to learning from doing (referred to as backward-looking wisdom), and experience influences the formation of sense-making cognitive frameworks (Gavetti, et al, 2000; Weick, 1995) [28, 29]. The second perspective is the 'cognitive logic,' where action derives from a model (forward-looking wisdom). Hence the cognitive logic forms the focus of the managerial cognition approach [Ibid].

Further research on managerial cognition examined managers' perceptions of 'strategic groups' (Kaplan, 2011, Porac, et al, 1989, 2011) [30, 31-32]. Such groups, in turn, can be connected to the importance of 'collaborative relationships' [3]. The role played by managerial cognition in shaping strategies was highlighted in Porac, Thomas and Baden-Fuller's (1989) article, *Competitive Groups as Cognitive Communities: The Case of Scottish Knitwear Manufacturers*, which the authors later revisited in 2011 [Ibid]. The cited authors' research examined how a strategic group can 'see' their environment, the wider industry, and their perceived competition and accordingly develop strategies to navigate them, guided by the manager's collective subjective perceptions. The heart of strategic groups is essentially cognitive according to the conclusions of the authors. The challenge for industry competitors is how to legitimise their existence by adjusting and conforming to the accepted norms and established categories to which they belong, while being able to innovate and differentiate themselves from competitors in order to be noticed, let alone gain a unique status [13].

Subsequent further research by two of the above authors examined how mental models shared a focus on competition between rivals, who develop their approaches within a pre-set, hierarchical industry structure. This work by Porac and Thomas (1990) [33] examined established competitors performing in mature, stable or declining industries and did not look at the existence of managerial cognition or outsiders or entrepreneurs in uncertain and disrupted industries. Certain cognitive research, however, did examine more uncertain, rapidly changing case sites, acknowledging how managerial cognition connects 'actions to a changing environment by influencing what is noticed, how this information is interpreted and why certain choices are made,' (Kaplan, 2008) [34]. The research explored how 'cognition can compensate when organizational-level factors are lacking,' but that managers often find it hard to change their views, particularly if such views are derived from highly tacit accumulated knowledge that underpins the activities of the firm. The other aspect suggested is that change may require a break in the links of a deeply embedded organizational architecture that ties together cognition, capabilities and incentives [Ibid].

Researchers in entrepreneurial cognition, grounded in cognitive science, define cognition as: 'All processes by which sensory input is transformed, reduced, elaborated, stored, recovered and used' (Neisser, 1967) [35]. The challenge for the individual leader is to be conscious of all that sensory activity taking place and what it might mean to them and others, while concurrently spending their waking hours managing resources, people and projects under significant pressure and expectations. Indeed, achieving 'balance' is a key goal, as pointed out by Catmull [16].

2.5 Working in the dark: mental perceptions of risk

Entrepreneurial cognition studies focus on 'knowledge structures that people use to make assessments, judgments or decisions involving opportunity, evaluation and venture creation and growth' (Mitchell et al, 2002) [36]. By aiming to better understand how entrepreneurs think, this line of research is keenly linked to how the mental process works [Ibid]. However, entrepreneurial cognition has yet to explore mental models and cognitive frameworks in relation to new markets, ventures and unstable and disrupted industrial environments and value chains [15].

The closest work to new ventures in this area is by Simon M., Houghton and Aquino [9], which explored how individual entrepreneurs 'cope with the risks inherent in their decisions [to start a new venture],' with findings that suggested that they may not perceive said risks~~iness~~. The authors examined three cognitive biases that previous research has suggested may lower risk perception: overconfidence, the illusion of control, and the law of small numbers [Ibid].

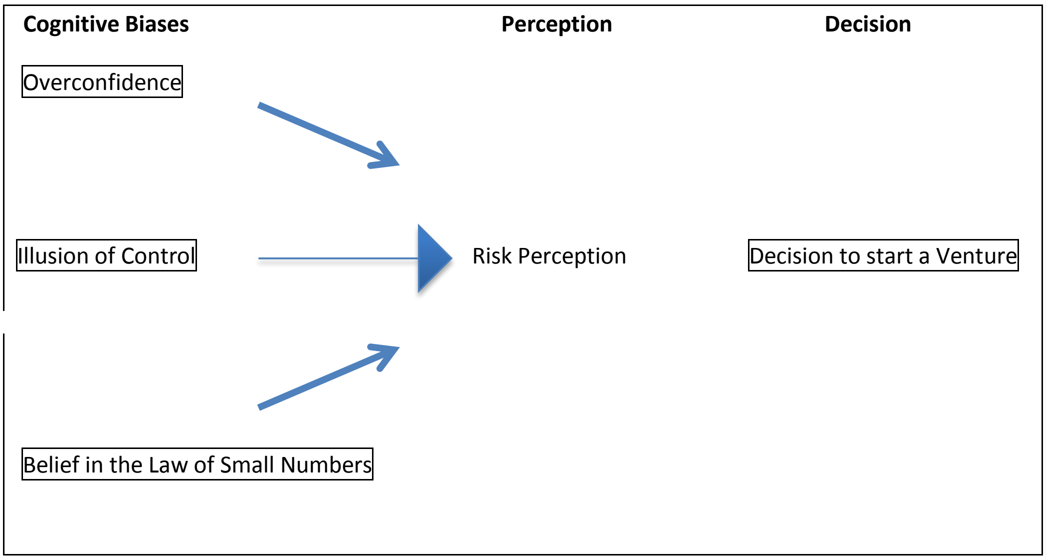

Table 1: Model of the decision to start a new venture. Simon, Houghton, Aquino, 1999

The first cited bias, overconfidence, refers to the failure to know and acknowledge the limits of one's own knowledge. The second tested by the authors is the illusion of control, which occurs when individuals overemphasize the extent to which their skill can increase performance in situations where chance plays a large part, and skill is not necessarily the deciding factor. Because the individuals believe that they can control largely uncontrollable events, they also think they can accurately predict the outcome of the events. Finally, the third bias, is the belief in the law that small numbers occurs when an individual uses a limited number of informational inputs (a small sample of information) to draw firm conclusions [9].

2.6 Cognitive bias in decision-making

In the project management context, operating within a value chain model, the influence of the objective school's 'dominant logic' approach is considerable. Applying Makridakis's [1] collective summary of cognitive 'biases in decision making,' we see the difference between memory and judgement: 'while we accept the deficiencies and limitations of our memory… we rarely do anything to remedy the deficiencies of our judgment, mainly because we are unaware or unwilling to accept that our judgment can be faulty or biased. Because they are almost never presumed to exist, it is extremely important to expose judgmental biases'. Makridakis's empirical evidence demonstrates their existence and their negative, damaging consequences. Research however also indicates that judgmental biases do not mean stupidity [Ibid], for their existence is clearly discernable among highly intelligent people. Rather, they result from the way the mind operates and reflect 'its endeavours to achieve the optimal reconciliation of conflicting objectives' [Ibid]. Makridakis's list of common biases and proposed solutions is mapped below in Table 2:

Common Biases in Future-Orientated Decisions and Proposed Ways of Avoiding or Reducing Their Negative Impact

Type of Bias	Description of Bias	Ways of Avoiding or Reducing the Negative Impact of Bias
Search for supportive evidence:	Willingness to gather facts, which lead toward certain conclusions, and to disregard other facts that threaten them	Induce disconfirming evidence Introduce role of devil's advocate
Inconsistency:	Inability to apply the same decision criteria in similar situations	Formalize the decision making process Create decision-making rules to be followed
Conservatism:	Failure to change (or changing slowly) one's own mind in light of new information or evidence	Monitor for changes in the environment and build procedures to take actions when such changes are identified
Recency:	The most recent events dominate those in the less recent past, which are downgraded or ignored	Realize that cycles exist and that not all ups or downs are permanent Consider the fundamental factors that affect the event of interest
Availability:	Reliance on specific events easily recalled from memory, to the exclusion of other pertinent information	Present complete information Present information in a way that points out all sides of the situation being considered
Anchoring:	Predictions are unduly influenced by initial information, which is given more weight in the forecasting process	
Illusory correlations:	Belief that patterns are evident and/or two variables are	Verify statistical significance of patterns

Illusory correlations:	Belief that patterns are evident and/or two variables are causally related when they are not	Verify statistical significance of patterns Model relationships, if possible, in terms of changes
Selective perception	People tend to see problems in terms of their own background and experience	Ask people with difference backgrounds and experience to independently suggest solutions
Regression effects	Random decreases and increases, which impact reflexively	Explain that when errors are random the chances of a negative error increases when several positive ones have occurred
Attribution of success and failure	Success is attributed to one's skills while failure to bad luck, or someone else's error. This inhibits learning as it does not allow recognition of one's mistakes	Do not punish mistakes, instead encourage people to accept their mistakes and make them public so they and others can learn to avoid similar mistakes in the future (This is how Japanese companies deal with mistakes)
Optimism, wishful thinking	People's preferences for future outcomes affect their forecast of such outcomes	Have the forecasts made by a disinterested third party Have more than one person independently make the forecasts
Underestimating uncertainty	Excessive optimism, illusory correlation, and the need to reduce anxiety result in underestimating future uncertainty	Estimate uncertainty objectively. Consider many possible future events by asking different people to come up with un-predictable situations/events

Table 2: Makridakis, S. 1990, Chapter 2, pages 36-37

Creative industries are not alone in creating and relying on ‘unfounded beliefs or conventional wisdoms’ but my thesis suggests that they form a critical role in the challenge of value capture and knowledge capture. The case site is comprised of a detailed collection of narrative driven project management experiences that offer a compelling testing ground for Makridakis’s table and associated proposals designed to mitigate the impact of bias. The academic posits:

> ‘We have grown up in a culture where we accept certain statements as true, though they may not be: For instance, we believe that the more information we have, the more accurate our decisions will be. Empirical evidence does not support such a belief. Instead, more information merely seems to increase our confidence that we are right without necessarily improving the accuracy of our decisions… In reality, the information found is usually redundant and provides little additional value’ [Ibid].

Certain researchers have explored some of the above perplexing subjects in detail. Regarding the problem of managers operating under the illusion of control, some ‘decision makers may overestimate the extent to which the outcomes of an acquisition (aka ‘project’) are under their personal control and may assume that they can make the business succeed should problems arise.’ (Duhaime and Schwenk, 1985) [37]. Additional issues surrounding ‘escalating commitment’, which ‘involves continued and increasing investment in the face of poor and declining outcomes of performance,’ a notion that has been applied from international conflicts escalating into war [13], through to blockbuster movies being allowed to expand in budget to the point that they threaten a Hollywood studio's future existence (Bach, 1986) [38]. Throughout the case site, I examine a range of film projects, some of which rose in cost even after high levels of investment and resources had already been committed. Initial time and investment at the research and development stage of a project presents the manager with a dilemma: when do they pull the plug or when do they pull the trigger? The pressure to green light a project is more intense the further the management has historically invested, and offers a clear indication of 'escalation' in motion [1].

2.7 'Switching cognitive gears': the three mind shifts

Given the cognitive challenge at hand, what positive modes of thinking could mitigate the seemingly inherent dangers of bias? Research into the a manager's ability to shift between cognitive modes, from automatic processing to conscious engagement (or 'mindfulness') [13] and back again was explored in Louis and Sutton's 1991 paper, *Switching Cognitive Gears: From Habits of Mind to Active Thinking* [2]. The authors develop a perspective on the switch from automatic to active thinking and the conditions that provoke it. Effectiveness may be as much a function of a principal's capacity to sense when a switch is appropriate, as to process in one or another mode. The authors suggest that there are three kinds of situations in which principals are likely to become consciously engaged:

> 'First, switching to a conscious mode is provoked when one experiences a situation that is unusual or novel – when something 'stands out of the ordinary,' 'is unique,' or when the 'unfamiliar' or 'previously unknown' is experienced. Second, switching is provoked by discrepancy – when 'acts

> are in some way frustrated,' when there is 'an unexpected failure,' 'a disruption,' 'a troublesome…situation,' when there is 'a significant difference between expectations and reality. A third condition consists of deliberate initiative, usually in response to an internal or external request for a increased level of conscious attention – as when people are 'asked to think' or 'explicitly questioned' or when they choose to 'try something new' [Ibid].

This last mode of switching gears (and ditching habits) offers the most relevant connection to my case site on Pixar's management. Project managers in the first set of case studies demonstrated no evidence of a search beyond the obvious. No post mortems on Green Lighting were held by the company, and the in-house producers rushed forwards to their next film projects rather than pause and take stock of what had just occurred and garner what they could learn from the experience [7] (See Section 4). The case study (*The King's Speech*) and Section 5's focus on Pixar, however, bear evidence that the presence of increased levels of conscious attention throughout their respective project management processes helped capture value from both their film projects per se and for their overall company's reputation and financial results (See Sections 4, 5 and 6).

Louis and Sutton [2] detected further research to develop a framework for understanding the switch from automatic to active thinking and back to automatic thinking. But what if the actor is stuck, unable to shift gears? What if their mental model cannot adapt to new demands, or that they cannot bring their team of actors/creative players in their package with them, even if they know they need to shift? And to what extent does a preconceived, industry value chain model prevent project managers/project entrepreneurs hold them back? Such questions direct us to the concept of the value chain model and how its predominance as a mental model impacts on managers' behaviour, both individually and in terms of third party collaborations [14, 15, 30, 39].

However, the dominant mental model provided by the value chain is not necessarily automatically negative. The model's fragmented architecture serves to make the producer aware that they need to shift from one part of the chain to the next if the production is going to reach the market. Researchers also need to consider the value chain construct in relation to digital and social media-driven disruption, and what is its relation to cognitive bias. The rate of change and restructuring taking place in the digital age means that managers need to disrupt existing practices in production and distribution to survive [7, 15, 19].

2.8 The value chain model as a mental model

The 'value chain' (Porter, 1985) [40] is a model that describes a series of value-adding activities connecting a company's or business sector's typical supply side (e.g. materials, logistics, production processes) with its demand side (e.g. marketing, distribution and sales). By examining the different stages and links of a sector's value chain, managers have been able to refine and/or redesign their internal and external processes to improve efficiency and effectiveness (Rayport and Viokla, 1996) [41]. While considerable academic research and study has focused on value chain analysis, as noted previously, less attention has been concentrated on value chain restructuring and the impact of uncertainty and disruption on the various stages of an industry's links in the chain.

The ‘value chain’ model was formalised in 1985 by Michael Porter, in his book *Competitive Advantage: Creating and Sustaining Superior Performance* [Ibid]. Porter subsequently summarised the value chain as ‘the set of activities through which a product or service is created and delivered to customers.’ The value chain is used to help analyse that company's competitive advantage and strategy within the marketplace. In a later article about the Internet (2001) [42] Porter summarised the value chain as follows: ‘When a company competes in any industry, it performs a number of discrete but interconnected value-creating activities, such as operating a sales force, fabricating a component, or delivering products, and these activities have points of connection with the activities of suppliers, channels, and customers. The value chain is a framework for identifying all these activities and analysing how they affect both a company's costs and the value delivered to buyers’ [Ibid].

However, many products are not created and delivered to the end user by a single company. Notably, the case site being addressed in this thesis offers up a complex multi-player and multi-company/organization(s) landscape. The majority of practitioners, for example, working in the film sector are freelance, moving from project to project rather remaining in the same company/organisation. Hence, the corporation and/or Studio/large company model is not necessarily a firm and relevant fit for the non-Hollywood film industry's architecture. Individual players (producers, talent, etc.) play key roles in creating and capturing value, and SMEs contract and expand according to the level of production activity at any given point in time.

In a bid to accommodate this wider challenge presented by fragmented industry sectors, Porter created the concept of the ‘value system’, which includes the individual value chains of all the separate companies or players who are co-operating within an industry to deliver a final product. Porter has also subsequently observed the effects on the value chain of information technology and the Internet. He cited the integration of the entire value system, merging supply chain management and customer relationship management, and stimulating ‘‘end-to-end applications involving customers, channels, and suppliers link orders to, for example, manufacturing, procurement, and service delivery. Soon to be integrated is product development, which has been largely separate’’ [Ibid].

Perhaps reflecting that argument for perceived integration, writers and academics in the media sector have gradually dispensed with the distinction between the value chain and the value system, and refer to them both as the value chain (encompassing all the separate stages of value addition, whether within one company or several). Lucy Küng (2008) [43] suggested "the value chain has been a tool of preference for analysing convergence in the media industry for practitioners, consultants and academics. However in the majority of examples it is not used in the ‘pure form’ described above - where individual firm activities are disaggregated and analysed - but rather at industry level as a short hand means of depicting graphically the various stages by which media products are created and delivered to the end consumer [Ibid].

Considering the value chain as a mental model, as enshrined in the ‘graphic depiction’ of the linear journey a product takes from inception to consumption, is generally taken at face value. It has been ‘used as a blueprint of conceptual categorisation . . . and is deeply embedded in managerial thinking and action across organisations, strategic groups and industries’ [15,

31-32]. The advent of the Internet and the proliferation of a vast array of new digital consumer devices have prompted a re-examination of the value chain model and its utility. Some have focused heavily on digital technology and the changing geographical impact of the Internet, including 'Virtual' Value Chain and Systems research (Rayport and Sviokla, 1996) [41], Value Creation in E-business (Amit and Zott, 2001) [44] and new Digital Business Models (Rappa, 2008) [45]. Others have elected to research specific industries
Value Chain 'Envy' in the music industry (Mol, et al, 2005) [46], 'Mobile Commerce Value Chain' analysis (Barnes 2002) [47] and ‘Media Convergence and the Evolving Media Business Model: An Overview and Strategic Opportunities,’ (McPhilllips and Merlo, 2008) [48].

Certain key themes are prevalent and recurring, including the exploration of how to create and exploit digital assets, and how existing business axioms and incumbent-driven models are increasingly redundant. Digital-driven factors are coupled with rapid advent of social media and changing behaviour. The huge expansion and choice of goods available has in turn meant consumers engaged in finding information and 'experiential' value, rather than just being focused on the technology as the sole end destination. Hence it can be suggested that the linear, vertical route (and associated components) of the Porter-conceived and often- followed value chain is no longer as~~so~~ predictable and stable given the impact of the global Internet.

Building on Porter’s value chain framework, Stabell and Fjeldstad (1998) [49] proposed two further alternative value configurations as a foundation for a theory of ‘value configuring’ for competitive advantage. The authors further developed the value chain configuration model by building frameworks for value shops and value networks. Rather than limiting their analysis to competition, they stress the need for cooperative relationships and common standards to create and capture value: 'The simultaneous, co-producing nature of a system value of networks requires common standards.' Common standards raise the question of which participants are with whom, and how effective their partnerships are?

The question of the role and importance of 'collaboration' in value creation was further explored by Fjeldstad et al~~.~~ (2012) [50]. The authors suggested that ~~that~~ new organization designs are required to help firms that are facing 'competitive pressures related to rapid and continuous adaptation to a complex, dynamic and highly interconnected global environment.' They proposed a new actor-orientated architectural scheme that is composed of three main elements: '(1) actors who have the capabilities and values to self-organise; (2) commons where the actors accumulate and share resources; and (3) protocols, processes and infrastructures that enable multi-actor collaboration' [Ibid (p.724)]. Effective self-organising depends, however, on "competent actors who have knowledge, information, tools, and values," [Ibid (p.739)] and are able to set goals and assess the consequences of potential actions for achievement of those goals."

In conclusion, Fjeldstad, et al [Ibid] argued that their 'actor orientated scheme' could be applied universally. The scheme, in their view, was particularly relevant and "well suited" to the design of organizations tackling ill-structured or unstructured problems. These are characterized by uncertainty about both ends and means such that a high degree of mutual adjustment among changing sets of actors is needed in order to, (1) anticipate the shape of an unknown future, (2) generate alternatives for operating effectively in dynamic and uncertain environments, and (3) implement chosen strategies rapidly and efficiently. In their conclusions, the author's expect that total value creation will be greater and faster in organisations that create value collaboratively, and that multiparty collaboration is critical to the effective solution of complex problems and continuous adaptation to changing environments. 'Further, new organization designs demand changes in managerial attitudes and abilities that historically have taken decades to gain widespread acceptance and implementation' [Ibid (p.747)].

Achieving high levels of collaboration would also help to address current issues around managing change throughout the creative industries. Indeed, it might address Makridakis's concern that 'we cannot envision that things can be done in radical and different~~ce~~ ways through brand new technologies, probably because we do not wish to consider the threats implied by the changes that these technologies are capable of bringing.' (1996) [43 (p.24)]. While it is beyond the scope of this thesis to delve into the impact of disruption and its impact on film and creative industry project managers and companies (although future researchers will no~~t~~ doubt approach the issue), it can be argued that cognitive bias is likely to play a significant role in producers' ability to adapt, and 'switch gears' [2] fast when still stuck in an outmoded mental model [15]. This line of argument was clearly posited by Hadida and Paris in their recent research on the digital music industry [Ibid].

2.9 Project management, teams and collaborative relationships

The marketplace and role of networks and teams in relation to project-entrepreneurship has been explored in relation to the Hollywood film industry, and the research offers intriguing findings about the composition of a project's actors (Ferriani et al, 2008) [14]. The authors argue that project-entrepreneurs' performance is related to their degree of centrality within the social network, and their familiarity with the selected project-team as captured by the distribution of ties among the team members. Teams that assemble "old-timers and newcomers" serve the project manager best. One of the paper's intriguing further questions question whether 'increasingly central project-entrepreneurs in the social network have a higher propensity towards embarking in risky-ventures thus resulting in significant inordinate profits or losses?' [Ibid. (p.1557)]. The question raised also implies a direct link between the project manager's state of mind and their mental model when approaching an uncertain industry, such as the film business. It is a question that this thesis's case site seeks to address in greater detail through specific analysis of a range of unmade, failed and successful film projects, and in conclusion, successful sustainable companies.

2.9.1 Film industry value chain modelling

Over the past 15 years, researchers have referred to the importance and dominance of value chain model construct when considering the film industry. They include Eliashberg et al. (2006) [52], which examined current research and new research directions through the film value chain model; while Vogel's economic approach to Hollywood's industry functions remains an important academic text book (2007) [53]. In addition, there is a series of writers concentrating on the Hollywood film business (Lampel et al. (2006) [6]; Miller and Shamsie [26], Vickery and Hawkins (2008) [47]; Küng (2008) [43], and Rimscha (2009) [10]), and there is a wide level of research on national and transnational film studies, including this author's earlier published work on the UK and European film industries (see Appendix). Bloore (2009, 2013) [55, 56] and Finney [6, 7, 19, 20] have analysed the non-Hollywood industry through the lens of the film value chain. Bloore has focused in detail on how creative management plays a central role in the research and development stages of project management. His work specifically compliments the level of focus Catmull and Pixar give to storytelling and the development process, and the creative management complexities that arise accordingly [16,17].

