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A CONCEPTUAL STUDY ON THE IDENTIFICATION AND REDUCTION OF RISK FACTORS IN MOTION PICTURE INDUSTRY – APPLICATION OF PROJECT MANAGEMENT TECHNIQUES

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ABSTRACT

The paper attempts to understand the degree of application of Project Management techniques in Motion Picture Industry by giving a comprehensive review of literature on the operational challenges, project management applications and critical issues in the making of a motion picture. It also covers the critical risk factors and outlines the areas of research that need to be examined in area of Motion picture Industry. Through a comparative study on the traditional approach versus project management approach is studied to understand the further scope of enhancing operational efficiency This paper concludes by identification of the factors contributing to the success and efficiency of the motion picture project there by maximizing stakeholders' wealth.

INTRODUCTION

The motion picture industry is a multi-billion dollar industry. Movies originating in 'Hollywood' dominate box-office rankings across the globe. According to the working paper titled, " *The Motion Picture Industry: Critical Issues in Practice, Current Research & New Research Directions"* published in Harvard Business review by Jehoshua Eliashberg, Anita Elberse, Mark A.A.M. Leenders, on an average the motion picture industry in U.S get more revenue from the international theatrical markets than the domestic theatrical market. However, of the more than 4,000 movies that are produced worldwide each year, only about 700 are produced in the U.S. (MPAA, 2003; also see Scott 2005). India is the most productive country. Sometimes referred to as 'Bollywood', it produced more than 1,000 films in 2001, which together generated over 45 billion rupees (at the time close to $1 billion) in revenues (U.K. Film Council, 2002). Overseas markets such as the U.K. have become increasingly lucrative for Indian films, sometimes generating nearly a third of total revenues, and allowing for higher production budgets. With the notable exception of India, Hollywood products dominate major markets around the world. Even in countries with highly acclaimed local productions, such as France and Italy, non-U.S. movies often represent only a small fraction of box-office grosses (EAO 2003).

LITERATURE REVIEW

Despite of the emergence of the research happening in the industry very little application of the findings is used to increase the efficiency of the production. The article initially discusses the routline practices in the industry which is very important in understanding the work flow and process. There are critically five important stages in the process of motion film making. They are classified under the following categories namely (1) Pre-production, (2) Production, (3) Post-Production, (4) Distribution and (5) Exhibition. Even though the stages remains the same , in the global context and in U.S including the Hollywood and Independent Filmmaking studios they are commonly categorized as (1) Development , (2) Pre-Production, (3) Production, (4) Post Production,(5) Distribution. To understand the management functions happening under each stage we need to detail out the process. Usually the development stage is the stage at which the blue print of the project gets developed. It is the widely called “Screenplay” , the brick and mortar foundation of the project. The Development stage includes the script research process which supports the fine tuning of a marketable product. The Script Department comprises of Script writer or team of script writers. The Big studios have got more projects and employ Script writer(s) for the development of a Screenplay. Usually studios manage to release more than a project to minimize the risk of returns .The cost of the project and return on investment considering the time value of money is the foundation on which most of the project gets green signal from the Studios or from and Independent producer. Bigger studios minimize the risk of returns by maximizing on more risk free project. The usual process adopted in minimizing the risk is by adapting a screenplay on a most popular or best seller literature content, sequel to already successful projects, Biography of a known personality, cashing on a successful genre or on any popular or sensitive issue as plot. Each motion picture project is different in its conceptualization but follows the common stage process and work flow. The process commonly begins with a story concept based on a literary property, a new idea or a true event (Vogel, 2001, Squire 2004), which can vary from a general idea (a 'pitch') to a completed screenplay (a 'spec').

With the increasing costs and competition the investors in the industry adopts market understanding phenomena (Audience Research) through an audience feedback amongst the target group. Hollywood and English speaking movies have got a wider market when compared to Non-English speaking movies hence the latter has got the risk of exhibiting in few territories or theatres when compared to the former. Hence the investors always believe in a universally accepted plot or screenplay to invest on. The defining of the market even before the conceptualization of the plot has got its own pros and cons and is an area of research that is beyond the scope of this article. When applying marketing concepts the whole process of movie making is a good example of holistic marketing. To easily understand the project management and process flow we need to understand the various universally accepted genres which studio or even independent producer invest on . They are (1) Sci-fiction, (2) Drama, (3) War, (4) Period (5) Comedy (6) Thriller, (7) Horror, (8) Social/ Family (9) Romantic .The above mentioned are the common classifications but there are lot of combination worked on idea of grab more and more audiences. The choosing of risk free projects is very complicated and hence the cost efficient operations management is employed in the production cycle of the movie to minimize the risk. The script department gets green signal from investors on well-structured and marketable project. The development stage is very crucial for non-studio / independent investors as the whole financial year the investor is expecting return only on the project, hence it becomes challenging for the team to minimize the operational costs and work for the superior excellence of the movie.

