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SUMMARY

THE ROLE OF RESOURCES AND EXPERIENCE ON THE SUCCESS OF FILM PROJECTS

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Principal Topic

The film industry offers a unique context in which to study entrepreneurial behavior. For each new project, production companies select, acquire, and combine various resources to develop a film that audiences will appreciate. Because audience tastes are constantly changing, resource combinations that worked in the past are not necessarily guaranteed to work in the future. Each new film project is therefore fraught with substantial ambiguity and uncertainty. In a now famous quote about the motion picture industry, William Goldman stated, “nobody knows anything” (quoted in Shamsie, 2006: 177). The role of a production company in shepherding a film to completion is thus akin to that of an entrepreneur operating in an uncertain and equivocal environment (Hill & Levenhagen, 1995; Levenhagen, Porac, & Thomas, 1993).

In this paper, we examine the degree to which experience within a particular range of financial resources influences subsequent success. We suggest that each production company develops the knowledge and skills that result from working on films that fall within a particular budget range. When these firms undertake projects that fall within this range, they are likely to stay successful. We argue that these companies may not do as well when they undertake projects that have different budgets than what they have been accustomed to working with.

Method

Our data set consists of 30 production companies that have made at least ten films and operated for at least five years. We ascertain the effect of the budget of prior films on the success with subsequent ventures. We include several control variables, including the number of stars in the film and the number of screens on which the film was opened. We have two dependent variables, box office revenue and critical ratings.

Results and Implications

We attempt to articulate the double-edged sword of entrepreneurial experience. Although we believe that our work may be broadly applicable to venture creation, we suggest that our research may also have implications for serial entrepreneurship by examining the degree to which entrepreneurs can leverage experience gained from one venture into subsequent ventures.

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