Together, the above body of literature has generally focused on the company and the wider industry activity rather than individual behavioural patterns and their impact on project management. With the notable exception of De Vany[8] [11] and Catmull [16, 17], none of the film-specific research and dedicated literature has directly linked the film value chain model to cognitive management theory and the existence of bias. My thesis seeks to undertake precisely that exercise, and ~~-~~evidence specific and wider related findings based on direct ethnographic experiential evidence and further cases beyond the author's direct practitioner experience.

Since 2010 and the author's publication of *The International Film Business – A Market Guide Beyond Hollywood* (Finney, 2010, First E~~e~~d.) [5], two publications have further explored the film value chain and its current restructuring. They include Bloore's *The Screenplay Business: Managing Creativity and Script*

[8] It should be noted that De Vany predominantly applies quantitative methodology to his Hollywood case site, next to a significantly less qualitative approach overall

Development in the Film Industry (2012) [Ibid], and Iordanova and Cunningham's *Digital Disruption - Cinema Moves On-Line* (Eds. 2012) [57]. Both texts explore the film value chain and current restructuring with reference to this author's prior publication, The International Film Business: A Market Guide Beyond Hollywood (2010) [7]. Of particular relevance is Michael Franklin's essay, *Internet-enabled Dissemination: Managing Uncertainty in the Film Value Chain* [Ibid, (pp. 101-116)].

Franklin suggests that the Film Value Chain model depends on conventions, where action is 'only rational between certain practitioners and is enabled through the use of evaluative frameworks that coordinate action and enable filmmakers to operate under uncertainty.' A range of evaluative tools and resources are applied, including budgets, finance plans, recoupment charts and sales estimates. These conventions are perceived by actors both inside and outside the value chain, such as financiers, as rational tools to assist in the capture of value and the management of risk and uncertainty. However, given the complexity of the film industry, are such perceived resources subject to significant bias and misinterpretation? And do they provide a false sense of comfort to the project manager rather than assistance? How does the role of cognitive bias impact on the project-entrepreneur's performance, and what is required to overcome such potential disadvantages in an uncertain world?

In light of the above literature review, my thesis sits clearly within the research stream of managerial cognition. It explores and expands managerial cognition research to the study of mental models and cognitive frameworks through the lens of the value chain model. It builds on Makridakis's (1990) [1] analysis of biases in decision-making and their effect on forecasting, planning and strategy, and explores the idea that deep-seated cognitive habits (Louis and

Sutton, 1991) [2] have a direct impact on entrepreneurs' ability to manage projects successfully. It explores and provides evidence regarding, what role~~s~~ existing mental models and biases play in value creation and value capture? Their uncertain and ever-changing economic environment consistently challenges entrepreneurs engaged with the process of producing creative goods. The study of mental models and cognitive frameworks underpinning the project manager's actions and decisions in an uncertain and challenging industry is one that can make a contribution to the existing literature in the Cognitive School of Strategy (Mintzberg, et al 2009) [13].

SECTION 3. The Industry Setting and Context

3.1 Introduction

This section defines the film entrepreneur – which in this case is the producer. The producer is seen as the lead project manager, but they will need to work alongside their key collaborative relationships including financiers, sales companies and distributors. 'Project entrepreneur' when used as an academic description that reduces the manager to a sole individual is not always precise and accurate within the film industry, as 'producer partnerships,' 'teams', 'collaborative relationships' and 'networks' play critical roles in the film industry's project management architecture [3, 4, 39, 52], as my thesis's case site explores and evidences.

Project management takes place in the film industry through the framework of the film value chain model, as I have established in my introduction (Section 1). Therefore, it is helpful to further examine and define the model as it forms a key framework for the producer's mental model, 'habits' and 'conventional wisdoms', and arguably shapes the environment where local decision-making occurs (Finney, see Appendix). Producers are acutely aware of the need to maintain momentum, and shift their projects from development to a package, through attracting financing and into production, and from delivery to distribution, and finally reach an audience.

For clarity of reference, my previous work cited above on the non-Hollywood film value chain has included a sequential 'model' to help identify each stage a project manager needs to navigate.

Film Value Chain Model (Non-hollywood model, by activity)		
Element	Players	Support
Consumer	First time product is seen by end-user, and where true value can be assessed and realized. Time and money have been sunk at high level before this final contact with the consumer marketplace.	Media spend, press and publicity, social networking + traditional marketing tools
Exploitation	Exhibition/cinema release, DVD sales/rental, VHS, Sales/rental, pay-tv, Video on demand, Internet, Download, Free-TV, Syndication Library rights: on-going exploitation opportunities for producer, financier; distributor's licence window. Remake, prequel, sequel rights + library sales	Marketing by territory (distributor and separately by exhibitor)
Distributor	International sales agent; producer's rep; producer, Marketing and selling distribution rights and in return receiving commission.	Marketing By sales agent and international markets
Shoot/Post	Production company/Producer, Director, Cast, Crew, Studio Locations, Labs, Support services, Post Production, supervision, facilities. (Director, producer and financiers normally involved in final cut and sign-off of product)	Marketing use of PR on shoot
Financing	Producer(s); Production company; package (including the script, director, cast, national and international pre-sales (if available), sales estimates, co-production, co-finance. Funds/partners, national subsidy finance, national broadcaster. Finance, equity, bank, gap finance, tax financing. Executive, Associate and Co-producers. Talent agent, talent manager, lawyers. Completion Bond. Insurance.	Lawyers, talent agents
Development	Concept, idea, underlying material producer (creative), Writer, development executive, script editor, development financier, agent, director (as developer with writer or as writer/director). Private equity rare at this stage.	Regional and national subsidy support and/or broadcaster support.

Table 3: Finney, A. (2010, 2014) The International Film Business: A Market Guide Beyond Hollywood

3.2 Project management

To further understand project management in the film industry, it is helpful to start at the stage that the basic elements of how films are set up and managed. My participant observer data and ethnographic-orientated experience has shaped my findings on how films can be effectively managed and navigate the value chain. However, the project manager will need to inspire and manage all key collaborators (the 'inside' of the project) [9]. They will also need to deal with the 'uncertain' [11, 15] 'outside' and generally unpredictable [1] environment. Contrary to industries where conventional forms of exchange dominate, film industry project entrepreneurs typically face two further key challenges: the interruption of project-based relationships by shorter or longer latent time periods, and the subjectively-viewed 'uniqueness and novelty' of a particular project (Manning and Sydow, 2011) [59].

We then turn our attention to first-hand experience; to the things that go awry, and lessons that one can *potentially* takes away from the experience if mindful of the importance of a reflective approach. Lessons form elements of the professional 'knowledge-based learning' and the 'knowledge capture' process (Mintzberg, et al. 2009) [13] should ultimately help both existing and emerging practitioners, and assist in project managers from avoiding similar traps and pitfalls in the future. Knowledge-based resources (Miller and Shamsie, 1996) [5] play a key role often underestimated or taken for granted by practitioners. 'Knowledge-based resources often take the form of particular skills: technical, creative, and collaborative…[some] may have the collaborative or integrative skills that help experts to work and learn together very effectively [Ibid, p.522]. For that to take place within the film project management environment, 'habits' [2] will need to be challenged and broken down, and 'conventional wisdoms' empirically challenged, as Catmull emphatically reminds us [16, 17, see Section 5]. Further analysis of how and why 'learning' [17] does not take place within the film industry to a significant and tangible extent is covered in Sections 4 and 5.

3.3 Project management in the film industry

Project management is a central pillar within the film business: each film is a project in itself. Professionals even refer to films as ‘‘projects’’ per se on a daily basis [6,7]. The key project manager, from start to completion, is the film producer. The producer’s role and responsibilities are wide-ranging and cover 10 key areas, which rely on a high degree of self-organization, local decision-making, networks and collaborative relationships [3, 4]:

The producer’s project management role: responsibilities throughout the film value chain
1.The production company’s entire slate of projects
2.The project’s inception, research and development
3.Creative development and attachments (to achieve a script and ‘‘package’’)
4. The package required includes the building of 5 key elements: a) script, b) producer, c) director, d) budget, e) leading cast
5. Collaborating with financing parties and execution of contracts
6.Building a team of additional executives (executive producers, co-producers, associate producers, etc.)
7. Drawing on third party resources, including lawyers, agents, accountants
8.Budget, locations, schedule, logistics etc.
9.Production crew and extras

10.Post-production and delivery of the film to distributor
11.Distribution and marketing plan
12. Film launch followed by long-tail monitoring.

Table 4: Finney, A. (2008) *Learning From Sharks: Lessons on Managing Projects in the Independent Film Industry*

There is considerable evidence that there exists a difference between what is supposed to happen in effective project management in the film industry, and what often happens in reality [6]. The paradox of managing projects in the film industry is that practitioners need to master the principles of how projects are supposed to be managed to make films that capture value, but to be effective they must also learn to acknowledge and cope with the failure of these very principles and build on them.

So notwithstanding Goldman's comment and De Vany's conclusions about Hollywood [11-12], what do we know about how to manage projects in the film industry [6,7]?

3.4 Managing film projects as a process

1. In principle managing the film project should start and end with the film producer. Every decision the producer makes (or avoids) will impact on the way each level of a project advances. Managing the creative development process means the concept, story and screenplay, which all begin early in the project management process. This critical stage of the management process can be compared with the design and laying of a foundation for a tall building. If it's slightly out at the start, the rest will

collapse later.

2. The ambitious producer is also a dealmaker and collaborator by definition. An experienced producer knows the number of projects he or she is able to manage successfully. From the perspective of a hands-on film producer (who is dedicated to the making of films rather than acting in a more removed 'executive' capacity), he or she will only be able to make one feature film a year. More might impact on the effectiveness of their 'project management'. A top Hollywood producer making blockbusters (films of budgets in excess of $50m, but now normally more than $100m+ excluding prints and advertising release costs) can normally manage one film every two years or so due to the sheer scale and demands of each project.

3. A producer is by definition in the business of multi-tasking; but their focus is in three key areas when managing a film project: development, production and distribution. At the development stage, an established producer would be reading (and where appropriate optioning) a range of books, plays and other source material for adaptation, considering original film treatment outlines, commissioning scripts, reading original screenplays and packaging more advanced films. These activities form the R&D element of their business. So while overseeing the physical production process on any given film project, a producer should be concurrently developing a slate of projects at varying stages of advancement.

4. As films come closer to achieving financing and entering the production

stage, the producer- needs to identify and attach value to the project. For example, by attaching ‘‘elements’’ such as a director, cast etc., financiers and distributors are better able to assess the project’s market potential and intended audience. That same producer is also responsible for securing distribution for the film. This is a challenge that they should be considering from the early stage of a project’s conception. Alongside the distribution stage is the marketing and commercial exploitation of each completed film through a series of windows, albeit the detailed management is delegated to third-party distributors around the world. They in turn deal with exhibitors, aggregators etc.

5. The producer is a pivotal figure in the production process, but he or she normally works along- side the executive producer and/or operates with co-lead producing partners. The ‘executive producer’ is responsible for raising part or all of the finance, but is expected to complement and assist the producer’s day-to-day management of each film project. Most executive producers manage larger companies than the sole producer with an active slate of 10 or 15 films on an annual basis. They are therefore expected to oversee each project with specific focus on financing and exploitation. While financing entails raising funds to cover the costs of production and marketing, exploitation focuses on maximizing revenues from all release and distribution formats and platforms: cinema release, DVDs, Video-On-Demand, Pay-per-view, Pay-tv, Free-TV, etc.

6. Producers must also negotiate and liaise with international or local distributors. International distributors (aka ‘sales agents’) are

responsible for selling films to each territory around the world [5, 52], whereas local distributors take charge of releasing films in a specific territory. Distributors normally see the product at a later stage and therefore have a different perspective to that of the producer. They often play the role of executive producers, helping to finance films. For the most part, how- ever, their overriding imperative is to manage the film release process in their respective territories.

7. Within each film project, a range of additional practitioners plays a role. They divide into four key sectors: a) creative, including writers, directors and actors; b) the crew who make the film; c) third-party financiers, including banks, investors, sales companies, broadcasters, distributors; and d) 'services', including lawyers, accountants and agents. Some exist inside the film value chain while others are outside the chain, highlighting the fragmented nature of the non-Hollywood industry in question. To help guide the reader through the inside/outside players see Table 5, below:

Insiders and Outsiders in the Film Industry

Film industry Insiders	**Film Industry Outsiders**
Producer/writer/director	Lawyer, accountant
Executive Producer	Financier/investor
Sales company	Agent/manager
Studio/Distributor	Public funding body
Festivals and markets	Aggregator

Table 5: Finney, A. (Thesis, 2014)

3.5 Knowledge and the challenge of learning through projects

Translating expertise into control when possible is desirable from a project entrepreneur's perspective. No producer is expected to be a leading expert in all the above areas. Their respective project management skills, however, will dictate which areas they control and lead directly; and which they delegate, including what appropriate teams and levels of responsibility are given down the line. Each area is extremely demanding. A producer who is inexperienced in certain areas will fail if he or she does not delegate effectively; a producer who cannot co-ordinate executives and representatives and drive timelines will be unable to achieve financing. A producer who can complete the creative package and finance for a film but has not considered the market for distribution and exploitation will fail to recoup (meaning recover the negative cost of the project and then share in net profit revenue streams). In summary, producers need to know a huge amount about a) themselves and people's behaviour and b) effective, specialised project management, if they are to succeed (Finney, 2010, 2014) [7].

Knowledge of what may happen, often optimistically mapped [13] by the film producer in the style of a 'pre-mortem' (Markridakis, 1990) [1] analysis, including the use of such tools including a film's finance plan, forecasted value in all territories (aka 'sales estimates') around the world, or a casting wish ~~list,~~ list. Which are ~~is~~ not the equivalents to understanding, controlling and conquering the project management process. Such pre-mortems and map-making may provide the project manager with a sense of project momentum. They also play a dominant role in providing financiers' often a false sense of comfort, as the case site evidences in detail. Based on my practitioner experience, much can change very quickly to make such planning redundant, or ultimately misleading and empirically wrong. There are few industries where project leaders and managers have as little control over results and 'capturing value' in the film industry, and yet operate on basis underpinned by the 'illusion of control' [37]. This inherent threat applies even more so to film producers working outside the Hollywood system. Ultimately, the only way that film producers learn how to deal with the gap between knowledge of how the process is supposed to unfold, and control over this process, is on the job: dealing with crises and rising to the challenges. Indeed, project management in the film industry is often akin to 'crisis management' rather than an orderly progression from development to production, post-production to delivery, and finally to festivals, markets and an audience [7].

The knowledge that emerges from learning to manage this gap is heavily based and dependent on individual experiences, hearsay and tacit assumptions. It is therefore heavily idiosyncratic in as far as most filmmakers are fortunate (or unfortunate) enough to directly experience only a small number of crises in one professional lifetime. But the lessons that filmmakers acquire from these incidents are at times tacitly gleaned but more often ignored by other filmmakers, production organizations and competitive groups. There is a marked tension between recognizing how competing project entrepreneurs operate in this uncertain market space, while acknowledging how little control each of them actually have over the highly demanding process whatever they may think that can map, and attempt control [6,7].

The research site and case studies illustrate an initial range of projects that were handicapped through poor development management, overly ambitious project selection, commit group-think, hubris, and a wide range of misguided actions and misjudgements. Many, gleaned through the interpretation of the research material, can be usefully analysed through the 'objective' cognitive school of strategy (including themes such as the 'illusion of control', 'escalating commitment', 'narrow framing', 'single outcome calculation', 'optimism' and 'blind spots', et al) [1, 17, 37]. In light of the range of cited research, it is hard to discover project managers and organizations that appear to display the ability to 'switch cognitive gears' [2]. There are, however, lessons and tangible evidence that is readily available through project management activity, which appear to be repeatedly ignored by film industry peers and rarely tapped in education and training. Some film industry research suggests that existing training techniques are of little value to practitioners and their ability to capture value going forwards (Lampel, et al) [8], but my thesis research suggests that by highlighting biases and challenging industry norms and assumptions, a new, fresh cognitive awareness is capable of being captured. I am not alone, given the recent enlightening contribution from Catmull to the body of literature [16]. The registering of such heightened levels of awareness about cognitive bias supports the importance and relevance of these lessons and their wider implications for film, creative industries and beyond (See Section 6).

In Section 4, the research site, I analyse and discuss a range of in-depth film industry cases. In each project I was acting as financier, sales agent (meaning selling the film to third party distributors and Studios).[9] The majority of the cases analyse film projects that had an indirect but critical relationship to Hollywood talent, studios and key distributors. While the majority were

[9] Three of the case studies are also published in The International Film Business: A Market Guide Beyond Hollywood (2010) [5].

developed and packaged outside Hollywood, all were connected with significant globally acknowledged filmmakers and actors with strong track records. Each case sheds light on my thesis: that there exists a perplexing gap between what is supposed to happen and what actually takes place in film project management. Cognitive strategy, as this thesis evidences, can help explain why that gap is so prevalent in film project management, and what we can learn from the way that individuals and companies have overcome that gap and captured both repeated success and valuable insights into creative management, leadership and knowledge capture.

SECTION 4. The Case Site: Six film project case studies and a company perspective.

4.1 Introduction

The research site for this thesis draws on the author's practitioner experience and field research over the past two decades, combined with selected material from his previous academic publications (see Appendix). Five of the case studies are comprised of films financed and/or produced and sold to distributors around the world by Renaissance Films. So that the reader does not assume that the UK film company in question suffered from acute previous mismanagement and was operating as a lead project manager under the shadow of creative and commercial failure, it is instructive to note that by 1999, Renaissance Films had enjoyed considerable success and was emerging as a highly respected UK film producer. Renaissance had received 11 Academy Award nominations, including 2 Oscar wins. The successful catalogue included Kenneth Branagh's *Much Ado About Nothing*, *Henry V* and Peter's Friends, along with Nicholas Hytner's *The Madness of King George* and Iain Softley's *Wings of the Dove*. Three of those five titles were already returning net profit payments to the company by 1999, and *Henry V* was to follow them into net profit two years later. What happened subsequently to Renaissance, following a City of London investment by a pension fund of $40m, in the years between 2000 and 2005 and why, forms the critical link between the each case study, including the sixth and final project analysed, *The King's Speech*[10].

The thesis specifically adapts and reflects on the case material in light of the theoretical approach as enshrined in Section Two this with a specific focus on Makridakis and his work on common biases, future-orientated decisions and forecasting [1, 51, 60, 61,62], in tandem with further aspects enshrined by the 'objective' Cognitive School of Strategy (Mintzberg, et al 2009) [13].

The case study site refers in ethnographic detail to a range of film projects and companies, and is comprised of the following:

i) **Green Lighting at Renaissance Films: *The Reckoning*, (aka *Morality Play*). A $14m UK-Spanish medieval mystery story starring Willem Dafoe, Paul Bettany and Brian Cox, and directed by Paul McGuigan. (First published: Finney 2008 [10] and revisited 2010, [6]).**

ii) **Project management issues on *Pobby & Dingan* (aka *Opal Dream*). A $8m UK-Australian drama co-written and directed by Peter Cattaneo (*The Full Monty*). (First published: Finney 2010, [6]).**

iii) **Creative management in crisis: how *Vapor* never made it to the screen. A case study on a $25m US-UK fantasy drama, written and to be directed by Neil LaBute (*Company of Men, Nurse Betty, Possession*) and set to star Sandra Bullock and Ralph Fiennes. (First published: Finney 2008 [6], and revisited 2010, [7]).**

iv) **The illusion of control: the global release strategy for *The Safety of Objects*. A $8m multiple-strand drama, written and directed by Rose Troche (*Go Fish, Bedrooms and Hallways*), and starring Glen**

[10] Iain Canning, who worked at Renaissance Films as an executive 2000-2005, was the lead producer of *The King's Speech* (2010). The majority financier of the film's budget was co-committed by the former Renaissance Films director of business affairs, Anne Sheehan.

Close, Patricia Clarkson, and Dermot Mulroney (First published Finney 2008 [6].

v) **Underestimating uncertainty: the search for a Studio deal for *Good Omens*. A $60m US-UK fantasy movie, co-written and to be directed by Terry Gilliam (*The Fisher King, Twelve Monkeys, Fear And Loathing In Las Vegas*), and set to star Johnny Depp, Robin Williams and Kirsten Dunst. (First published: Finney 2010 [7]).**

vi) **Risk management lessons: *The King's Speech*'s journey from script to success. A $13m UK-Australian historical drama directed by Tom Hooper (*The Damned United, Les Miserables*), starring Colin Firth, Geoffrey Rush and Helena Bonham-Carter (First published: Finney 2014 [18]).**

Three of the six cases (cases 1, 2 and 5) are expanded and adapted versions of cases cited in a paper written by the author and published in the journal *Long Range Planning* (Finney 2008: *Learning From Sharks: Lessons on Managing Projects in the Independent Film Industry*) [6]. These cases focus on the role of the producer as a project manager, and what lessons can be learnt from such qualitative, project-orientated research when coupled with the Cognitive School of Strategy.

Indications of the knowledge capture that we can take away from this ethnological-grounded approach include the following:

- A level of insider-derived detail about the processes and actions undertaken in film project management. How were knowledge-based resources [26] compromised, reduced and regularly lost in the process of production?

- A critical analysis of the decision-making process [37], including analysis of actions and related mistakes made by managers and committees (e.g.

Green Lighting and how bias issues impacted on the quality of the decisions evidenced).

- The role and weight given to forecasting [1, 60-62], including finance plans, budgets, pricing, sales estimates of future film values, etc.

- Evidence of a wide range of consistent level of acute cognitive bias [1], available to the researcher via direct access of information and contact, and enabling detailed subsequent analysis of producer and executive behaviour.

- Evidence of outside factors and forces controlling events, actions and decisions.

Project entrepreneurs undertaking the varying stages of a film project are inevitably forced to navigate the Film Value Chain model, as outlined in Sections 2 and 3 of this thesis. In each case, the accompanying 'mental model' and associated 'inside' and 'outside' cognitive view-points [17] on how to best achieve momentum and capture value in turn raises the challenges of 'bias', 'optimism', 'anchoring', 'inconsistency', 'blind spots', 'recency', 'availability', 'selective perception,' 'illusory correlations', 'wishful thinking', 'conservatism' and 'underestimating uncertainty', et al [1, see Table 2].