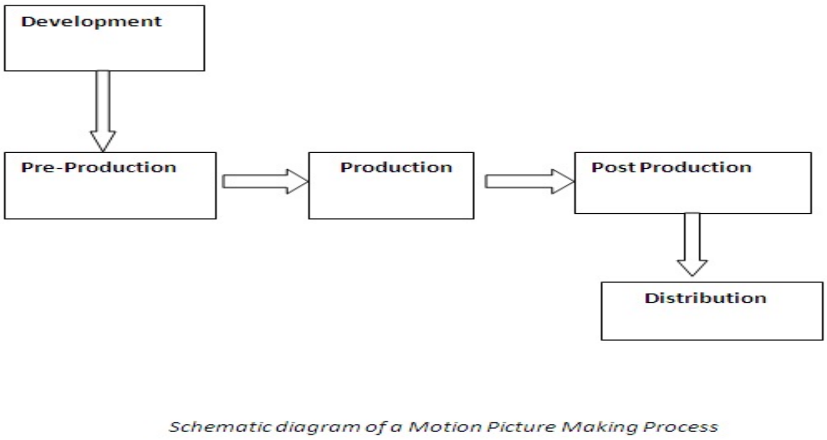

Fig.1. The Schematic diagram

In the Production stage the Cinematography of the motion picture starts .Subsequently related to the Photography the following departments have to fit into the groove of the Production. It comprises of the inventory of film stock, logistics management, wardrobe department, artist coordination, Art and Props department, Special effects department, Sound department, Production department etc. Depending on the genre of the movie the degree of the involvement of the department is greatly influenced. For instance a movie which requires lot of Graphics visually the involvement of the VFX department starts from the development stage and continues towards the post production of the motion picture. Usually in Sci-fiction movies like STAR WARS, TRANSFORMERS, MATRIX series etc a Visual Effects Producer accompanied by his team comprising of VFX supervisor should be the "first in, last out" individuals when working on a Visual Effects-oriented feature. The VFX department starts from liaising with the Director and Producer from the development of the script towards the story development followed by the Cinematography and the Post production. He should be able to work on by forecasting the challenges and risks that could happen if Plan A fails. The VFX department has to oversee the project by structuring and organizing it effectively avoiding delays and technical flaws. At the same time implementing a common work flow process is difficult as each project requires a different VFX process strategy. The proper planning of scenes and properties and its placement along with other aspects is a challenge for the department. The VFX Production department has to be expert in the area of domain and it is sometimes costly process to get a fully fledged VFX studio. In fact lot of outsourcing happens in the VFX creation to studios that are competent enough in specialized VFX like creation of waves, fire, smoke, fur etc. It is during the Postproduction stage the VFX scenes get assembled in the editing suite and further stages of post production happens. The biggest challenge of VFX department is to create the best of the VFX that

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gives a real feel by minimizing the obvious presence of artificially created effects in the motion picture.

The Sound department employs a similar fashion in the operations. For movies that involves Sync- Sound recording, the Sound department comprising of the Sound designer, Sound mixer and the Sound crew has to work simultaneously with all the departments. In some cases to enhance the quality of the sound in the motion picture, the studios employ or outsource the Foley sound work to Sound studios and assemble them again during the Post Production stage. The responsibilities of a Director and his department is the summation of responsibilities and challenges of all the departments working for the motion picture and the greatest challenge is to get the deliverables on time and without comprising on quality and within the set budget.