Rather than constrict the qualitative approach, and concentrate solely on projects that have been fully completed and delivered to market, two of the cases examine relatively high profile 'development' projects: *Good Omens*, which was intended to be directed by Terry Gilliam, and Neil LaBute's screenplay and packaged film, *Vapor*. These two projects failed to receive a green light for moving into production and were brought to the marketplace to raise financing in at the advanced development stage. It is rare for any creative industry sector to examine and analyse in detail failed, in-completed projects that never passed the 'starting line' of physical production [64]. Significant investment, including six-figure sunk costs and project management energy and time, were expended on these projects. A high level of creative endeavour, including the act of screenplay writing and re-drafting, amounted to effectively nothing. The costs and the creative material are effectively written off at the point a project is abandoned.

The open acknowledgement of failure, mistakes and misperception is a rare position in the film and creative industries. The associated lessons that can be learnt from such challenges and potential obstacles form the central framework for Pixar Animation Studio's CEO Ed Catmull's management and leadership thesis [16]. Catmull has lead Pixar, a film company he started with a former Disney animator John Lasseter in 1986, for nearly three decades. His observations, theories and project management tools form a fresh body of cognitive-orientated analysis and evidence that my thesis bears down on in my concluding sections (Sections 5 and 6).

Catmull's perspective on the limits of cognitive perception and management's ability and intention to 'uncover what is unseen' [16, p.169] adds a very significant contribution to existing research and literature on project management and cognitive biases. The manager's adherence to the importance of post mortems, the constant monitoring of both individual and group behaviour, and how best to acknowledge, embrace and learn from failure, as outlined in the seventh and final case is explored in the light of reducing the negative impact of bias. Learning, knowledge-capture and value creation are harvested through Pixar's consistent and exhaustive post-mortem strategy, meaning the company's intensive examination of completed projects, including a full analysis of their history to and beyond the cinema screen. My thesis builds on that strategic approach beyond the culture and management of a film animation studio, and delves deeply into a range of film projects that are managed outside an umbrella organisation, and unmindful of the potential dangers of working 'blind.' It is useful to reflect to what extent project management is inherently disadvantaged when operating outside the Hollywood Studio sector, or indeed 'mindful' organisations such as Pixar, and where its components can still succeed, and what clues lie behind such potential value capture in the face of daunting odds.

It is important to acknowledge that challenge of capturing knowledge and value creation is not limited exclusively to the study of failure. Insights into cognitive bias and project management behaviour are not limited to failed projects, management teams and companies. This thesis also considers the findings and possible reasons behind success via an analysis of the Oscar-winning, worldwide hit, *The King's Speech*. The film grossed more than $413m at the cinema around the globe, on a budget of just $13m.

In a discussion of *Common Biases in Future-Orientated Decisions* Makridakis (1990) proposes a set of "Ways of Avoiding or Reducing the Negative Impact of Bias"[1].

- **"Ways of Avoiding or Reducing the Negative Impact of Bias"**
- Induce disconfirming evidence
- Introduce a devil's advocate role

• Formalize the decision-making process • Create decision-making rules to be followed • Monitor changes in the environment, and when change is identified • Build procedures to take actions • Not all ups and downs are permanent: realise that cycles exist • Consider the fundamental factors that affect the event of interest • Present complete information, and in a way that points out all sides of the situation being considered • Verify statistical significance of patterns • Model relationships, if possible, in terms of changes • Ask people with different backgrounds and experience to independently suggest solutions • Explain that when errors are random the chances of a negative error increases when several positive ones have occurred • Do not punish mistakes, instead encourage people to accept their mistakes and make them public so they and others can learn to avoid similar mistakes in the future • Have the forecasts made by a disinterested third party • Have more than one person independently make the forecasts • Estimate uncertainty objectively. Consider many possible future events by asking different people to come up with un-predictable situations/events

Table 6: Makridakis, S., (1990), Chapter 2, pages 36-37

The thesis specifically adapts and reflects on the case material in light of the theoretical approach as enshrined in Section Two, with a specific focus on Makridakis and his work on common biases and future-orientated decisions [1], in line with the Cognitive School of Strategy. In addition to Makridakis's potential offered solutions, Catmull's practitioner-based, ethnographical grounding, and published work [16, 17], which reflects and draws upon his three decades of experience, offers a valuable resource for both academics, leaders and project managers.

The extent to which the following case studies and associated project managers' actions and behaviour followed common cognitive biases (as opposed to implementing ways of avoiding or reducing negative bias) is monitored and analysed throughout the case site. See-Saw Films, the lead producers of *The King's Speech* and Pixar's management and approach to leadership have somehow managed to consistently turn adversity to advantage when faced with demanding project management decisions, pitfalls and potential project management failure [7]. Neither company has managed projects that became limited one-off, 'flashes in the pan.' Subsequent films produced by See-Saw following *The King's Speech* have also met with market success, as has its creative players[11]. Pixar's commercial durability is borne out by the fact that the company has not to date made a 'flop' film that has failed to recoup the project's negative cost. Indeed, the final two case studies consider how helpful bias reduction can be to project management 'best practice', and whether there is a direct link between cognitive 'mindfulness', including 'switching gears' [2] and the subsequent success of their respective projects and companies.

[11] *The King's Speech's* director Tom Hooper went on to direct global hit *Les Miserables*; See Saw's follow up movies included *Shame* and *Trance*, which have performed commercially and critically on a global scale. Shame's director Steve McQueen went on to win a best Oscar for his 2013 film *12 Years A Slave*, and garnering significant commercial results.

4.2 'Green Lighting' at Renaissance Films: 'The Reckoning'

This case study explores the process of 'Green Lighting' [7, 10] from both a company perspective and a project management perspective. The film was packaged, financed and produced by Renaissance Films, a UK-based company [7]. The film suffered acute project management stress, broke the production/financing company's Green Lighting rules, and failed both creatively and commercially in the UK and global marketplace. The film's negative performance also played a critical role in the failure of the new 'company team', which ultimately resulted in Renaissance Films' entering into receivership three years after the film's production (2005).

The practice of 'management by committee' and the so-called 'wisdom of collective decision-making' [1] present project managers with more problems than help overcome them. Part of the challenge is how the management 'sees' (Mintzberg, et al, 2009) [13] the problem, if at all? The following in-depth case study examines some of the inherent problems, issues and consequences that arise when key Green Lighting decisions are made through a collective committee, effectively commissioning and underwriting an inexperienced and compromised producer to lurch into a highly risky production.

The Reckoning, a $14m UK-Spanish co-production starring Willem Defoe, Paul Bettany and Brian Cox, was already $2m over budget prior to actually shooting, and $4m more expensive than the producer's original price estimate 6 month before production. This case study focuses on the decision-making process surrounding the 'Green Light' decision-making process, subsequent project management issues, and links its findings and analysis to the cognitive 'failure' framework, including issues surrounding ‘bias’, ‘optimism’, blind spots, ‘inconsistency’, and ‘escalating commitment’ [1, 13, 37].

4.2.1 Green Lighting films

Before examining the case in detail, it is useful to establish what we understand by the term ‘Green Lighting’. The film industry uses the term ‘Green Lighting’ to describe the moment a financier or set of financing parties decide to move ahead, commit investment, and place a film project into formal physical production. In a perfect world, that moment normally happens at a formal meeting, whose attendants in turn consider a set of criteria prior to taking a formal decision. One might expect that decision-making is based on rational beliefs or thoughts, to minimize risk investment. The reality, as this case study explores, can be rather different, and the actual process varies considerably from Studios to mini-majors, and through to the myriad of sources of finance that make up the typical lower budget (e.g. non-Hollywood Studio) film’s structure. This case study explores some of the mistakes and misjudgements so often made by project manager, in this case through the author’s former company, Renaissance Films Ltd.

For a Hollywood Studio, most often responsible for 100% of the budget (or at least 50% through a split-rights deal that shares the cost and rights with a partner), the decision will have taken place with all key heads of departments, including world-wide territory managers, who will supply revenue projections for their global regions. The one-stop shopping approach entailed by the studio’s ability to fully finance a film makes the Green Light process reasonably straightforward although there is still considerable issues surrounding bias, optimism, resistance and second-guessing from owners and powerful executives along the way (De Vany, 2004) [11]. By contrast, non Hollywood Studio films are rarely triggered in such an orderly process, as their financing relies on a variety of sources of finance and investment, alongside sales and distribution estimates and commitments. This complex web, sometimes referred to as ‘jigsaw puzzle’ financing, makes the task of completing a film’s finance particularly challenging when working outside Studio sector.

Any Green Light decision requires information upon which a decision can be made. Prior to investing or committing finance, financiers will demand full details of a project’s budget, cast, director, producer, finance plan, pre-sales, remaining sales estimates (or distribution projections, territory by territory, if a studio) and estimated timing of delivery. If a recoupment order (indicating the different stages of repayment to each party and relative share of net profits if achieved) has been proposed by a producer, this too will form a critical part of the assumptions; but often financiers tend to use the exercise (colloquially referred to as ‘running the numbers’) in order to negotiate their recoupment position re other investors. This range of information is then placed into a ‘control sheet’ that relies predominantly on the sales estimates or territory projections, as these combined revenue streams are the key to an investor/financier’s being repaid.

The approach, given the importance attached to forecasting, is empirically vulnerable to a range of cognitive biases, including the assumptions behind future projections, including ‘supportive evidence’, ‘optimism’, ‘anchoring’, ‘illusory correlations’, and ‘selective perception’ (Figure 2), [1]. ‘Wishful thinking,’ for example, is a further bias that is can become prevalent in integrated film production/sales/distribution organizations, as they rely on their in-house sales forecasts rather than from a disinterested party, and will fail to seek more than one person/party to independently compile the estimates. Renaissance Films, as we shall see, is a clear case in point.

Many Green Light decisions will include further hurdles that the management and the specific film project have to overcome before draw down of finance and/or investment is allowed. At times, a Green Light meetings' 'yes' decision may mean only a part of the film's finance is triggered, and the film's final move into principal photography is still dependent on other deals or Green Light's from other co-financing sources being closed or approved. Film projects often crawl haphazardly through a vague and ill-disciplined Green Light stage, where in the words of producer Stephen Woolley (*The Crying Game*), one of the most experienced UK filmmakers, 'the producer starts, and everyone else catches up' (Finney, 1996) [58].

4.2.2 Green Lighting at Renaissance Films: From *Disco Pigs* to *The Reckoning*

The call came in from Renaissance Film's Finance Director Anne Sheehan to the company's co-Managing Director Angus Finney (the author of this thesis), just as Finney was set to board a plane in Malaga Airport following a summer break. 'We need to call a Green Light committee meeting as soon as you are back. I think we're going to need to do this film Morality Play. We're under a lot of pressure from the Board to use the investors' money more quickly and get productions going.' As his plane took off, Finney pondered the numerous issues and variables that would inevitably be raised and considered at the upcoming meeting. *Morality Play* (aka *The Reckoning*) was the third

Renaissance film to be brought to the board's Green Light committee over the past year, but by far the most ambitious both in terms of budget and production and level.

Rules for how Renaissance Films placed films into production had been clearly mapped out in a Business Plan written by Finney and his partner Stephen Evans the previous year. The Green Lighting rules had been previously discussed at length and jointly drafted by the management and the investor, Hermes (a pension fund). They had been further refined before the investment of £24.5m in Renaissance Films had been finalised in the summer of 2000. The investors and the management (also at risk for a combined £500,000 in shares) had jointly recognised that the Green Light system formed a critical part of the risk management of their investment decisions in movie productions.

Renaissance's Green Light committee was comprised of four Executive Directors, including the company's co-Managing Directors Finney and Evans; the Finance Director Anne Sheehan, and the Director of Sales Bill Stephens; and three non-Executive Directors, including the Investor's representative and the company's Chairman. Four votes (a simple majority) in favour of a Green Light decision would carry the day, as long as the film fulfilled all criteria within the rules. The Investor's representative had the power of a 'veto' if the four Executive Directors voted for a film, while the three non-executive Directors voted against. The intention was that the committee operated a 'checks and balances' system. It was assumed that the existence of a veto would effectively guard against the management 'railroading' its film choices into production. It can be argued that such rules were there to guard against management's 'excessive optimism' and the danger of 'supportive evidence' that had not been fully tested. Indeed, the project managers and the company's local decision-making structure as mapped out by the Green Light committee were seen as a vital resource to the company's operations. But in this case what appeared to be a risk management 'resource' in truth and action became a critical liability.

If a film that failed the criteria was to still receive a Green Light, (albeit with one or more of the rules effectively broken), all seven committee members would have to vote in favour of going ahead. The rules were clearly mapped out in the company's Articles of Association and covered the following:

- A film under consideration had to present a package containing the following elements: a script, budget, producer track record, director and two main cast actors. The package had to be satisfactory to the Committee. These documents needed to be made available at least 10 days prior to the committee meeting.

- A reputable Completion Guarantor needed to have issued a letter of intent to bond the film's production and delivery at the budget level (less standard exclusions) submitted to the Committee.

- A minimum of 30% of the film's total budget needed to be covered in either pre-sales to distributors, and/or co-financed by third party investors. Such co-financing had to be in place prior to the Green Light decision.

- Satisfactory minimum sales projections from available territories indicating no less than a straight 100% return on investment had to be provided by Renaissance's Sales team.

- Any bank involved in cash flowing a section of the finance, and/or 'gapping'[12]up to 25% of the film's budget, had to be pre-approved by the Committee.

- The Committee could not commit more than 50% of a film's total budget; nor approve an investment of more than $10m in any one single film production (unless all members voted in favour).

4.2.3 Previous Green Lighting decisions

Evidence of 'inconsistency' and 'selective perception' [1] had already taken shape, and had dominated the previous decision-making process regarding film production decisions at Renaissance. The two films already green lit by the committee were *The Luzhin Defence* and *Disco Pigs*. *The Luzhin Defence* was a project already in advanced development when the new Hermes investment was secured. A 'go' project was deemed attractive by the investors. To their

[12] Gap finance means lending against unsold territories, supported by sales estimates (e.g. forecasts)

eyes, the film was a ‘kick-start’ to investment and production activity, and the Chairman had agreed to ‘shepherd’ the film through the Green Lighting committee.

In terms of the Green Light criteria, *Luzhin* was well positioned. The screenplay was adapted from a classic novella by Vladimir Nabokov. The producers were ‘in-house’. The director and cast was deemed attractive enough for an $8.8m budget; and more than 30% of the finance was originating from three co-production partners – France; The Netherlands and Italy. (The Netherlands was later replaced by Hungary following a dispute between Renaissance and the Dutch producer, but the film still qualified as an official co-production under the European Convention on Cinematographic Co-productions, thereby not collapsing the complex structure of co-finance from the different territories). These co-financing sources were not strictly commercial ‘pre-sales’ to territorial film distributors. The co-financing did not form a true market test of the projected value of the film, but this point was quickly glossed over at the committee stage. In hindsight, one could argue that selective value was applied to the finance structure, demonstrating an inability by the committee to apply the same decision making criteria to each and all films under review [1].

One of the risks facing producers and financiers is running over budget, and failing to deliver the film product to distributor(s) for exploitation and consumption (Rimscha, 2009) [10]. Film Finances, a reputable completion guarantor, had issued a letter of intent to bond the film; and Societe General, with an experienced film finance arm, was lined up to discount and cash flow nearly 40% of the film’s financing. A UK sale and leaseback tax arrangement was in place for around 12% of the film’s budget. Sales projections showed acceptable minimum sales from around the world (excluding the UK, where Renaissance had secured a guaranteed theatrical distribution deal with a leading independent distributor, Entertainment, on an on-going basis). However, no hard pre-sales had been achieved on the back of the script and package prior to the Committee's decision to go ahead with the movie production. Renaissance was investing $4.4m of *The Luzhin Defence's* $8.8m budget, thereby staying within the 50% maximum investment rule under the Green Light rules.

Almost as soon as the film had been Green lit the company secured a co-financing deal with Clear Blue Sky, a US company engaged in finance, development and production, which had long been attracted to the screenplay for *Luzhin* and admired the package. Critically, Clear Blue Sky was keen to do business with a company that could match its financial resources, rather than be tapped by third-party productions where it was not a full and equal production and finance partner. The deal stated that should the film make it into production, each party would invest equal amounts of money into the production. Additional fees and commission were agreed which allowed Renaissance to charge for its International's sales and marketing services. Clear Blue Sky wanted the deal to include a joint investment in *Luzhin* albeit that it was a retrospective arrangement. Renaissance's investment subsequently was offset a further 50%, dropping from $4.4m to $2.2m.

Prior to completion of the *The Luzhin Defence*, sales activity based on the package and a 12-minute promotional video, indicated that the Committee had little to worry about. A pre-sale was achieved to Japan for the $1m 'asking price'. This was the 'high' sales estimate rather than the minimum. The pre-sale was made during the former MIFED film market in Milan, (while the film was in post-production), and it helped to provide confidence within the Board that the film was on track.

Disco Pigs, the other film the Green Light committee had already approved, was a low budget Irish production adapted from a theatre play. A promising first-time director was attached, alongside one of Ireland's most interesting and prolific film producers. The Green Light decision rested on the following criteria:

- The film was supported by Ireland's state subsidy body, the Irish Film Board with an investment worth 25% of the budget.

- A further 14% was to be raised by the Irish tax deferral system, Section 481.

This left Renaissance needing to put up around 61% of the budget, 11% more than its 50% rule. All other criteria had been fulfilled, with the exception of pre-sales or investor finance covering more than 30% of the budget. It was deemed by the Committee that the combination of two sources of 'soft' financing was applicable to cover the 30% rule. As the film was seen, in the words of the Chairman, as a "baby project", *Disco Pigs* went ahead, backed unanimously by the Green Light committee, with Renaissance investing just under $2m of the $3m budget. Critically, no notice was taken of the fact that the rules had effectively been ignored in order to place the film into production. During the decision-making process, information was put in the most positive way to the committee, rather than all information and forecasts being openly challenged or tested by a third party for example [1]. And there was to be no post-mortem insisted upon by Evans and Finney that might have critically reviewed the decision-making process against the Articles of Association and the stated rules.

Such activity and group behaviour could be deemed to be subject to the perils of ‘availability’ and ‘anchoring’, and driven by ‘optimism’ and ‘wishful thinking’. The Renaissance Green Light committee was comprised of high profile, financially experienced non-executive directors and impatient executive directors (mostly made up of producers) keen to make films. All decision-makers ultimately underestimated ‘uncertainty’ [1, 11]. None of them considered what had taken place on the previous two projects when it came to considering the third: *Morality Play*.

4.2.4 Morality Play

Like *Luzhin*, *Morality Play* had been in lengthy gestation at Renaissance Films prior to the arrival of the Hermes £24.5m investment in the reputable production company. A dark tale set in medieval Britain adapted from Barry Unsworth’s admired and award winning novel, the script had gone through a number of drafts, and had been considered and rejected by a range of UK and European directors. That spring prior to the August Green Light meeting, a former photographer and second-time director, Paul McGuigan (*Gangster No 1*.), read the screenplay and responded positively to the material. Although his first film had not scored at the box office it had won some critical acclaim and he had discovered a new 'hot' UK actor, Paul Bettany. The film offered an insight into the director's ability to handle tough material and attract strong performances from his actors. When Renaissance showed interest in this director, the new actor in turn showed willingness to play the lead role in *Morality Play*.

During that year's Cannes film festival and market, Renaissance held a number of meetings with prospective co-production and finance partners for *Morality Play*. These included numerous potential German co-production partners and a German tax fund that showed keen interest in the project. However, no distributors showed any appetite for pre-buying the (then) $10m budgeted project. Indeed, during the Cannes film festival one award-winning producer who worked regularly with German director Wim Wenders, warned the Renaissance team that the company was "crazy making European films at ten million bucks. You'll never ever get your money back!" Nobody, including Finney, recounted or recalled that comment four months later at the Green Lighting committee meeting that initially approved and committed $12m to the film's financing.

A Cannes meeting with Clear Blue Sky – Renaissance's financing partner on *Luzhin* - focused mainly on a different, US film that the company ended up co-financing later that year. *Morality Play* was given scant attention by Clear Blue Sky and was seen as an over-budgeted and unattractive project. Clear Blue Sky's feed-back was stubbornly ignored by the Renaissance team, just as previous concerns raised at Cannes had fallen on deaf ears.

Talks with a German tax fund partner had continued during the summer prior to the August Green Light meeting. Finney had travelled to Los Angeles in July in an effort to close a deal, but no commitment in writing had been issued by the tax vehicle's representative. Meanwhile, with no interested German co-producing partner, the lead producer looked to southern Spain as a region to shoot the film. A large and expensive set was to be built, with the ultimate intention to burn it down at the end of the shoot, as per the narrative in the screenplay. An experienced Spanish co-production partner was brought in, contributing the minimum 20% under the Anglo-Spanish bilateral co-production Treaty rules. However, while the contribution on paper needed to be 20% of the budget, the hard cash contribution from the Spanish partner was $800,000 – just 8% of the $10m budget. It was also going to be cash flowed by the co-producer against future distribution and TV deals rather than discounted and guaranteed by a bank.

A UK sale and leaseback tax partner was contracted, contributing a further 12% of the budget. By the first week of August just 20% of the $10m budget had been raised. Major territory distributors, including North American buyers, who had read the screenplay and held meetings with the Renaissance sales team during Cannes, all, without exception, chose to wait rather than pre-buy rights in the movie. A number of them stressed their concern about the subject matter when compared to the relatively high budget. And despite meetings and greetings, and paying a former Societe General banker consulting fees, Renaissance failed to close a German tax deal.

The film's budget, following the appointment by the producer of a leading Director of Photography and an ambitious Production Designer, had meanwhile quickly swollen to $12m. Both heads of department had worked with the director on his previous film. "I'm not interested in compromise," McGuigan had indicated forcefully at a meeting with the production team and the executive producers. “This is the film we’re making and there’s no point in going ahead unless we’ve got this budget. There has to be a leap of faith.”

Meanwhile, the film had been formally presented to Clear Blue Sky under the co-financing deal that had already partnered on Luzhin. Despite Willem Defoe, a leading US independent actor joining the cast, Clear Blue Sky elected to pass on *Morality Play*. At this stage, one of the co-Managing Directors had chosen to place Paul Bettany, the new, rising actor on a ‘pay-or-play’ deal. Evans’s intention was to stop a rival film ‘stealing’ the actor away that autumn and pushing *Morality Play* back into a shoot the following year. This meant that the relatively new actor would be paid his fee even of the film did not go ahead. In addition to the development and pre-pre production costs, which by August mounted to some $300,000, Renaissance was going to be penalised a further $250,000 payable to the actor if the Green Light committee decided not to go ahead with the film. While the UK sale and leaseback deal was able to remain at 12% of the new budget ($1.44m), the Spanish contribution in hard cash remained at $800,000, or 6.6% of the budget.

By this stage, evidence of ‘escalating commitment’ [15] and ‘recency’ [1] were clearly dominating both the producer and Renaissance’s executive decision making behaviour. Why did the film rise in production costs by some 20% with no significant elements of market value attached? Why was the company now at significant risk if the film did not go ahead, thanks to the pay or play deal and considerable sunk development costs already spent? Why was there such an absence of any risk management?

Morality Play’s finance plan (as presented to the Renaissance Green Light Committee)

UK Sale and leaseback contribution: 12%
Spanish Co-producer contribution: 6.6%
Renaissance Films equity: 81.4%
TOTAL: 100%

Table 7: Finney, A. Chapter 5 (2010)

4.2.5 The Green Light meeting

Finney had only 24 hours from the moment his flight landed and the Green Light meeting that was to take place at Renaissance's offices in London. He had a series of meetings and conversations, including with one of the in-house producers of *Morality Play*, who argued that a decision to go into formal pre-production was critical if the production was to hit its actors' and location dates. Deposits and crew contracts were being made on a daily basis. A delay or postponement of a decision would effectively collapse the film, an argument that was made forcefully by Evans, lead producer Caroline Wood, and the Finance Director Sheehan to Finney just before the meeting. Finney was concerned about the lack of pre-sales and indeed real interest in the project from the independent distribution market. He recalled how difficult the film had proved with regards to pre-sales and potential co-financiers only three months earlier at the Cannes Film Festival. However, he was potentially compromised if he went up against his senior co-managing director in front of the Green Light Committee. If Finney became the 'veto' vote from within the Executive Director management team, he was aware that he might well be 'vetoed' out of the company all together. Finney was viewing the problematic impending decision in terms of his own 'background and experience', and was suffering from a perceived conflict of interest between what was right for the film and company, next to his own future job and career: a clear case of what Makridakis terms 'selective perception' and cognitive dissonance [1].

The management decided to divide the presentation into two key parts. Part of the management team put forward the creative case for the film going ahead. This argument highlighted the cast, script, subject matter, production values and director's vision. Once this 'pitch' had been made, the second part of the presentation concentrated on the financials. The point was underlined that not doing the film was going to cost the company more than $800,000 dollars as a result of the escalating commitment undertaken by Renaissance's producers. Heads of departments had been placed on contracts that would have to be met; bookings would need to be cancelled with associated kill fees; the lead actor would have to be paid his full $250,000 fee; and Renaissance's historical costs would be effectively lost and ultimately written off. In addition to the financial hit, Evans stressed that a 'no' decision would cause considerable damage to Renaissance's reputation, a concern given the slow start the company had experienced post-Hermes. Time delays, and production 'slippage' formed an important backdrop to the atmosphere in the meeting (Manning and Sydow, 20) [59], as did reputational issues for the company going forwards (Rimscha, 2009) [10]. Evans fleshed out his worries by explaining that agents, talent and existing and potential partners would lose confidence in the company's ability to Green Light investment decisions. Renaissance, in his mind, needed to 'walk the walk, and not just talk the talk' [7].

The Finance Director Sheehan presented the investment case for the film, but this part of the meeting was already under the shadow of the financial 'hit' that Renaissance would have to take if the Green Lighting committee was to reject the film. Financing actually in place by this date totalled just 18.6% of the budget. No pre-sales had been achieved. This in turn meant that no bank had been approached to 'gap'[13] a percentage of the budget against remaining available territories, (as had been the case with *Luzhin*). All film finance banks demand a 'market test' in the form of hard pre-sales to significant territories before lending against remaining estimates. 81.4% of the film's negative cost would need to be guaranteed by Renaissance if the decision was made to go ahead.

The minimum estimates from the international sales team amounted to around $7m, some $5m lower than the (then) negative cost of the $12m film (excluding the value of the UK distribution rights). The estimates would not cover Renaissance's exposure of just under $9.76m. The argument, however, was once again put by the 'optimistic' producers to the Committee that the difference between writing the film off and risking losing $2.76m on the downside of the minimum sales estimates, (with the possible boost of a strong UK performance to help mitigate any losses), was a reasonable way to gauge the investment decision at hand. Much was made of the production fees, at around 8% of the $12m budget that would also partly mitigate the risk and provide income for Renaissance's overhead. The pressing need to 'reduce anxiety' [1] by taking the most optimistic view of future performance was manifest in the above representations.

[13] Gap finance means lending against un-sold territories based on future estimates

Finney, who had recently returned from Los Angeles prior to his Spanish vacation, also fell under the spell of 'optimism'. He stressed the likelihood of the company closing a German tax fund deal, which in turn would bring a co-financing partner worth 20% of the film's overall budget. If such a deal was closed, it would bring a further $2.4m to the production, and Renaissance's contribution would effectively drop to $7.36m, still higher than the 50% of a total budget Green Light rule and still below 100% coverage on minimum sales estimates, but significantly more acceptable in the eyes of the Committee. Lastly, Renaissance's then Director of Sales presented what in view of hindsight was an 'optimistic' (he later used that specific word after the company parted with his services) view of the cast, script and his ability to close sales at the MIFED film market as the film proceeded through production. This was despite a poor reception at Cannes and a straight 'pass' from nearly all the French and German independent distributors who had reviewed the project over the proceeding four months. To place this in perspective, part of the problem facing the sales team at Cannes had been the inability of the lead producer to manage her writer and appoint the remaining leading actors. The sales team were trying to sell an incomplete package with the wrong script draft for distribution to buyers.

Film Finances, a reputable completion guarantor, had issued a letter of intent to bond the production at the agreed budget of $12m. The guarantor had a historically strong relationship with Evans, and felt comfortable at this stage about bonding the production. However, Renaissance's production fees and historical costs were excluded, as is usual, from the overall delivery guarantee.

The Green Light committee had no Renaissance films that had completed their first full cycle of sales with which to compare the estimates and 'ultimate' results presented on the behalf of *Morality Play*. However, *The Luzhin Defence* had premiered at the Cannes film market in May that year. The film had sold to North America during Cannes to Hollywood Studio arm, Sony Pictures Classics, but for a $300,000 advance. The minimum estimate from the sales team prior to the film being Green Lit had been $1m. No one on the board raised the $700,000 gap between the forecasted projection and the end result.

The Chairman Anthony Chambers asked the management what risks North America presented to *The Reckoning*'s potential success. Evans explained that it was his intention to try to sell the film to a North American distributor as the film was shooting. 'They will take the film seriously once the cameras are rolling and they know the film is in production.' The minimum (low) figure for North American value had been estimated at $1.5m by the sales team. Hermes's Investor Representative had indicated during recent Board meetings that the Investor was growing somewhat frustrated that the company was not using its financial resources to make more films. The company was well behind in its stated aim to produce or acquire four to five films per annum, as set out in the Business Plan.

During the Green Light meeting, which formally voted unanimously to Green Light *Morality Play*, the investor concluded the meeting with the words: "It's good to see the company is finally making films."

4.2.6 Reflections on the Green Light decision

Morality Play, which was finally released as *The Reckoning*, underwent the following:

1. Further over-spend: the final budget was $14.2m, and the additional $2.2m cost was excluded by Film Finances at the point of closing the completion bond. Renaissance received no production or financing fees for the film. The significant project management failure, including the inability to control costs, talent and rising creative demands on set, through further light on the Green Light committee's 'conservatism' [1]. Evidence was plentiful that lead producer Caroline Wood was out of her depth at an early stage in the project's history, yet neither the committee nor the joint Managing Directors changed their minds in the light of escalating costs and compelling evidence that she was a project management liability.

2. No further partners came to the table: the German tax deal was never closed, in part due to the agents representing the tax fund falling out with their partner – something that only became clear in late August, two weeks after the Green Light decision had been made. Finney had overestimated the potential downsizing of risk by taking an unrealistically positive view on a future deal.

3. No further pre-sales were made until completion and screening to buyers in August 2001. All films once completed and seen by an audience are worth what the market deems they are worth, and not the price they cost to be produced [7].

4. The Spanish co-production deal was to remain stuck at $800,000 despite the budget overspend, and was subject to months of negotiation after the film's completion due to late payments.

5. Final sales (aka 'ultimate' numbers rather than estimates/projections) were significantly lower than the minimum sales estimates. The forecasting from the sales team had been inaccurate and overly optimistic. On screening, Paramount Classics, the specialist arm of Paramount Studios, bought North America, Japan, Latin America, South Africa, Middle East for $1.75m, but demanded a new music score, and significant edits and a two day re-shoot. The additional 'cost' of the deal was around $130,000, which was to be split 50-50 between Renaissance and Paramount[14]. Overall sales on the film remained at around $2.5m, compared to the low estimates of $7m, despite the North American multi-territory deal.

6. The film was rejected from all the major film festivals, including Toronto, Venice and Berlin. It premiered in Taormina, in Sicily, Italy, in the fall of 2002, some 12 months after completion. It premiered in North America at the Tribeca Film Festival a further 8 months later, and sunk without trace at the box office. The UK theatrical release lasted just two weeks.

7. The corporate impact of the film being green lit had severe consequences: Renaissance Films lost more than one third of its available capital for film investment due to its decision to green light The Reckoning.

8. No post-mortem [16, 17] was held either by the management team or the Board. The Green Light rules were never properly revisited, and

[14] Ironically, Paramount covered the shoot and failed to invoice Renaissance for their share

became redundant as the company ran out of funding within 18 months of *The Reckoning* entering production.

Of Makridakis's twelve key Common Biases in Future-Orientated Decisions, this case study demonstrates both a wide level of visibility (some eight biases are raised in the case) and their repeated occurrence at different stages across the value chain. As an in-depth case study, the aptly named The Reckoning should serve as an appropriate warning signal to group decision-makers, investment committees and project managers of how many local decision-making processes can go wrong, and how 'blind' project entrepreneurs can be to even seeing problems them after the event, let alone during the process. A key aspect to emerge from this case study's findings is the question of Boards, committees and risk management resources: what should have been a positive 'resource' as identified by Green Light rules and stated process, in practice failed to protect the company due to inept, selective and local decision-making bias. Makridakis's suggestion that the decision-making process needs to be clear and adhered to was broken, resulting in both poor risk management and a subsequent significant loss of value in both the project but also the overall organisation.

4.3 Project Management Issues on *Pobby & Dingan* (aka *Opal Dream*)

4.3.1 Introduction

This case study examines a successfully pre-sold and financed $8m production, but one that ultimately failed in the marketplace. The case explores the challenge of 'forecasting' [1, 56] through the compilation of estimates for a film's future value in territories around the world. It also raises the spectre of 'delusions of success' (Kahneman and Lovallo, 1993) [25] and recency', meaning that the most recent events that took place during the financing, selling and producing of this project dominated all that had gone before, including Peter Cattaneo, the director whose most previous film's marketplace failure was conveniently ignored [1]. The author, who was responsible for Renaissance Film's involvement and selling of the film, compares and analyses initial estimates with actual sales made at the different points during the packaging, production and delivery process and the problem that arises when different film versions are cut. From a cognitive perspective, the case focuses on the producer's project management technique, including the challenge of inherent conflicts of interest, poor casting decisions, and the ineffective handling of financiers and the production team. Issues of 'attribution', 'availability', 'optimism' and 'conservatism' arise, along with questionable attribution of success and failure [1].

Pobby & Dingan (aka *Opal Dream*) was an $8m UK-Australian co-production, directed by Cattaneo (best know and feted for directing the hit UK film *The Full Monty*[15]), which was produced by Academy Films and financed by BBC Films, UK Film Council, Invicta, New South Wales Film and TV Fund and the Royal

[15] *The Full Monty*, released by Fox, grossed $258m world wide from the box office

Bank of Scotland. The story is about a little girl growing up in the opal mines of New South Wales with her brother and parents, and the loss and ultimate death of her two imaginary friends, Pobby and Dingan.

4.3.2 The pre-sales challenge

Renaissance International, the London-based foreign sales operation linked to the former Renaissance Films Ltd., bid for the project against other competing sales and financing operations for world rights in January 2004. The company's competitive advantages included its enthusiasm for the screenplay, a very quick response to the script and project, and a determination to undercut other sales companies in terms of rate of sales commission. However, the company was also desperate for new film product to attract distributors and Hollywood, making it vulnerable to selecting films on questionable supporting evidence [1]. The script, for example, submitted to the distributors included the young girl dying at end of the story. Renaissance's support for the highly emotional ending was a key reason why Academy and the director chose them as the sales company representing the film.

As part of the negotiation to acquire world rights to the film outside the UK, Renaissance had to provide a full set of sales estimates for the world to the producer. At this stage, no cast was in place, so Renaissance was estimating the film's Ask and Take prices (aka 'High' and 'Low' forecasts) and designing a pre-sale strategy for the film against the screenplay, the material, and the track record of the director. No star names were anticipated, and the leading roles were to be played by children – who by definition have no deemed market value in contrast to older teen and adult movie stars [11].

Renaissance also had to take into account how to cover the budget, which was at approximately $8m when it ran its sales estimates. The imperative to cover a film's costs via film estimates raises the spectre of 'optimism' and 'wishful thinking' in turn driving the perceived value rather than a reality check before committing [1, 37]. A sales team working closely with a project manager (e.g. film producer) will have a 'preference for future outcomes' that impact directly on 'the forecast of such outcomes' [1]. Indeed, Finney was under so much pressure to acquire film rights to sell that this in turn led him to attribute a higher value to the project than the marketplace might bear. Makridakis also points out that predictions and financial forecasting can also be unduly influenced by initial information, which is given more weight in the forecasting process. In the case of this film, the selective perception of the director's market value was subject to 'anchoring,' with significant consequences for the film's ultimate performance.

A key element of the deal agreed with the producer included the requirement for Renaissance to achieve no less than $1.8m of pre-sale contracts by the close of the American Film Market in February 2004. As no advance was paid for world rights, the producer understandably included a 'performance' clause to protect the film's potential sales if Renaissance failed to deliver. This strategy, however, was potentially risky to the producer. If Renaissance's efforts fell flat, the project would have been badly damaged commercially in the marketplace, possibly fatally.

The sales estimates submitted to the producer of the film demonstrated a heavy dependence on Western Europe, Japan and Australasia. The prices (divided into 'Ask' and 'Take' columns) recorded the maximum amount Renaissance decided it could ask distributors to pay, and the minimum it felt prices could be accepted without undermining the recoupment of the film's budget. It is the minimum prices (or 'Takes' or 'Lows') that any bank views to be the potential indicator of a film's value, territory by territory, not the 'Asks' or sometimes euphemistically referred to as the 'Highs'.

The American Film Market was relatively slow that year, with few quality or 'hot' screenplays in circulation. The combination of Cattaneo's track record and finely written and emotionally sensitive screenplay worked to Renaissance's advantage, despite the potentially negative material around a climax focused on a plethora of deaths, two imaginary and one sadly real. Indeed, a number of distributors passed on the project due to the girl's passing away in the final pages.

Territories sold included Australasia ($500k) – which was made available rather than controlled by the Australian co-producer - Italy ($500k), Benelux (plus Indonesia), ($160k) and Japan ($750k – for which permission had to be granted as it was $50k lower than the take price). Renaissance also turned down (unwisely on reflection) an offer for the UK ($250k) for theatrical and video rights only (which would have allowed room for a BBC Films deal, taking pay and free TV under a licence deal that had yet to be conclude).

Renaissance went on to pre-sell a further $700k approximately of sales at Cannes in May 2004, including France, Switzerland, Greece, Israel and Middle East. The Royal Bank of Scotland discounted the pre-sale contracts, and lent a further 12% of the budget against remaining 'Take' sales estimates. However, Japanese distributor Gaga, who was experiencing acute cash flow problems that summer, attempted to cancel their contract during July just as their first 'deposit' payment of 20% of their contract was falling due. Had the pre-sale fallen through, the film would have collapsed. A new set of payment percentages and terms was agreed with Gaga, with Lee Beasley, then head of RBS's media banking arm, proving very flexible in cash-flowing the adjusted deficit. The finance was finally closed August 2004, and a further major territory (Spain at $500k) was sold on script and rough footage screened at the second AFM in November that year. A total of $3.2m of pre-sales had been made prior to the film's delivery, a significant contribution from the commercial market place towards the film's total budget.

4.3.3 Achieving further distribution deals beyond the pre-sales

Renaissance's sales team saw the film between February and March 2005 throughout a number of editing stages. The investors, including BBC Films, UK Film Council and the sales team felt that although the film was uneven – and would be improved with certain re-shoots and a new editor. However, these enhancements could not be achieved under the time constraints of the Cannes market in May 2005.

The foreign distributors who had already bought the film from Renaissance were insisting on seeing the completed film at Cannes. They were prepared to see the film at a private screening, or at a market screening. The Royal Bank of Scotland insisted on the film screening during the Cannes market to all buyers as it has an outstanding gap of 12% to be repaid. The producer and director didn't want to show the film, taking a 'selective perception' position regarding the financiers' requirements and risk management processes. Instead, they placed their own careers and reputation in front of their financial partners' interests [1, 5]. BBC Films and the UKFC, who together had put up more than 40% of the film's finance and mindful that the film could quickly be dubbed a 'problem' movie if delays became public, decided ultimately that the film should screen at the Cannes market.

Pobby & Dingan had a poor reception at its market screenings during Cannes that year. But Universal Studio's former Focus Features, a key US distributor, made an offer for North American rights. James Shamus, a very experienced filmmaker as well as the then joint-MD running Focus, asked to talk to the director about potentially changing the ending. Focus made an offer to buy the film and to contribute 50% towards re-shoots, initially without insisting that the existing ending, where the girl dies, being changed. As the North American deal dragged out, however, the ending was changed at Focus's insistence. There were now two versions of the film – a North American version and a foreign version. What options did the producers and sales company have given the confusion that two different films were likely to enter the marketplace?

1. Agree to try to deliver the two different versions by offering foreign distributors a choice? What problems would this create?

2. Insist that foreign distributors have to take delivery of the foreign version.

3. Try to convince foreign to all take the North American version.

What actually happened?

1. Focus insisted on changing the title from *Pobby & Dingan* to *Opal Dream*.

2. Renaissance went into administration two months after Cannes 05. The film's sales duties were taken over by Becker Films, who took the position of trying to convince all distributors that the Focus version was the most commercial and the only real option available.

3. The film was marketed specifically as a children's film once the ending was altered. It played in the Children's section of the Berlin Film Festival in 2006.

4. Many of the original buyers who pre-bought the film from Renaissance lost interest in the film, and have rolled it out straight to video.

5. The balance of the $500k Advance from the Spanish distributor was not paid to RBS, leaving the bank with a problem recouping its 12% gap.

6. BBC Films pointed out to Focus that they had invested in a script where the lead girl died at the end of the story, and that they had no intention of screening the US version. Two versions of the film exist as of today.

Makridakis's research and findings on forecasting and the powers of prediction (or otherwise) [1, 51, 60, 61, 62], which is complemented and further supported by Kahneman and Lovell's work on 'delusions of success' and 'bold forecasts' [16, 20] are brought into sharp focus in this case study. In addition, 'Illusions of control' (Duhaime and Schwenk, 1985) [30] in the form of the producer and financiers taking comfort in initial sales estimates and early pre-sale transactions bore no relation to the film's final value in the market. The case study's findings serve to highlight the shifting value of a project as it navigates the film value chain: early success served as a misleading indicator of final performance, despite considerable 'optimistic' weight being given to them by both the project manager and the film's financiers. Pre-sale forecasting is viewed as a risk-management tool for project managers and film financiers [5] but the reality once a film is completed complements De Vany and Goldman's position [8, 9] "Nobody knew anything" in this particular instance.

4.4 UK and US project management perspectives: the case of *Vapor*

4.4.1 Introduction

This case study analyses a film developed, packaged but not produced due to a range of complicating facts: the wrong scale of budget, an inappropriate choice of star (Sandra Bullock) and a subsequent lack of sufficient enthusiasm and finance from the film market to green light the project. *Vapor*, which was a $25m budgeted UK-US movie written and directed by Neil LaBute, and set to star Ralph Fiennes and Sandra Bullock collapsed just in early pre-production, costing Renaissance Films more than $700,000 in sunk costs and a significant hit to the company's reputation. The case focuses on both producer and executive producer biases in decision making during the development and packaging of the project. The themes raised include 'availability', 'illusory correlations', 'optimism', 'recency' and 'underestimating uncertainty' [1]. It also considers the role that 'supportive evidence' and 'blind spot' biases play in the project's failure.

Taking an American-piece of material and attached talent, and seeing what can occur when a European-based company commits to developing and financing that package, can illuminate the creative, cultural and financial hazards that are associated with ambitious cross-border investments in the film business. However, such ambitious projects that have high-value elements either attached or potentially likely to join a production often form part of the price of doing business in the higher end of the independent film business. Projects that can potentially drive a company's perception and reputation forwards are hard to come by, and entry comes at a premium: 'the price of doing business'. The following case study highlights many of the above issues.

4.4.2 The development package

Pretty Pictures, an LA-based production company run by producer Gail Mutrux (*Rain Man*, *Quiz Show*), approached Renaissance Films in 2001 to finance the development of a Neil LaBute project. The novella, written by French and US educated emerging novelist, Amanda Filipacchi, is about a young ambitious actress in New York, who meets and falls for a strange scientist who ostensibly makes clouds for a living. They embark on a highly charged and challenged affair, while the story takes on fantasy-like *Pygmalion* aspects as the lead actress is re-shaped, literally, by her admiring scientist. In other words, *Vapor* is an off-beat, truly 'art house' project, not cut out for in-house Hollywood Studio development but potentially original enough to attract high end talent given the status of the director and producer committed to developing the material.

The project came to light thanks to a vigilant acquisitions executive working at Renaissance during that time. Sarah Sulick had found out about the book and the attachments, and pitched it internally to Renaissance's co-managing directors, who were interested in pursuing the project. After initial discussions, the agreement between Renaissance and Pretty Pictures stated that Neil LaBute (*In The Company of Men*, *Nurse Betty*, *Possession*), would adapt the novella, and direct the film. Pretty Pictures was to produce, and Renaissance was committed to financing, controlling world sales rights, and executive producing. The dates of writing commencement (two drafts and a polish) were initially left vague, as LaBute had some 'prior commitments', but Mutrux assured Renaissance that she would be able to get the writer/director to focus on the screenplay once his latest film, *Possession*, an AS Byatt adaptation, was completed.

During a meeting between Renaissance, Mutrux and LaBute, prior to signature of the three-way development deal, Renaissance stressed that some of the more extreme elements of the story needed to be handled carefully if the script wasn't to alienate both potential cast, and ultimately the project's intended audience. Renaissance internally debated whether it should consider including the right to appoint a third-party writer to the project as an insurance for timely delivery and a greater level of creative control – with LaBute writing a 'directors' draft' rather than two full drafts and a polish, but nothing was decided upon. Renaissance decided, instead, to rely on a delivery date for the first draft (February 2002) in the long form development contract, which allowed LaBute more than six months from signature to deliver.

At this stage, an LA-based company, Catch 22, approached Renaissance about sharing the development costs 50-50, with a view to co-financing the project. Renaissance decided that this partnership would help offset the upfront risks of development, and a verbal agreement was established, but not papered (e.g.: legally drawn up) in a timely manner. (Later, Catch 22 fell away as the company closed for business prior to any formal legal contract being in place, leaving Renaissance to pick up the costs for the full development and pre-pre production expenditure).

4.4.3 Illusions of control and the curse of 'slippage'

The first draft of *Vapor* was delayed by 12 months (script delivery ended up being in February 2003) due to LaBute directing a new movie of one of his plays (*The Shape of Things*), a project that was not mentioned when the development deal was agreed. Renaissance, despite contracted delivery dates, was unable to control the development process. Talent has a tendency to shift gears and project focus, depending on what's most intriguing to them at any one moment, making them a flight risk (Finney, 2010) [7]. Slippage is a regular occurrence in film project development, costing time, momentum and money. Although the first draft was potentially strong, it needed significant rewriting. Specifically, the writing in the more extreme and emotional scenes in the script required attention. Most problematic was that the first 40 pages read like a zestful romantic comedy,~~;~~ while the following 80 read like a noir psycho-thriller. To be specific, the male lead literally throws the female lead into a cage with a few to 'improving' and training her on page 48.

After notes and a meeting with Renaissance, LaBute made some minor revisions. Renaissance, however, was under time pressure to package the film (i.e. attach key cast and agree a budget) prior to the imminent film market, Cannes 2003. Why? Because that was where the film had its best chance to be financed, and because Renaissance was hoping that the project's launch into the marketplace would also lift the company's overall status and reputation with international distributors. Finney, and his sales team, were being driven by the most important recent and upcoming evens, rather than the reality that the project was possibly not ready to be considered by financiers, distributors and Hollywood Studios yet, a clear case of 'recency' and 'selective perception' [1].

Creative Artists Agency (CAA), acting on the behalf of Renaissance, sent out the under-developed screenplay, which had undergone just one draft plus scant revisions, to lead cast. Following a 10-week period, Ralph Fiennes and Sandra Bullock committed to play the leads. The director assumed that now that key talent was attached, the script was in shape and required no major additional work. Renaissance's sales team argued that the draft suffered from mixed-genre confusion, and was not yet in shape for key distributors to read. The Managing Director pointed out that the script needed to be sent to North American and foreign distributors at least three weeks prior to the commencement of Cannes. Otherwise the script would not be read, the project would not be considered and no crucial pre-sales and financing partners would be closed. In turn, the talent would move on to other projects.

What options did the project managers have available?

1. Put project on hold, and request a new draft from LaBute as per his contract.

2. Put project on hold, and appoint a writer agreed by LaBute to make the changes in tone etc. that Renaissance fe~~e~~lt~~s~~ we~~a~~re crucial to the project working.

3. Request further work from LaBute on the screenplay right up to the eve of the market, and then deliver that draft to primed US and foreign distributors in the hope that they will read promptly given the attachments.

4. Allow the existing draft to go out three weeks prior to the market, and bring LaBute to Cannes to talk face to face with distributors about his

vision for the film. Renaissance could then use a North American partner attracted to the project to bring pressure on the screenplay once they become partners.

What actually happened?

5) The script went out three weeks ahead of Cannes, and LaBute attended. However, whilst the project was taken very seriously, the script was not widely liked, mainly due to the mixed genre problem.

What other actions could have been taken?

1. Renaissance could have included and exercised the option to appoint a third party writer in the original development contract. This might have avoided some of the delays and hence subsequent time pressures on Renaissance to finance the film so soon after first draft script delivery.

2. Renaissance could have placed the project on hold rather than take a screenplay that was not ready to be read by distributors to the market.

3. The writer and producer could then have had more time to work on a fully re-worked draft. If the script worked, new talent would have committed.

4.4.4. The packaging stage

After the previously mentioned ‘slippage’ as signified by repeated false development starts and late draft delivery, Renaissance decided that *Vapor* still held certain strong attractions re creative packaging. ‘Creative packaging’ refers to the writer, director and cast (potential or attached) – that make up most of the key elements when planning a production. Firstly, the writer was also the director. Secondly, the writer/director had a cast already in mind when the book was optioned and the screenplay commissioned.

The pitch from LaBute and Mutrux was that Neil was intending to write the part for Rene Zellwegger, who had played the title lead in LaBute’s *Nurse Betty* and was now an A list actress in the eyes of the Hollywood Studios. Mutrux had a strong relationship with Ralph Fiennes (whom she spoke on the phone regularly) thanks to their work on *Quiz Show*. Renaissance considered the cast combination commercially appealing – possibly to the tune of around $15m-$20m re a prospective budget. And Fiennes was extremely keen to work with Zellwegger.

When the screenplay was deemed ready to go out to cast, CAA, who represented Zellwegger, (and Renaissance), gave the project to her agent and management on an exclusive basis. No time limit was set initially, as the director, producer, agent and Renaissance all expected Zellwegger to read promptly. She was aware of the project, and LaBute had spoken to her on the phone about the role and the concept. Zellwegger had the script the first week of March 2003. Concurrently, she had been nominated for a Best Actress Oscar for her role in *Chicago*. Despite repeated calls from Mutrux, LaBute and Renaissance, CAA and Zellwegger's management continued to ask for 'more time'. What became clear was that Zellwegger was not going to make a decision about her next role until she knew if she had won the Oscar. CAA rang the producer six weeks after the initial submission, and told Mutrux that Zellwegger 'was passing.' It later transpired that the actress never read the screenplay.

Renaissance had just four weeks prior to the Cannes market to package *Vapor* to a level that would attract pre-sales and an American financing partner. A shortlist was drawn up, that included Cameron Diaz at the top. It became clear quickly that Diaz was not available. ICM's CEO Jeff Berg rang Renaissance suggesting Julia Roberts, but by that stage (three weeks prior to Cannes), CAA had got LaBute to focus on Sandra Bullock, also a CAA client. Bullock read the script within four days. Bullock has a very close relationship with Warner Bros., including a production company with her sister that operated on the Studio lot. Bullock was scheduled to play the lead in *Miss Congeniality 2* for Warner Bros., but the shoot was not starting until January 2004 – leaving a gap that Fall for the actress to play the lead part in *Vapor* opposite Fiennes.

LaBute met Bullock, who liked the screenplay and her character very much. She spoke to Fiennes about their prospective partnership, and that seemed to go well. Renaissance had little time to consider whether Bullock was the right commercial fit for the project – as the creative elements (writer/director, producer, existing cast), all appeared convinced. Mutrux, the lead project manager, was convinced that such high level casting was going to push the film over the line when it came to financing, without reflecting on the real nature of the art house material. Connected parties were all in a hurry: CAA, as the lead agency packaging the project, was mindful of the timing issues re getting the film's details out to distributors prior to the Cannes market.

A letter from CAA with the draft and cast attachments confirmed, was sent out 10 days prior to the Cannes market. John Ptak, the lead agent representing the project, put a budget price of $25m on the film in his letter. (This number was an issue for Renaissance's sales head. She worried that the price was placing the project at a higher level than the material could justify, despite the strong cast attachments). Renaissance managed to get an announcement about *Vapor*, with Bullock and Fiennes attached, onto the front page of Screen International's first daily magazine of the market. Everything seemed on be on track.

Vapor proved to be a particularly demanding screenplay. Most key territory buyers did read the screenplay prior to attending Cannes. But many were confused, as they understood Bullock's casting up to page 48 of the script, but at the point that Fiennes' character 'forces her into a cage' and shoots at her with an 'ice gun', many became confused about genre and casting suitability. With the exception of two key distributors, Renaissance failed to make any pre-sales at Cannes. And many financiers and distributors only read a screenplay once. Financiers rarely re-read later drafts once they have passed on a film project.

Post-Cannes, What other actions could have been taken?

1) Re-cast Bullock, and re-launch the film later that year at MIFED?

2) Stick with the casting, and try to close a Warner Bros.' North American deal and an ICON deal for UK/Australia/New Zealand with existing cast?

3) Return to Zellwegger, when she did not win a Best Actress Oscar?

What actually happened?

Renaissance tried to close a Studio deal for the US with Warner Bros and with Mel Gibson's company Icon for the UK and Australasia, and also attempted to pre-sell during the summer of 2003 by visiting distributors in Spain, Germany and France face-to-face, but to no avail.

What other actions could have been taken?

Renaissance should have kept control over the project much more tightly at the point that Zellwegger 'passed.' Instead of being rushed into a creative decision chosen by the lead project manager, the financier should have been cautious and patient. As an international sales company, it should have been aware of the dangerous juxtaposition that Bullock's casting represented: "Light, comedic actress in dangerous, indie movie from auteur…" It should have said no to Bullock prior to her coming on board.

4.4.5 The Financing stage

It is relevant now we come to examine the budget issues and finance that had to be raised, to recall that Mutrux and LaBute had worked previously on *Nurse Betty* ($32m) and *Possession* ($30m). These budget levels supposedly provided the executive producer with an indication of the director's potential 'value' in the independent market place. But did they really, and was Finney making 'illusory correlations' [1] by assuming the pricing patterns of the filmmaker's previous work related to the current project's value? On reflection, Finney should have been more mindful about: a) whether the filmmaker's expectations were too high, and b) why the material should have warned him about the true market value of the project in question.

The two leads by mid-May 2003 attached to *Vapor* were Sandra Bullock and Ralph Fiennes. However, despite the high level of casting for an independent film, Renaissance had indicated to Mutrux that no more than $20m-$22m was likely to be available to *Vapor* from the marketplace due to the challenging material and LaBute's recent track record.

Renaissance asked Pretty Pictures to deliver a production budget on the draft that distributors read at Cannes 2003. The first production budget submitted totalled $33m without financing costs. In Renaissance's opinion, this budget was at least $10m too high. Renaissance decided to fix on what they thought was a realistic figure for distributors and financiers, and re-work the script, schedule and budget while the financing was being raised. A figure of $25m was arrived at, including financing costs (E.g.: cost of banking gap, loans, interest, and financing fees, etc.).

Renaissance had two potential plans for raising the finance for *Vapor*, based on the need to raise $25m. Both first required a North American deal, that could be announced, and promote the film to the attention of key foreign buyers. These financial components would, potentially, be the cornerstone financing of the film.

1. North American deal (plus Australasia and South Africa) with Paramount Pictures (33.3% of budget), German tax fund (20%), further foreign pre-sales (30%) and bank 'gap' against remaining sales estimates (17%-22%), requiring 200% coverage.

2. North American deal at $5m (20%), further foreign pre-sales at 40% (including UK/Australasia; Germany; France and Italy); German 'super'

tax fund (30%), and bank gap against remaining sales estimates (10%), requiring 200% coverage.

Finance plan 1 – Paramount

This plan stemmed from a first look deal Renaissance had secured with Paramount Pictures in 2001. The agreement was to cover projects owned and submitted by Renaissance, whereby on presentation of script, director, budget and two lead actors, Paramount would have the option to co-finance 33.3% of the film's budget. The Studio would take North America, Australasia and South Africa (The Territory). Paramount considered *Vapor* carefully, and their head of business affairs, Bill Bernstein, coordinated the financial assessment. However, despite the numbers looking promising, the studio did not feel that Neil LaBute was a director they wanted to work with. The studio passed two days prior to the start of the Cannes market.

Finance plan 2 – Warner Bros.

Sandra Bullock had a production company on the Warner Bros. lot, and the actress was signed up to do *Miss Congeniality 2* for the studio starting Winter 2003. When it became clear to Renaissance that all other Studios and US independent buyers were passing on *Vapor* during the market, Renaissance asked the producer to call Warner Bros.' CEO Alan Horn's office and request their support. Horn responded with an offer of $5m (later upped to $5.5m), but the deal was not agreed until the second to last day of Cannes. All major foreign distributors had left the market by then. The Warner Bros. deal was also not agreed in any detail, limiting its use as an announcement to attract foreign distribution deals.

Renaissance set about trying to close the Warner Bros. deal in May/June, and visited in person key distributors that summer in German, Italy, France, Spain and Japan. Nearly all distributors slowly passed, based on a) script, b) director, c) Bullock's casting. Any still keen were later put off when the project was moved from Warner Bros. to WIP (Warner Bros. Independent Pictures, the newly created specialist distribution platform), and a vastly reduced theatrical opening. WIP's head Mark Gill was not keen to inherit the project. He called ICON, who keen to pre-buy UK and Australasia, and explained the WIP was not going to do the movie. Finance plan 2 was dead.

Finance plan 3 - Equity

When it became clear that no North American deal was going to work, Renaissance then tried to find equity for the film, and to bring the budget down. The producer and director worked hard to bring the film down to $21m, and relocated the film to Toronto to cut NYC shoot costs, and pick up Canadian benefits. However, as the budget dropped, so too did the percentage commitments of some of the cornerstone financing, including the German ‘super tax’ plan. The plan looked as follows:

Budget: $22.5m including financing

Plan 3

German tax: $6.75m (30%)

Canadian benefits: $2.25m (10%)

Pre-sales: $3.4m (mainly medium and minor territories, including Benelux, Eastern Europe/CIS, Middle East, Israel etc.) (15% approx.).

Bank gap: $3.4m (15%) – in first position re recoupment

Equity required: $6.75m [30%]

Renaissance attended Toronto in September 2003 with a view to trying to close the above financial package. It was under pressure to get the production into principal photography, and was starting to spend money on pre-production to keep the cast.

What actions were open to the project managers?

1. More than 6 potential equity partners requested in-depth meetings. Most focused on the strength of the cast, and why the project had not managed to close significant pre-sale territories.
2. All equity players focused on the bank gap being repaid prior to their equity being recouped.
3. No equity players decided to come into the project.
4. The German 'super' tax fund dropped its offer from 30% to 20%.

What other actions could have been taken?

1. Renaissance should have never spent monies beyond development and certain pre-production items such as the budget and location work.
2. Renaissance should have been much more concerned about the mismatch of Sandra Bullock in a project that was mixed genre – and far from a standard romantic comedy. This is in no way a criticism of the actress, but a realisation post-distributor testing.
3. Once there was no North American distributor for the film, *Vapor* should have been closed down. Equity partners were unlikely to come to the table by that stage.
4. When the first budget at $33m was submitted, Renaissance should have confronted both the producer and writer/director much more specifically about the financing challenge and the need for a) script work

and b) a reduced budget that correlated to the complexity of the material.

Concluding comments: Of Makridakis's twelve key Common Biases in Future-Orientated Decisions, this case study demonstrates both a level of visibility (some seven biases are raised in the case) and once again their repeated occurrence. As an in-depth case study, *Vapor* serves to highlight how different environments and cultures also impact on cognitive bias. Renaissance failed to recognise the Hollywood 'correlation' between the A list cast and financing was unlikely to unlock distribution finance, given the challenging and art house nature of the screenplay and story. Creative management skills [5] were clearly lacking given the way Renaissance handled the project management process right across the film value chain: the team failed to drive the development process; was pushed into setting the wrong level of budget, failed to work coherently with its US production counterpart and misread the value of the film's commercial elements next to the perplexing creative material. Managing high profile Hollywood talent (from a UK based perspective) highlights both the danger of 'selective perception', but also in this instance also raises the temptation to 'underestimate uncertainty' [1]. The project management team, lead by Finney, felt significant pressure to keep the talent happy and on track, and made overt efforts to reduce anxiety – while continuing to 'underestimate future uncertainty' [1]. Despite the perceived value of the talent elements, the case proves that if a package has weak links (in this case the screenplay, director's attitude and wrong casting), it will fail to navigate the value chain.

4.5: Underestimating uncertainty: the search for a studio deal for Terry Gilliam's "Good Omens"

4.5.1 Introduction

The purpose of this case study is to analyse a range of issues that arise from an in-depth examination of a larger scale ($60m), European-based movie project as it navigates the initial, critical film value chain links. It examines the development, packaging and financing stages of an ambitious project. As a direct result of this selected focus, the case covers: a) project management behaviour; b) creative and talent management challenges; c) commercial and 'market value' obstacles when managing projects aimed at the bigger budget market yet sub-blockbuster pricing; d) the financing strategy required to finance ambitious, larger non-Hollywood Studio films; and e) the problem of 'closing' the financing on a complex project.

Good Omens, adapted from the Terry Pratchett and Neil Gaiman novel, was co-written and to be directed by Terry Gilliam, and was intended to star Robin Williams, Johnny Depp and Kirsten Dunst. The film's failure to be green lit was mainly due to no US Studio deal being achieved prior to production, but that factor requires further analysis and investigation rather than being taken at face value. The project management process was materially damaged by director's behaviour and reputation for being 'difficult', alongside a level of entrepreneurial 'producer competition' rather than project management cooperation.

From a cognitive behavioural perspective the case examines conflicts between the different managers and creative talent, raising issues around 'illusions of control', 'availability', and 'escalating commitment' [30,1, 35]. The case also offers insights related to conflicting 'mental models' that depend and are influenced according to where each project entrepreneur/manager is rooted and physically based, and what 'selective perceptions' [1] they bring to the project management process.

4.5.2 The 'pitch'

It was a typical producer-financier lunch meeting in Milan in early November 1999, at a traditional Italian eating-house just outside the grey gates of the MIFED film market, that the first pitch to Renaissance for *Good Omens* took place. Marc and Peter Samuelson, the experienced English-born producers who traversed the Atlantic, with Peter based in Los Angeles and Marc operating out of London, left their most ambitious project until last on their development slate hit list. The two managing directors of Renaissance Films had raised some $40m earlier that year from a single source of capital, Hermes Pension Fund Management, and Finney was immediately interested in the ambitious project. Investing equity in larger budget films was not part of the Renaissance business plan. Developing potentially commercial projects and then financing them from third parties, and putting those projects through Renaissance's international sales operation, however, was a strategy that appeared worthy of exploring.

Co-written by Terry Pratchett and Neil Gaiman, *Good Omens* is a sprawling, multi-character novel woven around a 'reconstructed' Apocalypse. The book's central characters, Crowley – a slick, cunning earth 'devil' - and Aziraphale – a confused, emotionally erratic yet bookish 'angel' – represent the timeless notions of good and evil through their characters. Except they've been drinking friends for more than 400 years, and have jointly decided that the world is far too good a place to abolish and that the Apocalypse need to be aborted. That means they have to find the Antichrist – in the form of a 'normal' 11 year-old boy called Adam living in a quintessential English village - very quickly if the Four Horsemen of the Apocalypse and the final reckoning are to be halted and the world (and their drinking and friendship) can continue without threat. The story is distinctive, original, and thrives off heady elements of anarchy and morality in equal doses.

The Samuelson brothers had optioned the lengthy book some years previously, but had found it hard to tap the right director. Despite Warner Brothers controlling the project for a period, no script had been commissioned. Warner

Bros. had made it clear that the material would need to be set in North America rather than the UK if they were to even consider financing the project.

What made the Samuelson's pitch ride above the typical market hawking was the scale of ambition and, in particular, the director they had potentially secured. Terry Gilliam had expressed a genuine interest in co-writing and directing Good Omens, but only if the film was to be developed, financed and predominantly shot in Europe. His writing partner, Tony Grisoni (co-writer with Gilliam of *Fear And Loathing in Las Vegas*), was also keen to have a go at jointly adapting the novel. "What Terry wants is to make this film in England. He's not interested in setting the story in America and having a Hollywood Studio controlling every aspect. He's been through all that before. This time he wants to finish each day and go to bed in his home in North London," explained producer Samuelson.

Back in Milan, the Samuelson brothers indicated to Finney that the film would cost around about $25m to produce, a number that seemed 'conservative' in terms of the ambition of the project but also low enough to convince Renaissance that the pitch was worth considering. At the end of the lunch, it was agreed that the Samuelson brothers would set up a meeting for Renaissance with Gilliam, Grisoni, and Marc. When Finney got back to London, he ran Evans through the pitch, and the partners agreed that hearing Gilliam's take on a Pratchett novel was an experience not to be missed. Sure enough, in late November, Gilliam performed a an imaginative, energetic and high octane pitch - supported by a more cautious and less gregarious Grisoni - who patiently explained that the book was going to be difficult to shape into a workable screenplay and may take significant time to conquer. The discussion skipped quickly over what sections and elements of the book would need to be pruned or cut,~~;~~ instead it was lifted by Gilliam's infectious humour derived from the material and his own peculiar vision. 'Anchoring' refers to the cognitive imbedding of the powerful 'initial information', which was firmly established in favour of the talent and their influence on the next creative steps across the value chain at this stage of the proceedings [1].

By now, privately, the Samuelsons' had indicated to Renaissance that the budget was more likely to be around $40m, nearly double the initial $25m mentioned in the original discussion in Milan. Work on the screenplay was not going to start for some while, as Gilliam was busy setting up his 'passion' project, *Don Quixote*, with a view to shooting the film in Spain the following year. But Evans and Finney were not put off, especially after being seduced by Gilliam's luminous performance and their 'optimism' for working with a significant director. It was decided that Sophie Jansen, the Deputy Development executive at Renaissance, should be the 'point person' on the project. She was to strike up a strong relationship with Grisoni, which was to prove important during the coming months. Renaissance's two MDs, Finney and Evans, were to be attached as Executive Producers, in light of their financial commitment, ownership of the forthcoming script, and intention to work with the Samuelson brothers to package and finance the project. All seemed set to go forwards.

4.5.3 The development deal

Developing *Good Omens* was going to be financially demanding. An 'escalating commitment' [1] axiomatically arose from the first development deal signing onwards. Specifically, a stepped development deal was agreed in principal, with co-writers Gilliam and Grisoni being guaranteed a total of £360,000 to deliver two screenplay drafts and a polish. The initial payment was £30,000 to each writer on commencement of the first draft; £60,000 each on delivery of the first draft, £60,000 on delivery of the second draft, and £30,000 each for the polish. Once that polish was completed, each further polish was to cost an additional £40,000.

The book option deal was as follows:

1st 18months 14/11/97 - 15/5/99 $25,000 on account of purchase price (at this point the book was optioned by the Samuelson brothers)

2nd 18 months 16/5/99 - 15/11/2000 $25,000 50% on account (and here Renaissance took over)

3rd 18 months 16/11/2000 - 15/5/2002 $25,000 not on account (RFL paid)

4th 12 months 16/5/2002 - 15/5/2003 $50,000 not on account

The purchase price (that is the sum to be paid on first day of principal photography – and effectively 'exercises' the option): 2.5% of budget, floor of $250,000, and a ceiling of $400,000 and 5% of 100% of net profits.

Jenne Casarotto, a very experienced London-based talent agent, who had represented Gilliam for some years (among other clients including Stephen Frears, Neil Jordan, Nick Hornby, etc.), had stressed to Renaissance that the overall commitment, whilst "appreciated" from a UK company, was "far less than a Hollywood Studio would have been prepared to pay to develop the project." The implication was that Renaissance was 'getting it cheap', and that she would have been asking for more than $1m in writing fees (around £700,000 in 2000) if a Hollywood Studio was paying the development costs. The one exception to the supposed 'cut price' was the costly further polish fees. She stated that it was an attempt to stop her client (and later Grisoni was added to her client list) being stuck in 'perpetual development hell' and to force the producers to focus on getting the film into production rather than going round in circles. Ironically, writing work did not start on *Good Omens* for nearly one year after the agreement was completed, thanks to Gilliam's unfortunate experience on *Don Quixote* (recorded in detail in the documentary *Lost In La Mancha*).

In addition to the cost of commissioning the screenplay, Renaissance picked up all the Samuelson brothers' historical costs, totalling around £110,000; and agreed to fund the ensuing book option payment schedule (see above). The overall commitment from Renaissance was more than £500,000 by the time all the contracts had been tied up. What was not included or set out in the development negotiations was the 'implicit' understanding that Renaissance was to be 'on the hook' for all further development and pre-production costs right through pre-pre production and up to first day of principal photography. In other words, Renaissance had unwittingly [1] become the equivalent to a Hollywood Studio in the process of setting up Good Omens, with associated cost and control implications that had not been considered in full (or in detail by the team) by Renaissance Films. The implications were potentially considerable.

4.5.4 Competing interests: Project management behaviour in relation to the different *Good Omens* producers within the value chain

Within a matter of days of the verbally agreed development deal, a new element was added to the project management composition, although one that had been very clearly planned by the Gilliam camp in advance of the project set up. Jenne Casarotto told Evans that Gilliam was concerned about the Samuelson brothers' producing the film as lone lead producers. Gilliam's Twelve Monkeys, which had starred Bruce Willis, Brad Pitt and Madelaine Stowe, had been produced by an A-list Hollywood Studio producer, Charles Roven (later to go on to produce *Scooby Doo* and the later *Batman* franchise among other Hollywood Studio blockbusters). Gilliam was insisting that Roven was to be brought into the film as the lead producer, according to Casarotto. She also stressed that all parties would need Roven's script and Hollywood Studio-driven access and packaging skills if the project was to be developed successfully to the point that project's budget was raised and the film was to be Green Lit.

A meeting was finally held at the Samuelson's lawyers, Olswang, in early 2000. The intention was to map out how the project in principal would be financed; how much each parties' fees would be per their respective work and financing, and how, by now lead project manager, Roven would work with the Samuelson brothers and Renaissance Films. Was Renaissance Films cognisant that the deal on offer meant that the company was being set up to become a replacement entity for a Hollywood Studio: bearing sunk cost and cash flowing commitments

An in-depth three-way agreement between the parties was going to be required. (In addition, a separate producer deal between US producer Charles Roven and the Samuelson brothers was also going to have to be documented – something that took a very lengthy amount of time and caused considerable divisions between the two producing parties).[16] What should have been a collaborative relationship throughout the producer team, and a strong resource, was now a potential liability that would impact on future decision-making.

Before the meeting had really started, Roven asked bluntly whom Renaissance's distribution partners were in order to guarantee at least 40% of the production's finance. The question exposed the fledgling sales operation that Renaissance had added to its development and production interests when closing its deal with Hermes. The sales arm had no experience of pre-selling a film at a $40m budget level. Roven, in turn, explained how he had financed the $29m *Twelve Monkeys* (to be ultimately delivered at around $32m) through

[16] Whilst this thesis does not seek to address issues of competitive advantage [40] directly through the case site, the inter rivalry between project managers is an intriguing and essential element relating to film productions and their ability to achieve alignment of interest in the place of failure.

four key distribution partners, which included UGC PH (France), Toho Towa (Japan), Concorde (Germany), and Lauren (Spain). The deal was split 25% four ways, and had effectively left North America 'open' for a sale at a later point. As a result, in part, to the budget being controlled when compared to the challenging material - and fronted by A-list stars - *Twelve Monkeys* had made considerable profits for the investor-distributors and producers. "Angus, here's the thing. I receive a seven figure cheque every year thanks to the financial structure of that film," Roven explained later. *Twelve Monkeys* had gone on to take more than $160m worldwide during its theatrical release and far more from video and DVD revenue streams.

While some of Roven's *Twelve Monkey*s partners had either moved on or been changed (with Helkon replacing Concorde, and UGC PH looking unlikely to be involved in a larger budgeted Gilliam film), his experience and relationships far outweighed Renaissance's. Roven stated that he could bring Germany and Japan to the Good Omens table. Renaissance had nothing to match this. With the exception of an output deal with Entertainment Film Distributors, where no advance was paid in return for a modest 25% distribution fee and a strong share of the ancillary income, Renaissance had no long standing foreign distributor relationships. On the other hand, given that Renaissance was stumping up the entire development and pre-production risk, the company's managers felt that they should have a fair shot at trying to pre-sell and sell-and-service the majority of the sales on the film and be paid commission accordingly. A deal was later agreed that gave Roven/Samuelson a 5% commission on key foreign territories (defined as France, Germany, Spain, Italy, Australasia and Japan) if they made the deal, and 5% to Renaissance if in turn they closed the territory. It was agreed that Renaissance would handle the remaining Rest of the World for a 10% commission.

No commission was due to be paid until the negative cost of the film had been met, so in practice all commissions were to be deferred and would only be paid out if: a) sales and finance came to more than the negative cost prior on first day of principal photography; or b) placed in a recoupment agreement once the financing had been raised. The deal also allowed Roven's company the opportunity to control and exploit music-publishing rights in return for a share of royalties. That left North America to be dealt with.

4.5.5 'Controlling' the tipping point: North America

On a projected budget of $60m, the project management team and development financiers knew that a North American advance for distribution rights was going to be critical to the project's move into physical production. Roven, as was to be expected, had a 'deal' with a Major Studio. He had recently moved away from Warner Bros., and had set up a deal at MGM. The terms of the financing and distribution terms with MGM were undisclosed, and were vaguely understood by Renaissance to be negotiated on a film-by-film basis. The 'deal', in standard Hollywood practice, did however outline Roven's producing fees and profit position. Roven, rather than insisting that MGM had an automatic first look at Good Omens, openly acknowledged that he did not own the project. Therefore it was agreed that whichever party brought a North American deal to the table was to be entitled to a further 5% fee post the full negative cost of the film being raised.

Thanks to Evans' relationship with Ruth Vitale, then President of Paramount Classics, Renaissance had been approached by Paramount Studios to work more closely on its slate financing. The MDs were invited to a meeting with Paramount President Sherry Lansing and Production chief John Goldwyn during the summer of 2000. Following the 'get-to-know-you' meeting, Finney and his Director of Finance picked up the baton, and started to close a first look deal with Paramount Studios through Bill Bernstein's Business Affairs office. (The deal was not to cover any submissions to Paramount Classics, the specialist arm of the studio). The agreement was to cover projects owned and submitted by Renaissance, whereby on presentation of script, director, budget and two lead actors, Paramount would have the option to co-finance a third of the film's budget. The Studio would take North America, Australasia and South Africa (The Territory), and charge a 25% distribution fee across all income streams (e.g.: theatrical, video, ancillaries and television). The deal's structure was particularly attractive in terms of potential video and DVD income from Renaissance's perspective. The Studio would fund the P&A, to be determined on a film-by-film basis, which was to be recouped off the top. Post full recoupment from the Territory, Paramount was to take a 2/3 – 1/3 split from overages; and keep the Territory in perpetuity. Three rejections in a row by Paramount would lead to the deal being cancelled at Renaissance's election.

Paramount's original intention had been to have an option over English-speaking territories, but Renaissance had successfully kept the UK out of the deal, hence protecting its output deal with Entertainment Film Distributors in the UK. On paper, the deal looked fair. In reality, what it represented was "an agreement to agree" rather than any significant commitment from Paramount towards co-financing Renaissance's larger, more commercial projects. And Renaissance was at risk for all development, overhead and pre-production costs.

Roven was gracious about the Paramount deal, and was pleased that *Good Omens* was to have two potential North American backers, rather than just MGM. However, before any realistic approach could be made to any Studios, financiers and international distributors, the screenplay, budget, locations and star attachments needed to be in place. A 'package' needed to be constructed, which was to require considerable project management, time and money over the coming months.

4.5.6 Screenplay development

The first draft of *Good Omens* came in at more than 170 pages long. It also was delivered in the late autumn of 2000, many months later than anticipated thanks to Gilliam's commitment to Don Quixote and subsequent (and understandable) depression following that film's collapse. Delivery would have been even later had it not been for Grisoni's working methods and dedication to the project. The writer had devised a workable structure with Gilliam, and was able to get a number of pages down, send them to Gilliam, get his notes and comments, rewrite, and then move on to the next section. Once a draft was in place, both of them then reviewed, discussed and refined the screenplay. 'Let me be clear. Terry doesn't actually write anything, but he's right there all the way through the process,' explained Grisoni.

In addition to the length, each page was extremely dense, packed with action, images and detailed effects and touches. (Some months later a senior Fox executive explained to Renaissance that whilst he: "loved the script, every page read like it was costing a million dollars"). While the story's structure was starting to take shape, the multiple characters and density made the read slow and confusing. And whenever the devil and angel were not in the action, the story tended to drag. As Janson pointed out in her notes on the draft, "we miss Crowley and Aziraphale when they aren't on the page, as they are the heart and action of the story."

A development meeting was held, where Renaissance made it clear that the script needed to come down to no more than 120 pages. In Gilliam's directors' contract, it was stated that the film would be no longer than 120 minutes; and that financiers/producers would have final cut. (The standard industry estimate is that a script page matches around one minute of completed film). Gilliam paid scant lip service to the length, and was already arguing about favourite scenes and characters that he did not want to lose in the new draft. Grisoni tried to reason with the director during that meeting, recognising that the project was fenced in by practical realities. Extensive notes from Janson were passed on to the writers, suggesting specific cuts and character removals and reductions, many of which Grisoni appreciated. A new draft was embarked upon.

4.5.7 Early concept marketing

When the first draft of *Good Omens* arrived at Renaissance, it was read by the sales and marketing team. Despite the screenplay's length, the company's executives could all see the rich commercial potential. It was agreed with the producers that Renaissance could design a 'concept poster', which would include the name of the project, director, writers and producers. A concept poster makes distributors aware of a project's existence, and acquisition executives start to 'track' its progress and note the imminent arrival of a screenplay to read and provide 'coverage' for their senior management. In the case of *Good Omens*, the book's jacket cover was adapted and a large fiery red poster was designed with gothic black lettering. It was placed within the Renaissance offices at the American Film Market in February 2001 as a way of introducing the project to the market. It was also agreed between the parties that the first draft, under no circumstances, should be circulated to 'buyers' (e.g. distributors and Studios) at this stage. Renaissance and the producers were aware of the damage often done in the marketplace when early screenplay drafts, which require considerably more work, are released and read before they are ready. And re-reading screen- plays is an unpopular task within the film buying community.

Between the American Film Market and Cannes 2001, Renaissance made some significant changes in staffing. Finney took over the international sales team. The shift in senior management made the producers understandably wary of whether Renaissance had the experience and clout to raise significant foreign pre-sales on the film.

4.5.8 Screenplay drafts and the casting process

The second draft materialised some five months after the arrival of the first. More than 30 pages had been cut, with the length now at 137 pages. Whilst decisions had been made about certain scenes to omit, the screen-play was still packed with a wide range of characters, and still 'challenging' to read through without having to go back and check on names and places, etc. Roven, however, felt that it had improved considerably, and began to work more closely on the script. He also appreciated Janson's notes, many of which he agreed with. Crowley (the devil), and Aziraphale (the angel), were now much more central and present within the structure. But Renaissance and the producers all agreed that one of the characters (Shadwell, a witch finder) needed to either be cut completely or edited back, as he cluttered the third act; while the role of witch (Anathema Device) needed clarifying and more characterisation. A polish was embarked upon, with the intention that the script would be considerably reduced. A draft needed to ready for casting and distributor-financiers if the project was not to lose momentum. However, what occurred was a 'dance' of a few pages coming out, and certain scenes that Gilliam was keen on, going back in. 'What the experience made me realise was how important it is, when script editing, to make your points really clearly about cuts right from the start,' explained Janson later. 'I should have been stronger.' In fairness, Renaissance's co-MDs should have been more verbal and aggressive if this situation was to have been resolved. The project management team was clearly in fear of falling out with the director.

Gilliam had always been clear that he wanted Johnny Depp to play Crowley. He had become close to the actor during their work on the film *Fear and Loathing In Las Vegas*, and Depp had been a lead character in *Don Quixote*. He had subsequently witnessed the film's collapse at first hand. Unfortunately, the producers and Renaissance were mindful that in 2001, Depp was unable to 'open' a movie. His credits over the previous three years ranged between lower budget independent films to large budget-but-mediocre results. The producers drew up alternative lists, that included George Clooney (who read, and liked the script but was too busy to commit); Brad Pitt (with whom Gilliam had fallen out with following a quote in a book regarding *Twelve Monkeys*); Mel Gibson (who was more focused on his own directing career, with The *Passion Of The Christ* on the horizon); and Eddie Murphy. Will Smith was added to Murphy's name on the list, and a debate between the North American and the UK partners about whether it was politically offensive to cast a black person as a devil ensued. The US producer was against; the European project managers didn't see the problem. Neither black star took up the role anyway. *Good Omens*' Crowley role kept coming back to Depp, in part because Gilliam had not personally pushed the script with any other of the above A list stars.

Aziraphale, the angel role, was more straightforward, at least to start with. Robin Williams had worked with Gilliam on *The Fisher King*, and had been pencilled in by the director from day one. Unfortunately, Williams was also going through a difficult period re his relationship to box office performance. Renaissance had hoped that an A list Crowley would solve the problem, but that wasn't forthcoming. The third key role was Anathema, the witch. While Renaissance and the producers felt the role might be able to attract a star such as Cameron Diaz, Gilliam was keen on Kirsten Dunst, who showed great potential to become an A list star, but had not reached her Superman status back in 2001. He met with the actress in Los Angeles, and she was keen to be attached.

4.5.9 A fluctuating budget and rising costs

By now, Renaissance had commissioned a budget. A schedule – essential for any realistic budget to be compiled - was drawn up by the experienced line-producer David Brown, and after a number of meetings with Gilliam, Brown produced the first full budget for *Good Omens*. It came in at $93m. $10m was reserved for the two lead roles, at $5m each (fee levels that were nominal rather than established with the actors' agents as agreed); $15m was earmarked for CGI and special effects; and the overall shoot period was to last 18 weeks. The physical and technical demands of the complex and lengthy screenplay were the most important factors re the new 'near-blockbuster' budget. Renaissance was extremely worried at the level of this budget, and the schedule informing it was based on a script that had not been nailed down, making it an unreliable number.

In reaction, Renaissance and the producers focused once again on the screenplay. The new polish brought the screenplay down by a further six pages. Every cut, however, was becoming a personal fight with Gilliam – even when Roven stepped in to take up the cause. Ultimately, the polish removed Shadwell, the witch finder, from the third act. The screenplay was sent out to a shortlist of buyers, including MGM and Paramount. However, rather than commission a new schedule and budget, the producers and Renaissance told Gilliam that they could raise a maximum of $60m for this film, and that he would have to work within that parameter. Whilst the budget, through considerable skill on the part of Brown, was reduced downwards, at no point was a full, completed schedule and budget completed to fit the nominal $60m cap.

Part of the problem facing the project was that different elements required for a film of this size were not coming together at the same time. The script was still not at 120 pages,~~;~~ the cast was unofficially attached to the project rather than formally signed up,~~;~~ and despite different budgets being compiled around a) a UK shoot; b) a UK and Isle of Man shoot; c) an Australian shoot; d) a

German shoot; e) an Eastern European shoot; Gilliam was clear that he wanted the UK only. This was communicated only after a trip to Studio Babelsberg in Berlin, and after Marc Samuelson and David Brown did a research trip to the Isle of Man. The Isle of Man was very clearly not to the directors' satisfaction. Considerable sums of money were now being spent in addition to Renaissance's development costs. For example, all Roven's travel costs, phone bills, trips to London etc., were being charged back to Renaissance. (Renaissance even had an invoice for $25 from Roven's office many months later when meeting the producer in LA, which he offered to clear in cash… Roven said to forget it, "but I'm really glad my guys are right on the case"). Heads of departments and a casting director were being approached and attached. Gilliam and Brown were working out of Radical Media's Soho offices – given gratis thanks to Gilliam and the director's work with the company. But the offices and momentum gave the producers and director the feeling that the film was about to happen.

Certain heads were not working out. Production Designer Assheton Gorton, for example, could never 'get' the Apocalypse as a concept let alone design it, was working in a very dated way though nobody would really come out and say it. Overall, from one executive assistant's perspective, all the people who were brought in at this unofficial prep stage were half-hearted about it because the film wasn't cast or financed and they therefore didn't throw themselves into it.

4.5.10 Pre-selling Good Omens

Despite interest in the project from major foreign distributors, it became clear to Finney from his experience at Cannes 2001 that for a project of this size, foreign distributors would only believe that it was financed and worth stepping up for once a North American studio was attached. Roven agreed with him that a North American deal was essential if the film was to proceed. He too was mindful of his ability to bring his foreign partners to the table without the US secured. The finance plan for *Good Omens* was still vague at this point. The general strategy was as follows: If 25%-33% of the finance could be raised from North America, it was presumed that five major foreign territories could be pre-sold. Say, France, Italy, Germany, Japan and Australasia –bringing in by Renaissance's estimate around 40% of the budget (or $25m, see below). In addition, if the film were to shoot in the UK a tax deal would be done, bringing in a further 8% approximately. On the back of this level of pre-sales, a bank gap would be made to work if there was enough value in the remaining territories to provide 200% coverage on the gap loan. So the plan looked in theory like this:

i) There was some debate over the amount that could possibly~~e~~ be~~to~~ raised in the UK through tax deals. This figure was reached on the conservative assumption of any break allowable to a film of more than £15m. A more aggressive deal may have been possible, but for the purposes of the finance plan, this was the figure assumed.

ii) Territories left included: Spain, Scandinavia, Russia/E Europe, Latin America, South Korea, and South East Asia.

The two MDs went out to Paramount and MGM respectively at the same time. Renaissance had developed a relationship with a senior Paramount production executive, who in turn pressured Rob Friedman, Executive Vice President of Marketing and Distribution, to consider the project under the terms of the Renaissance-Paramount deal. Friedman did not like the script. In particular, he did not like the ending, which he found offensive (Adam's young friends are killed in a variety of gory ways when the Four Horsemen of the Apocalypse arrive on earth). "You can't do that to children on a big screen," explained Friedman. "Definitely not on a project costing this much."

"Would you meet Terry and tell him that?" asked Finney.

"Yes, but only on the grounds that Paramount is not making this movie at this point. I don't want a misunderstanding where we fall out with Terry," said Friedman.

Over at MGM, Roven engaged the studio's head of production in the project. A new budget was requested that bore a resemblance to the $60m pitch, but before that was drawn up, MGM's president Alex Yemenidjian took a view on the project. 'Unfortunately, it's just not his kind of thing. He doesn't get it,' explained Roven. 'They're passing.'

Most other Studios had politely passed – always with the proviso that they would 'love to see the film when completed' - but Evans had a strong relationship with Fox chief Tom Rothman. The two had become friends while Rothman was head of production at Samuel Goldwyn, and *Much Ado About Nothing* was one of the successful fruits of their work together. Evans managed to get Rothman and his partner, Jim Giannopoulos, to read the screenplay and take a meeting with Gilliam, Roven, Evans and Finney. The meeting took place a few weeks after 9/11 – an event that Roven viewed as a world political watershed. ‘The world will never be the same again,’ Roven stated darkly. The Europeans working on *Good Omens* took a much more relaxed view. Surely there couldn’t be a connection between the World Trade Centre bombings and *Good Omens*, they thought.

The pitch seemed to be going well in Rothman’s airy office on the Fox lot. Forty minutes into the meeting, Gilliam took out a large artists’ pad. As he flipped each page, Rothman and Giannopoulos took an increasing interest in the wild and scary images, beautifully drawn by Gilliam’s hand. Then the page turned again: an image that none of the producers has seen loomed off the page. Two huge towers, close to each other, with angels flying from one, while devils and evil beings scampered around the other, filled the room. Rothman suppressed a gasp, and appeared to pale as he sunk back in his chair.

Fox were going to pass. No North American deal was available to Good Omens in the autumn of 2001. Shortly after the Fox meeting, Finney and Evans met with Roven at his offices on Sunset Boulevard. Roven was unequivocal: “Guys, we’re finished. My advice is that you absolutely have to close this film down. We’re dead.”

Of Makridakis’s twelve key Common Biases in Future-Orientated Decisions, this case study demonstrates a high level of sightings, along with a perplexing level of multiple ‘blind spots’ and ‘escalating commitment’ concerns. As an in-depth case study, *Good Omens* serves to highlight how different environments and cultures also impact on cognitive bias, and how so-called ‘collaborative relationships’ can cause damage when they compete rather than a team’s strategic framework and actions to critical third parties, such as Hollywood Studios. Renaissance failed to recognise the Hollywood negative ‘correlation’ between a ‘difficult’ and wilful director next to committing upfront financial resources to acquiring, developing, producing and selling the film to world wide distributors. Creative management skills [5] were clearly lacking given the way the producers and Renaissance handled the project management process right across the film value chain: the team failed to drive the development process and achieve a screenplay running at the right length and story structure; was pushed (once again) into setting the wrong level of budget, failed to work coherently with its US production counterpart and misread the value of the film’s commercial elements next to the perplexing creative material. Managing high profile Hollywood talent (from a UK based perspective) highlights both the danger of ‘selective perception’, but also in this instance also raises the temptation to ‘underestimate uncertainty’ [1]. The project management team, lead by Finney, felt significant pressure to keep the talent happy and on track, and made overt efforts to reduce anxiety – while continuing to ‘underestimate future uncertainty’ [1]. Despite the perceived value of the talent elements, the case proves that if a package has weak links (in this case the screenplay, director’s attitude and wrong production team), the project will fail to navigate the value chain and move into production.

4.6 Safety of Objects: managing the film distribution process

4.6.1 Introduction

The next case focuses on a North American film, *The Safety of Objects*, which was co-financed by Paul Allen's US film company, Clear Blue Sky and Renaissance Films on a 50-50 funding basis, with each company's managers acting as co-executive producers on the project. Writer-director Rose Troche had garnered considerable attention with her first feature, *Go Fish*, and her creative reputation and screenplay adaptation of A.M. Holmes' novel, *The Safety of Objects*, attracted strong A-list cast in the case of Glen Close's attachment to the project. The two lead producers working with Renaissance and Clear Blue Sky included New York based award-winning Killer Films and UK-US based InFilm. Prior to and during production, key distribution deals in foreign territories including Spain, Italy, the UK, France and Benelux, were successfully pre-sold by the Renaissance. For a film budgeted at just over $8m, the pre-sales were worth nearly $2m, a significant financing component. However, a North American deal was not closed until the film was ready to be screened to US Studios and distributors, leaving a question mark over the film's value in its most important territory.

4.6.2 The Toronto International Film Festival and US distribution

The film was completed in summer 2001, and was selected for a world premiere at the Toronto International Film Festival that September. After the first screening (and despite the impact of the 9/11 World Trade Center bombings), an independent US distributor and cable operator IFC made an offer of $750,000 for North American rights. The offer included 'bumps', stating that on certain levels of theatrical performance, the financiers would receive additional advances against receipts, making the overall deal potentially worth as much as $1.5m.

The distribution contract stated that IFC would release the film theatrically within nine months of signature of the agreement. This clause was vital to the foreign distributors who had bought the film already, and who intended to wait until the US release of the film before taking it out to cinemas in their respective territories. It was also important for the film not to be held back longer than this period, as press and talent start to suspect the film suffers from a ''problem'' or will be ''difficult'' to place and market. In many cases, lengthy delays lead to talent being unable to commit to supporting a film, both because of schedule and their ''reputation'' in the eyes of their agents, managers and press advisers.

Nine months passed. All the UK financier's foreign distributors grew increasingly anxious about the film's plans in North America, as IFC had still not given clear dates for the theatrical release. A conference call was set up between the producers, Clear Blue Sky, Renaissance and the US distributor, IFC.

During the conference call, held 10 months after the signature of the agreement, IFC's chief executive explained that because the company's main shareholder owned a cinema that was under construction in downtown New York, he was under pressure to hold back the film for the theatre's opening premiere. IFC's plan was for the film's star, Glen Close, to open the cinema, and attend the premiere. However, nothing had been agreed with the star or her agents and management. The construction was also bogged down, with only a vague estimate of a further six months before completion. The film was unlikely to open before April 2004.

The project management team was facing a critical dilemma. What should the partners do about the original foreign distributors, who had not accepted full delivery of the film (and hence held back 80 per cent of their minimum guarantees), as they were waiting for the North American release plan and opening in cinemas?

Should the film's financiers and producers tear up the US contract and find a new US distributor? Should they demand an earlier release plan, and insist that IFC abandon its cinema premiere? As a damage-limiting strategy, they could try to keep talent onside, be patient and not block foreign distributors from releasing the film prior to the US release. As a final resort, they discussed the pros and cons of taking IFC to court for breach of contract and material damages.

4.6.3 The lessons learned

What actually happened in this case demonstrates the extreme lack of control~~s~~ both producers and financiers can bring to bear on the key stages of a film's exploitation process. At the point of the US deal being made at Toronto with IFC, the combined project management team clearly suffered from 'illusions of control,' [30] and 'wishful thinking' [1]. The 'availability' of an attractive offer dominated the positive response to the deal, to the exclusion of other pertinent information, such as IFC's real intentions regarding its release plan.

What transpired is~~are~~ the following ~~facts~~:

IFC released the film in autumn 2003, two years after it had bought the film. (The new cinema was still under construction and hence was not used for the release after all).

The theatrical release was a failure The film grossed $350,000 over three weeks, having been released on more than 250 screens in the first weekend, dropping to 180 screens in the second week and 90 by the third.

All agents and managers blocked the film's stars from supporting the film where possible. Crucially, Glen Close did not give any interviews or attend any promotional screenings, despite having attended the Toronto launch previously.

Due to the lengthy US release delay, the film's foreign distributors decided to release the film before IFC. The producers and financiers did not try to block them. Most released on very limited theatrical runs, and some went straight to a video/DVD release, missing out the cinema window.

The film's financiers received full payment of the $750,000 advance, and three years later overages (net profits) of approximately $150,000. The North American income streams were still significantly less than the original sales forecast value of $1.5m.

What could the financiers and producers have done to avoid the damaging delays and subsequent negative effect on the film's foreign distribution plans? Suing is not a realistic option, and can be described as irrational at best. As a project management solution tool, a wise producer would know they've failed even when starting to consider such an action. It would be fair, how- ever, to argue that the financiers should have been much more focused and 'cognizant' about the outside release date agreed with IFC from the start of the North American deal negotiations. It would have made the US distributor more committed and aware of the ''foreign release date'' problem, and less likely to keep delaying. Strategically, the producers should have utilized the stars' agents and managers to put pressure on IFC and influence a change of mind. Conservatism appeared to rule the project managers' actions, as they failed to change their mind in light of the evidence of lengthy delay, which in turn was damaging the foreign value of the project.

On a wider level, and most critically, what the case underlines is the fragmented nature of the Film Value Chain. The danger and negative impact of de-linkage between production and distribution in the independent, non-

Hollywood Studio film business leaves project managers and their financiers vulnerable to third party risk. Studios tend to control world rights to the films they produce and finance, and subsequently release their films on a ‘‘day and date’’ basis [8]. Their strategy is designed to protect themselves from territorial and political divisions to a large extent, and with good reason.

4.7 See-Saw Films’ project management style: The King's Speech

4.7.1 Introduction

The King’s Speech, a $13m Oscar-winning UK historical drama – took more than $440m worldwide box office, and starred Colin Firth, Geoffrey Rush and Helena Bonham-Carter. The producer team behind the project overcame numerous potential cognitive biases on their journey through the film value chain, including the development financing, pre-selling, production, and marketing and distribution phases. This case study (Finney, 2014) [18] seeks to examine indicators that demonstrate positive mental models, and link them to project management skills and value capture. Do the very existence of mental models offer positive aspects, as none are necessarily or intrinsically positive or negative? This research also indicates a level of awareness (aka ‘mindfulness’) and superior cognitive decision-making, in part due to the lead producer’s behaviour and his ability to leverage collaborative relationships at a high and effective level.

The story of how *The King's Speech* came to the screen and found its global audience is instructive in the art of development, packaging, financing and marketing. Based on the story of King George VI of Britain, his sudden ascension to the throne after his brother's abdication, and his ensuing battle with, and ultimate triumph over a serious speech impediment with the help of a therapist, the project started its life as a film, then a stage play, and finally a film again.

4.7.2 The development stage

Writer David Seidler changed tack in 2005 when he was encouraged by producers Simon Egan and Gareth Unwin (Bedlam Productions) to adapt the material as a film rather than play. By 2008, Unwin had enlisted the help of Iain Canning and Emile Sherman of See-Saw Films, a recently established Australian/UK-based production company with access to Australian distribution support via Transmission Films and independent development finance. Canning, a former acquisitions executive at sales and financing company Renaissance Films, had recently executive produced *Control*, while Sherman had produced Neil Armfield's *Candy*, starring the late Heath Ledger and Geoffrey Rush. Canning's previous experience was across a range of value chain stages, including script development, film acquisitions, sales and marketing. The scope of his previous experience is arguably one of the key reasons why his project management skills are superior to the majority of other film producers.

Unwin was 'mindful' that his skills to this point lay in physical production management (aka, 'line producing'), and not in the complex art of screenplay and story development, and international financing. His strategy in approaching and sharing the project with See-Saw was instructive, and can be seen as a mental action, or 'switching of cognitive gears' [2]. Rather than decide to operate under the 'illusion of control,' Unwin decided to share the risk and rewards with collaborators. Canning and Sherman got behind the development financing and packaging process despite being turned down by the UK Film Council for single project development finance. Fortunately, See-Saw was awarded a Vision award worth £75k from the same source shortly after, and Bedlam and See-Saw agreed to split the development costs, with Seidler now set to further work on the screenplay. The development work was taking place with a director, Tom Hooper (*The Damned United*) already attached to the project, allowing his creative input as the screenplay evolved.

4.7.3 The producer-distributor axis

The ability of project managers to link a project with distribution partners is "absolutely critical" in the view of Canning.[17] See-Saw had established an arms length cross-shareholding in Transmission, a newly launched Australian distributor. Transmission had evolved out of a successful SME Dendy Films

[17] Canning, I. (2013). [Interview by Author November 2013]

(where Canning had served post-Renaissance as film scout, aka 'acquisition executive). The company was establishing itself as a fresh, interesting distributor of both specialised and potential 'cross-over' titles. Co-managing director Mackie explained to the author[18] that See Saw's producers, "mostly check in on what we think before they commit to a project. We give them a sense of what we think our territory is worth. We offer a marketplace sounding board on many other aspects too - script, cast and director. It's a productive arrangement as I feel we can help prevent them from making choices that may hurt the project commercially down the track."

Ironically, despite posting an early draft of the script through Geoffrey Rush's Melbourne home's letterbox to the irritation of Rush's agents, Rush became attached in principal to playing the part of Lionel Logue, the speech therapist who helps George V1 to overcome his stammer. "This brown envelope was on my front doormat one day, and I thought, "Oh, this is interesting." The attached letter basically said, "Excuse the invasion, and for not going through the protocol of your agent, but we're desperate for you to know that this script exists, because there is this wonderful role that we could love for you to consider." So I read it." And he was in, despite the irritation of his agents given the informal approach.

As the screenplay developed, the producer team rested on a budget of around £9m, given the scale of the film and the historical setting, which was knocked down by exchange rate fluctuations to settle ultimately at £8.2m. They were also armed with a very strong comparison title: *The Queen* had been released in 2006, and had gone on to take $123m worldwide, including $67m from

[18] Mackie, A. (2013). [Interview by Author October 2013]

international following a successful awards campaign, spearheaded by the former Miramax Films, run by Bob and Harvey Weinstein.

As such, the producers needed a strong package and committed financing partners to pull it off. The cornerstone territories, UK and Australia/New Zealand were covered with an advance from Transmission of $700k and (initially) £1m from a leading UK distributor Momentum – whom Canning had worked with on a previous film, *Control* – and which was later upped to £1.3m for the UK advance. In addition, a top sales company was needed to help pre-sell the film whilst providing a combination of high-yet-realistic sales projections. Glen Basner, a former Miramax executive and by now running his own sales company FilmNation, provided both appropriate estimates but also strong links to Bob and Harvey's new company, The Weinstein Company (TWC), who were circling the film at the same time as Fox Searchlight, Twentieth Century Fox's specialised wing.

4.7.4 Selecting the right US partners

The producers faced an interesting choice: To go with Fox Searchlight via Andrew Macdonald's UK production company, or to stick with TWC, Momentum and Transmission – and find the remaining finance required to close the film. Fox's offer was couched in essence as a 'Studio takes all deal' via DNA, whereby Fox would control world wide rights, and the producers would encounter a demanding Green Lighting process (including final approvals over budget and lead cast) which would challenging to meet. By contrast, the TWC deal, which in part thanks to FilmNation had risen to an advance of $6.1 for North America, Latin America, Benelux, France, Germany and Scandinavia, left enough coverage for the remaining 'gap' covered by unsold/remaining territories, as long as around £1.2m of equity could be raised. The art of the TWC deal as negotiated by FilmNation was how to get the highest number from these territories, whilst leaving enough significant territorial value on the table to still cover the gap through a loan and close the financing package.

It was no secret across the film industry that TWC was experiencing a difficult financial period in 2008-09, thanks to a previous financing round with Goldman Sachs that raised doubts about TWC operating as a going concern. Entertainment banks had started to refuse to discount TWC paper (meaning that they would not lend against it), leaving the producers needing to find a financier that had the appetite and ability to cover TWC's Advance. At the Cannes Film Festival in May 2009 Canning pitched to Prescience Film, a London-based film financier. Paul Brett, one of the principals at Prescience, and senior executive Anne Sheehan[19], responded very positively to the screenplay, package and the opportunity to cash flow TWC's advance. In addition, Aegis, Prescience's senior debt fund, was in a position to cash flow the UK tax credit, and finance the remaining 'gap' once TWC's deposit and overall minimum guarantee had been taken into consideration.

The producers decided to stick to the independent model, politely declining the DNA/Fox offer, and closing the remaining finance with the UKFC (which by now had changed its mind about the project's potential) and a London-based post-production deal with Molinaire.

[19] In addition to having worked with Sherman, Rush and Mackie previously, Canning had also served at Renaissance Films with Sheehan, who was Director of Business Affairs from 2000-2004.

The project managers were mindful of the risk TWC's financial position still presented to the project and its partners. TWC was forced to lift its cash deposit (normally 20% of the agreed price) for the film, with See-Saw's production lawyer pushing TWC up to 35%. TWC paid $2.125m on deposit, leaving $3.475m to pay on delivery plus an additional hold back of $150,000 to pay on final acceptance of delivery. Such an arrangement with a North American Studio or distributor is very unusual, as the deal is normally 20/80, with the 80% paid only after full legal and technical delivery has been agreed. Many producers would not have stood up to the formidable and commercially aggressive Weinstein brothers (Finney 1996) [58], and insisted on a finance structure that aided their ability to close the financing on the rest of the film.

The project managers considered all the relevant information available, both relating to the different financing risks, but also the varying implications behind their choices. Going with the 'jig-saw puzzle' solution, including Transmission, Momentum, TWC, FilmNation, Prescience, UKFC and Molinaire, meant that the producers would share in the on-going revenue streams in an elevated position. Indeed, it could be suggested that an 'alignment of interest' between the collaborators had been self-organised, and an acute level of local decision-making had been achieved. And once Colin Firth was signed as the lead actor, the film was set to enter production.

4.7.5 Strategies to position the film for the market

In post film still went slightly over the £8.2m agreed budget, but this stage of post-production the Weinstein brothers could see the film's market potential.

TWC backed the project with further funding, allowing for the producers to lift the music and special effects budgets before completion. The further TWC sum was advanced in return for Executive Producer credits.

By the time *The King's Speech* entered production, the project management team had achieved a considerable distribution footprint, including North America, Latin America, the UK, Australasia, France, German, Benelux, Scandinavia, Hong Kong and China. Although the UKFC had finally joined the financing table, both BBC Films and Channel 4's movie arm, Film Four had turned the film down.

The importance of international film festivals in positioning a film to the press and closing further distribution deals around the world requires strong sales and distribution partners in place before the world premier. Not after the event (Finney, 2010, 2014) [7]. The film clearly gained from close cooperation between TWC and UK distributor Momentum with both distributors making the most of a strong reception at the Toronto International Film Festival in September 2010. However, the distribution partners were aware that The Wrestler and Black Swan were both doing well so at the US theatres throughout November, when TWC had planned to release, that the launch date was held back until January (albeit with the minimum of screenings by the end of 2010 to enable the film to qualify for the Academy Awards).

An expansive TWC Oscar campaign was undertaken, with more than $51m spent by the Weinstein brothers in first 6 months of the North American release. The combination of awards, attention, press coverage and the high 'playability' of the film all combined to securing a worldwide hit. The King's

Speech went on to gross box office takings of more than $138m in North America and a further $275m in international territories.

The lessons rising from an analysis of *The King's Speech* Producer-Distributor strategy are instructive. While project managers and forecasters are deemed to be deluding themselves if they believe that they can 'see' the future value of their projects accurately and consistently, See-Saw offers an alternative and positive case in point. Firstly, the lead producer's extensive experience across the value chain (including Renaissance, Dendy and then as a production entity, See-Saw) clearly provided the team with a leader who could draw on his experience and gain advantage. Canning, as the key project manager, also had developed a valuable yet intangible network of effective, influential contacts and key players, many through shared experience in industry organisations. Furthermore, while taste and genre are difficult to forecast in terms of a film project's future value, and the time between starting a project and finally reaching the audience may impact on its appeal (De Vany 2004) [11] See Saw and Bedlam went against the grain of 'industry wisdoms' and rose to the challenge of rejection by working tirelessly to achieve a package and an alignment of interest between the project's connected parties. Holding nerve, and not immediately accepting a face-value offer of financing (Fox), and instead analysing all the 'available' [1] information "in a way that points out all sides of the situation being considered" [1, Table 2], demonstrates that learning through experience, projects and implementing effective local decision-making is entirely possible within the film industry project-dominated sector. But to succeed, "the angels need to be organised like the mafia." (Finney, 1996) [58].

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SECTION 5: Pixar Animation Studios: Addressing cognitive bias and how managers can learn to 'uncover the unseen' and move beyond 'the hidden'

"Success is going from failure to failure without losing enthusiasm."

***Winston Churchill* [7].**

5.1 Introduction

Over the past thirty years, much has changed in the world of filmmaking. Indeed, that rate of change has been accelerating. The rapid advances in digital production and delivery technology, the advent and impact of social media, and changing population demographics across 'global North' and 'global South' have been significant factors for film companies [6, 7, 19]. Managing the speed of change is a constant challenge for project managers and leaders. As this thesis has evidenced, a gap has consistently been cited by film-industry research between cognitive bias and its impact on project management.

Looking forwards appears also perplexingly fraught, as the case sight has evidenced significant weaknesses in the 'anchoring' and 'optimism' that underlines future project value forecasting.

Over the same thirty-year period in question, there is one globally significant creative company that has successfully managed change, harnessed digital technology to its enduring advantage, and built a creative powerhouse that consistently has captured cultural, critical and commercial value. Few film brands can claim universal recognition on a global scale. Connected to Hollywood, yet physically situated apart, owned by Disney since 2006, yet concurrently responsible for leading the Studio's recent animation turnaround (*Tangled*, *Frozen*[20]), Pixar Animation Studios demands attention and analysis in the light of my study's theoretical framing and its connecting evidence.

Sitting alongside the extensive empirical proof of Pixar's commercial and creative success[21] lies, in my view, a central link to the cognitive questions that are raised at the heart of my thesis: how can project managers 'see' effectively in order to capture value and learn? And how can they best continuously apply that learning? How can their leadership and understanding of cognitive bias impact on the project management process and the overall culture of an organization? How can mangers think actively and progressively about the challenge of what is 'obscured from view' [16] when managing projects and leading creative organisations? And can we find evidence that Pixar's leadership team's way of thinking and acting on the above challenges has creative a positive, reflexive relationship to the company's project management's skills and consistent capture of value?

[20] *Frozen* overtook Toy Story 3 as the largest grossing animation film in history, passing $1.2bn world wide in May 2014. It should be noted that Catmull is President of Disney Animation and that Lasseter, Pixar's co-founder heads up the Disney animation operation.
[21] See Appendices (2) for data summary

In Catmull's seminal book *Creativity Inc*. (2014) [Ibid], the Pixar co-founder and President brings together his previous published work and curates his observations and lessons learned over the past three decades. His work delves deeply into the key factors that he considers helped build, shape and ultimately sustain Pixar Animation Studio's creative culture. Catmull's transparent approach to cognitive bias and his extensive citing of actions and tools that have helped overcome cognitive challenges are evidenced in detail. Catmull's self-described 'candour' [16] has also served to 'override hierarchy', manage both upwards and downwards, and minimalize the potentially toxic influence of Pixar owner Steve Jobs [Ibid]. This behaviour was also critical in identifying the cognitive 'limits of perception' in people, projects, managers, and indeed in his challenging of his own leadership powers. The results, mapped over the last 30 years, provide us with a positive insight into mental models and cognitive bias.

The Pixar leadership has developed cognitive techniques to deal with and solve a range of crisis management issues. Catmull openly acknowledges the danger presented by 'collective wisdoms' and a range of biases [1] discussed throughout my thesis. Here we can finally cite a sustained, evidenced methodology backed up by tangible and continuing results. Catmull offers both findings and solutions that directly address and consistently help to overcome the negative impact of cognitive bias. The evidence exists at a significant level, suggesting that the Cognitive School of Strategy (alongside other connected Schools, including Entrepreneur and Learning, for example) [17] should consider his work in relation to their future research.

5.2 Learning from failure

Success was not immediate. The value of looking back as well as forwards is that we are reminded of what in fact went wrong for Pixar in its first decade (from 1986-1996), and what moments and problems might have brought the company to a halt, and why. Catmull explains, for example, how ‘production managers’,[22] who play a key part of the animation production process, had been alienated during the making of Pixar’s first computer-animated film *Toy Story*. Despite his mantra that Pixar operated a level playing field, the creative artists and technical staff had little respect for production managers and their ‘over-controlling’ and ‘micromanagement’ tendencies [Ibid, 62]. On further enquiry, Catmull discovered that the production managers did not want to work on Pixar’s next movie, *A Bug’s Life*, presenting the leader with a potential resource (and management reputation) crisis. In spite of the success of Toy Story, Catmull was astonished to discover in his post mortem that the ‘good stuff was hiding the bad stuff’:

> ‘I realised that this was something I needed to look out for: when downsides coexist with upsides, as they often do, people are reluctant to explore what’s bugging them, for fear of being labelled complainers. I also realized that this kind of thing, if left unaddressed, could fester and destroy Pixar. For me, this discovery was bracing. Being on the lookout

[22] Production managers “are people who keep track of the endless details that ensure a movie is delivered on time and on budget. They monitor the progress of the crew; they keep track of thousands of shots; they evaluate how resources are being used…they do something essential for a company…They manage people and safe-guard the process [Ibid, pp. 61-62]

for problems, I realized, was not the same as seeing problems' [Ibid, p.63].

The threat of damage and failure had triggered Catmull to think about the problem and respond to it. He subsequently brought the company together and explained that 'anyone should be able to talk to anyone else, at any level, at any time, without fear of reprimand.' It was to become one of Pixar's three defining principles (see below).

Pixar's enduring success appears to be rooted in the company's creative management philosophy. Another early example of this 'reflective' leadership style emerged following a story crisis during the making of *Toy Story*. To solve the crisis, a group of 'problem solvers' organically emerged, and together the five members worked to dissect scenes that were falling flat and analyse the emotional beats of the movie. The organic team-approach had no decision-making power over the film's producer and director. They existed to support, not to super-manage the project's leaders. The story support group was to develop into Pixar's 'Braintrust', and it was to have a significant impact on both Pixar and later Disney's approach to screenplay development and story telling.[23] (Catmull also ensured that Pixar owner Jobs agreed to not be part of the 'Braintrust' team, demonstrating his ability to manage upwards and protect his team) [63, 64].

5.3 The Toy Story 2 crisis

[23] See Chapter 5 [2014) Ibid] for full examination.

One of the clearest examples of “learning from failure” emerged during the company’s experience of making *Toy Story 2*, initially assumed by Disney to be a DVD title rather than theatrical, an assumption the Pixar team were determined to alter. Although the film on release finally became a critical and commercial success, it was also a “defining moment” for Pixar in its first phase of filmmaking. “It taught us an important lesson about the primacy of people over ideas: If you give a good idea to a mediocre team, they will screw it up; if you give a mediocre idea to a great team, they will either fix it or throw it away and come up with something that works,” explained Catmull [60].

“*Toy Story 2* also taught us another important lesson: There has to be one quality bar for every film we produce. Everyone working at the studio at the time made tremendous personal sacrifices to fix *Toy Story 2*. We shut down all the other productions. We asked crew to work inhumane hours, and lots of people suffered from repetitive strain injuries. But by rejecting mediocrity at great pain and personal sacrifice, we made a loud statement as a community that it was unacceptable to produce some good films and some mediocre films… everything we touch needs to be excellent” [Ibid].

5.4 The necessity of failure and the learning process

The evidence underlines Pixar’s leadership ‘consistency’ [1] applied principles and its decision-making process underlines a clear thinking modus operandi all the time: not just when managers considers that its projects are underwater and that the Pixar brand may therefore be threatened. Such behaviour and decision-making processes supports Makridakis's suggested solutions to bias, although the 'Braintrust' process, for example, centres around support to enable project managers to reach the right decision themselves and not override them. Catmull has explained that the existence of "failure isn't a necessary evil. In fact, it isn't evil at all. It is a necessary consequence of doing something new," [16].

> "Candour could not be more crucial to our creative process. Why? Because early on, all of our movies suck. That's a blunt assessment, I know, but I choose that phrasing because saying it in a softer way fails to convey how bad the first versions really are. I'm not trying to be modest or self-effacing. Pixar films are not good at first, and our job is to make them so - to go, as I say, "from suck to not-suck" [Ibid].

Mantras and specific decision-making rules can be useful according to Makridakis (see Table 2)[1]. However, Pixar has also demonstrated considerable flexibility in its harnessing of talent and the return of that talent to the hub. It openly acknowledges the footloose and freelance nature of film industry project-driven landscape. Director Andrew Stanton (*Toy Story, Finding Nemo*) has returned to the company after some years working elsewhere, demonstrating Pixar's interest in regeneration and capturing outside experience, which in turn is subsequently encouraged to return to the fold.

Failure was also threatening the Disney dream factory. The evidence exists to demonstrate that Disney Animation (*Frozen*, *Tangled*), after a tough couple of initial years, has been resurgent since Pixar's co-founder John Lasseter was made creative head of Disney animation post 2006. On its release by Disney, *Frozen* was hailed both with rave critical reviews and record-breaking box office, in much the same way as Pixar's films have regularly been received.

Although the studio's competition has been doing well in a burgeoning animation space, it still takes Dreamworks Animation to release two movies a year to hit the same revenue numbers that Pixar does with one. The company by early 2014 had taken gross revenues of more than $8bn at the global box office, leaving aside all ancillary returns from DVDs, VOD, television, and merchandising (the original *Cars* movie took more than $5bn alone from merchandising). And despite criticisms of doing too many sequels, their present slate (2014 onwards) appears to signal a return to originals (outside of *Finding Dory*, the sequel to *Finding Nemo*): in the summer of 2015 the studio will release *Inside Out*, set inside the head of a young girl, followed that same year by the much anticipated *The Good Dinosaur*, based on an alternate take on history in which dinosaurs never went extinct.

5.5 Pixar's 'vision' and leadership principles

Pixar's way of 'seeing' individuals, teams, projects and its' management's deliberate linkage between technology and creativity are significant for the Cognitive School of Strategy. Pixar has undertaken and implemented a cognitive-driven, visionary theory and set of tools that have managed and led a ‘people-driven’ organisation business to global effect and impact.

Putting well considered mantras into successful action is the gold dust of managers. As Lasseter has explained: ‘The one aspect of Pixar that we imported is our simple philosophy that a studio is not the building, a studio is its people, so each studio is going to have a different culture.’ [17] His co-founding partner Catmull further explained that: ‘It’s extremely difficult for an organization to analyse itself. It is uncomfortable and hard to be objective. Systematically fighting complacency and uncovering problems when your company is successful have got to be two of the toughest management challenges there are.’ [Ibid]

> ‘Clear values, constant communication, routine post-mortems and the regular injection of outsiders who will challenge the status quo aren’t enough. Strong leadership is also essential – to make sure that people don’t pay lip service to the values, tune out the communications, game the processes, and automatically discount newcomer’s observations and suggestions [Ibid].’

Catmull and Lasseter stand behind the belief that the creative power in a film has to reside with the film’s creative leadership. They argue that whilst this may seem obvious, it is not true of many companies in the movie industry: “We believe that creative vision propelling each movie comes from one or two people and not from either corporate executives or a development department. To emphasise that the creative vision is what matters most, we say that we are “filmmaker led.” There are really two leaders: the director and the producer. They form a strong partnership. They not only strive to make a great movie but also operate within time, budget and people constraints’ [Ibid]

The organization’s operating principles are intriguing, and far reaching. The three key Pixar principles, with commentary from Catmull below each mantra, are:

1. Everyone must have the freedom to communicate with anyone.

‘This means recognising that the decision-making hierarchy and communication structure are two different things. Members of any department should be able to approach anyone in any department to solve problems without having to go through the “proper channels”. It also means that managers need to learn that they don’t always have to be the first to know about something going on in their realm, and it’s OK to walk into a meeting and be surprised. The impulse to tightly control the process is understandable given the complex nature of moviemaking, but problems are almost by definition unforeseen. The most efficient way to deal with numerous problems is to trust people to work out the difficulties directly with each other without having to check for permission.’

2. It must be safe for everyone to offer ideas.

‘We’re constantly showing woks in progress internally. We try to stagger who goes to which viewing to ensure that there are always fresh eyes, and everyone in the company, regardless of discipline or position, gets to go at some point. We make a concerted effort to make it safe to criticise by inviting everyone attending these showings to e-mail notes to creative leaders that detail what they liked and didn’t like and explain why.’

3. We must stay close to innovations happening in the academic community.

‘We strongly encourage our technical artists to publish their research and participate in industry conferences. Publishing may give away ideas, but it keeps us connected with the academic community. This connection is worth far more than any ideas we may have revealed: It helps us attract exceptional talent and reinforces the belief throughout the company that people are more important than ideas. We try to break down the walls between disciplines in other ways as well. One is a collection of in-house courses we offer, which we call Pixar University. It is responsible for training and cross-training people as they develop in their careers’ [Ibid].

The first two principles are rooted in Catmull’s lessons learnt but they are straightforward to comprehend as objectives. The skill displayed by the leadership is to make sure that the above actions and associated values become an enduring part of the company culture and not ‘gamed’ out of the processes. The third is more taxing for managers of film companies who tend to fight problems and challenges on a daily basis, ‘putting out fires’ in the guise of crisis management clearly investigated throughout the case site.

5.6 Life-long learning: mantras and action that is believable

Catmull explicitly values education and learning. Pixar runs a collection of in-house courses, which the company calls 'Pixar University'. It is responsible for training and cross-training people as they develop in their careers. But it also offers an array of optional classes – many of which Catmull has taken – that provide people from different disciplines the opportunity to mix and appreciate what everyone does. And ultimately, in addition to the fusing of technology with art, Pixar is placing learning at the centre of its own talent development pool.

There is a confidence and positivity to the Pixar model, but it is the management that took the lead and set (and has continued to re-set) the tone and core values for the company. Most importantly, the Pixar creative environment enshrines a "team democracy" approach. Attributes including and beyond the Pixar model for a creative environment include the following consolidated check list of principles, values and actions:

The Pixar values and principles checklist:

A) General themes:

- A building/office that encourages people to meet, exchange information, and share facilities. No rabbit warrens or sectioned-off offices in gated silos (unlike Renaissance Film's London offices in Soho).
- The management and filmmakers' embodiment of a shared ownership and vision.
- Give a mediocre idea to a great team and they will either fix it or offer you something better. Brilliant people and teams are more important than good project ideas
- Managing upwards successfully: Steve Jobs was subtly encouraged not to have an office and daily presence at the building. Post the acquisition by Disney the management team pushed to keep Pixar's own brand, identity and culture while encouraging Disney to develop its own.
- People are more important than ideas, and form the lifeblood of a film Studios' creativity and ability to capture value. Therefore embrace their brilliance rather than be threatened by them.
- Management has enabled those with less experience to have a voice, while promoting mutual respect. Inspiration comes from everywhere.
- Enjoyment and fun remain central to the culture. They promote team-shared experience, communication, confidence, morale and a sense of living in the moment.
- The ability of all managers to hire people who are better than they are
- No employment contracts have ever been issued at the company. However, sharing of the upside for everyone, and a trust that people believe in the organisation has helped shape the spirit and tone of the culture. Bonuses are handed out personally by the management, not paid on-line.
- The stimulation of a culture of innovation, including experiments, and pooling technology development, creative development and production management.
- A "No Hero" culture pervades the company. Art and technology are equal.
- The belief in the power of never-ending education at a broad yet central level: enshrined by Pixar University.

- Clear creative goals: “We’re not going for realistic here...we’re going for believable.”
- The constant desire to balance commercial demands and creativity

B) Pixar: Cognitive-orientated actions and themes

- An ability to learn from mistakes has been fostered – promoted by tolerance and positive introspection.
- Post mortems: regular and committed feedback that works as long as the filmmakers are listening and continue to command the respect of their team
- The acknowledgement and acceptance that failure is part of the journey that defines project management. Failure is built in to the culture as a tool for learning and improving (unless the director loses the faith of the film’s crew).
- Outsiders and contrarians are encouraged into the project management process, not excluded or merely tolerated.
- The setting up of forums and communication/exchange of views rituals that are respected by all attendees.
- Considered, constant and timely feedback is a backbone to the project management experience and is not allowed to slip or paid lip-service to.
- Leadership that recognises the need to see beyond the immediate, the superficial, and to continue to listen to people at all levels of the organisation
- Leadership needs to exercise candour, while finding out the reasons why others regularly are not open and honest on an on-going basis in a work environment.
- Self-assessment tools must be developed that seek to discover what is real
- Sharing problems and embracing uncertainty and change is essential. ‘Messaging’ in an effort to downplay challenges and crises makes people less trusting of leaders.
- First conclusions are typically wrong, and successful outcomes do not mean that the process was right all along or all the time.

- Preventing errors does not mean a manager has fixed everything, and the cost of prevention may well be more damaging than fixing them.
- Uncovering what is unseen and understanding its nature is central to successful leadership and project management.
- Share and show early work and encourage on-going feedback. Defensive, secretive habits stop people being able to solve the problems.
- Imposing limits is important in project management because it will tend to encourage and stimulate a creative response. Discomfort and extreme problems can help find solutions and make people think differently.

The above checklists, culled from Pixar’s evidence and Catmull’s reflections [16] shine a light on a range of issues and challenges raised in this thesis’~~s~~ case studies. In particular the second grouping of cognitive principals become both interesting and informative when placed next to Makridakis’ work (and specifically his own check lists, see Tables 2 and 6 on Common Biases and Proposed Ways of Avoiding or Reducing Their Negative Impact) [1]. They share a significant level of common themes, principles and action points in relation to the way leaders and managers behave. As we come to the final section of this thesis below, this interconnection between Makridakis’s eleven proposals to counter bias, and Catmull’s own perceptions offer us a new level of understanding of the positive role cognitive bias can play in the field of management strategy. The clearly evidenced cross-over between theory and practice serves as a bedrock for both this study’s findings and its wider implications for leaders in general. These themes are further discussed in the following final section.

SECTION 6: DISCUSSION AND CONCLUSION - Findings and their wider implications beyond the film industry

Over the past three decades, strategic management studies have predominantly focused on market power and competition among organizations. Although such studies provides us significant insights about the study of mental role models and cognitive bias in project management is still highly underdeveloped. In this research, I have integrated theoretical understandings of the Cognitive School of Strategy to the study of project management in the film industry.

My recurring focus on Makridakis and his eleven proposals [1] to counter bias was in anticipation, rather than in expectation, that they might 'come to life' if I could secure detailed industry information, and thus test this theoretical perspective over a range of cases.

By relying on different case studies, this thesis exhaustively explored the problems Renaissance Films encountered in the early 2000s, and directly linked the recurring project management problems and faulty decision-making process to a series of cognitive bias traits. However, experience if applied mindfully can count and play a central role in the capture of value. For example, as we have seen in the case study of *The King's Speech (2010)*, (one of the case studies in Section 4), the project leader amply demonstrated a heightened level of project management skills that were at least in part[24] derived from his knowledge-based grounding at Renaissance Films. Bearing witness to cognitive folly also offered this particular producer an opportunity to learn and then move on. Indeed, given Renaissance's collapse and subsequent write-off of about $40 million dollars worth of production and overhead investment, that the company can be viewed as a knowledge-based

[24] Canning is on record as saying that "without his time at Renaissance, *The King's Speech* would not have happened." Ref: author's interview, Oct 2013.

resource of considerable value rather than just another ‘optimistic’ failure that has left no footprint.

Conjecturing about the relative value of cognitive bias to management strategy is an inherently limited line of enquiry unless the researcher also considers and analyses the wider industry context (Section 3). The cultural and industrial environment plays a key role here, as it shapes both the project manager’s perceptions but also, critically, the film business environment in which the project manager operates [41]. We have seen that the film industry is an uncertain, extremely volatile and high-risk environment in which project managers are confronted with a host of concurrent challenges [6, 7, 8, 11]. Survival is a significant challenge and to the majority, success is out of reach.

To what extent the environmental context dominated Renaissance Films’ failure rate is hard to gauge. Random elements such as luck, accidents of timing and coincidence also play a role in determining outcomes [7, 11], but any associated analysis would lack tangible insights given the ambiguous nature of such findings [8]. The competitive pressure~~s~~ to attract, package and exploit ‘creative inputs’ (i.e. screenplays, directors, actors, etc.) [39] is~~are~~ omnipresent for all film producers, yet the evidence demonstrates that an impressive talent pool did want to work with Renaissance Films, and many of them signed on between 2000-2005, albeit certain talent was well remunerated in the process. A high level of collaborative relationships clearly existed, but despite this network, the company failed to capture value. The value, however, of qualitative academic research work is rooted in “its ability to capture the real-life context within which events take place and to capture the essence of events as they unfold” [65]. A story can be told that shows a pathway emerging. On reflection, what can be drawn from the Renaissance ‘real-life’ case studies is that amid the chaos of production, the management, in-house producers and the Board’s behaviour traits, ‘habits’ and decision-making processes [37] heavily influenced the company’s accelerated downfall. The different cases also show us (rather than just ‘tell’) about potential negative impact of cognitive bias, a factor that remained unacknowledged and unseen by the managers and the company’s overriding culture. My thesis has evidenced how it played a key role in determining the company’s creative and commercial fate.

This brings us to another case, in which we discuss the Pixar model and the company’s enshrined set of creative management principles as reviewed in Section 5. Pixar is hardly a ‘flash in the pan’ given its three decades worth of business and enduring slate of films produced. The evidence is abundant that Catmull (and Lasetter [16]) have placed great weight on the shoulders of cognitive theory, the role and nature of bias and how to best manage its impact on the workplace and at the centre of the company’s core activity: blockbuster-level project management. From the case, we learnt that Catmull, by his own admission, paid superficial attention towards cognitive bias’~~s~~ existence for the first five years of Pixar’s operations. It took a series of crises between Toy Story and Toy Story 2 for him to ‘switch gears,’ [2] and pay a high level of cognitive attention to what was ‘hidden’ from sight.

There exists compelling evidence to indicate that the leader has never let up for the past 25 years. Rather than developing his ability to keep his eye on the ball, one suspects that he has consistently honed his (and his team’s) ability to manage change by predicting the second bounce of the ball, a skill that market traders in every market would like to have. However, rather than keeping cognition-driven trade insights to himself and the Pixar brand, this example demonstrates that the project leader was successful by sharing his insights with other team members at Disney. His creative management tool kit, including the application of the non-hierarchical 'Braintrust' system, has helped bring Disney's animation studio out of a trough, and brought it into the creative and commercial limelight (*Tangled, Frozen*) with record-breaking results. Following the publication of *Creativity, Inc.* managers, academic researchers and film industry practitioners have been offered a transparent insight into his application of cognitive theory into workplace practice. Even prior to this work, leading managers had started to take notice. On his appointment as CEO of the UK's commercial broadcaster Independent Television (ITV), Adam Crozier went on record about his interest and adherence to the Pixar creative management model. ITV has risen from a commercial slump five years ago to a globally recognised creative and commercial success story, although it seems unlikely that Catmull would claim credit.

Catmull's public candour also contributes something to recent discussions in the field of management strategy. For example, to Porter's view on competitive forces and how to sustain advantage [40], alongside the market power-orientations of the resource-based view [5]. Both stress that the nature of competition requires managers to protect their assets, yet Catmull has written a road map that appears to enable his approach to be identified and potentially imitated by his immediate competitors. This paradox suggests that further discussion and research is required to delve into the exact nature of what Pixar has applied and built, and whether the essence of its value is protected by fundamental knowledge barriers [5].

Generalizing in a manner beyond the immediate setting of this thesis, an examination of Pixar 'imitators' such as Crozier's ITV experiment would be of significant interest to the Cognitive School of Strategy, but also to knowledge-based resource researchers. This raises fundamental questions: What are and how can we best identify the key factors that limit knowledge-transference? Why and in what ways are successful company cultures difficult (or even impossible) to translate and build upon by third party imitators and borrowers? What reflexive role does cognitive strategy play in shaping an organization's culture and its core values that renders it unique and exclusive, and why? Is there a place for corporate opportunism whereby certain cognitive management skills and principles can be implemented, but others excluded, and on what basis are those choices made? Can creative management skills be taught, or do they need to be developed 'on the job'?

Further related research areas in the area of cognitive bias might relate to other cultural industries such as the music industry. For example, the implications of my contribution to the field of cognitive strategy, which places bias at the centre of strategy formation, (rather than marginalised to the side or completely dismissed), can be very relevant to the music industry, because the value chain model in the music industry is undergoing fast and significant restructuring [15]. Mental models of the music value chain that have long formed in the minds of incumbents are now being successfully challenged by the arrival of digital entrepreneurs who are navigating 'around' the model rather than assuming they need to manage each of the assumed links [Ibid]. It has been argued that the ability of the major music labels to control the supply chain for music has prevented artists from distributing their own material independently. However, recent developments, such as the emergence of Internet, live shows and piracy have changed the playing field over the past decade with intriguing results and affected other incumbents and the new project-entrepreneur-cum-artists. My findings can be applied to the music industry, and improve understandings of mental models and the role of cognitive bias in the music industry.

Similarly themed issues are present to be seen in other creative industries, such as television drama production. In particular, the US 'show-runner' project management model has given rise to some of the most critically and commercially successful TV drama of recent years. In what ways might Pixar's project management approach and cognition-driven principles, given the complexity of producing computer-animated stories over extensive time periods, be of use to the US 'show-runner' project management model? How can it be transformed to a UK television model? Television studies would be served by considering both the wider environment but specifically the selective use of, and experimentation with, the 'habits', bias and conventions developed over many years within the US model. What 'habits' work and why? In what ways are they cognitively driven, and which are handicaps and why? How could they be mitigated? How can they best be replicated and capture value? And finally, what specific Pixar values and tools might be of critical value to a new UK approach to long-form television writing and drama production?

As I have demonstrated for the film industry, cognitive management strategy offers a useful framework to study complex and opaque industries. Cognitive management strategy in cultural industries is still highly underdeveloped, and because of the turbulent environment of cultural industries, I would be interested to develop this perspective to other creative business environments, such as television, video, music or literature industries. One way of securing its place in the debate and making a meaningful contribution is to explore case sites and industries that operate in considerably less ‘uncertain’ environments. More generic yet creatively demanding industries, such as advertising, marketing and public relations could make for intriguing case sites. The deep-rooted behavioural aspects central to their work sites renders them ripe for cognitive research and analysis.

The extent to which the Pixar experience might simply complement existing research rather than move the debate about cognitive bias forward is important to consider. My view is that by directly linking Makridakis and the ‘objective’ Cognitive School of Strategy with the Pixar behavioural approach, and synthesising their potential solutions, there a case to be made that the evidence not only contradicts much of the literature to date, but also that its findings could bring theoretical insights of the Cognitive School of Strategy into new directions.

Significant elements of this thesis’s literature review pointed to cognitive bias as a factor inherently unavoidable, and the implication is that cited exceptions simply support the assumed rule. That cognitive bias exists is not at question. The value behind the theory is to identify management methods that help to address and overcome bias. By combining Makridakis’s theoretical insights and the Pixar value system, I propose the following tentative headline requirements:

a) An awareness and understanding of the concept of cognitive bias. This would be aimed at helping project managers and industry leaders identify the value gained through acknowledgement and mapping both behaviour and action points as a starting point.

b) A flat hierarchy that stimulates open communication (as this helps in the sharing of information and the ability for managers to see without bias).

c) A commitment to analysing and capturing the lessons from previous mistakes.

Before expanding and codifying such a tool, considerably more research is required on patterns, cultures, companies and project management if we are to find more exceptions that can support this evolving field.

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Appendix: The author's prior publications

The author's published works include five books, two industry reports, one academic chapter and one academic journal paper, all sole authored, with the exception of The International Film Business (2014, 2nd Ed.) credited as 'by Angus Finney, with Eugenio Triana'. All case studies referenced in this thesis are the author's sole research and work.

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