Overview of Departments : (1) Key Creative Team,(2) Production department, (3) Script Department, (4) Location department, (5) Camera department, (6) Sound department, (7) Grip department , (8) Electrical Department, (9) Art department, (10) Hair & Make-up department,(11) Wardrobe department, (12) Post Production, (13) Visual Effects, (14) Other Production Crew, (15) PR & Publicity department, (16) Interactive Media

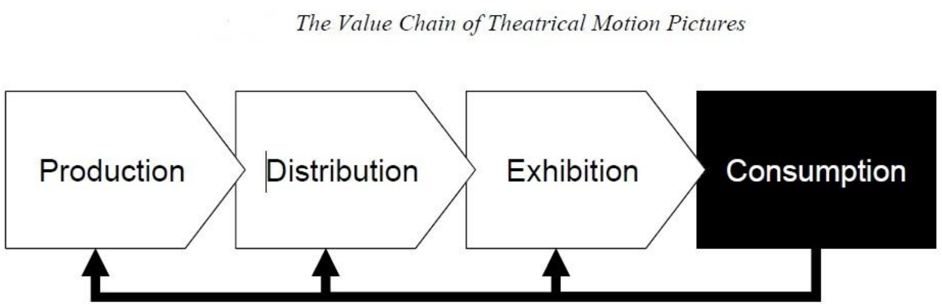


Fig.2.

The Project Management

Studios are often simultaneously engaged in four distinct functions: financing, producing, distributing, and advertising (Squire 2004, Vogel, 2001).

Project Management Vs General Management

Industry practitioners rely heavily on tradition, conventional wisdom, and simple rules of thumb, which often have not – but should – be closely examined.

Selecting Projects to Meet Business Goals

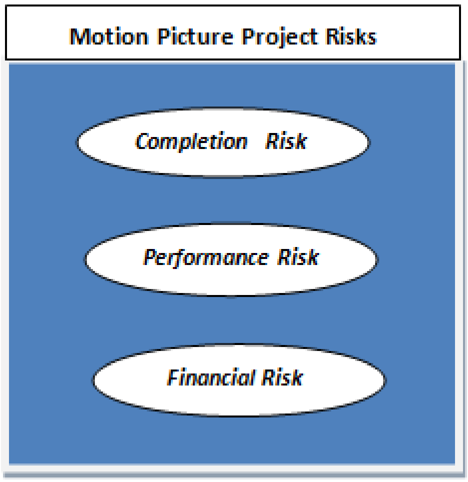
The Green signalling process is a complicated process. The decision making selecting projects on grounds on success probability and discarding box office failure projects is not easy. It is very common that Type I or Type II error occurs. The Adventures of Pluto Nash (2002) distributed by Warner Bros of a budget over $100 million earned less than $7.1 million in U.S. theaters, is an example of a type II error. It was a science fiction comedy film directed by Ron Underwood and starring Eddie Murphy as the title protagonist. The film is considered one of the worst box office bombs (Jehoshua Elias Berg , Anita Elberse , Mark A.A.M. Leenders HBR 2005)

Type I errors, which involve rejecting a potentially successful project, are also a common practice in the industry: a recent example is The Passion of the Christ, the highest-grossing independent movie to date, which was reportedly turned down by several major studios (Quelch et al 2004).

The Management of Risks

Desai, Loeb and Veblen (2002) describe three main risks that motion pictures face: completion risk, performance risk, and financial risk. Films face completion risk due to the high level of required investment and the changing motivations and relationships between producers, talent, and financiers. They face performance risk because uncertainties regarding the appeal of stars, fickle reaction of audiences and critics, and other factors make it difficult to accurately predict revenues and profits – each movie is unique. For that very reason, equity investors face financial risk as well.

Desai et al (2002) argue that, in line with an increase in production and marketing costs, the level of financial risk for equity investors has increased steadily since the 1980s.



The risk above mentioned varies with respect to projects. The important and real risk that needs to be studied with respect to a making of a motion picture is inefficient Project management

Risks associated with the inefficienct management of project leads to the completion risk, performance risk and financial risk. During the conceiving of a project there are some inherent risk associated with it. Identification of it is very important. For example for Period film, the risks associated with the historical aspects and the conflict of interest between the makers and the outside world lead to completion risk during the Project phase or financial risk after the execution of the project (Exhibiting , Censoring and rating of the film). The recent example of this can be quoted on the context of “VISWAROOPAM” produced by Kamal Hassan .The recent one is “MADRAS CAFE”. This risk can be coined as Creative Risk that can lead to any of the three risk. At the same time there is another risk than need to be addressed is the Technical risk. This can be explained with Projects from Sci-fiction genre films. Movies like " 2012" , " AVATAR", " STAR WARS'' all need to have well planned VFX that need to engineered with quality. The inefficient VFX can lead to again completion risk, financial risk and performance risk. The risk schematic diagram can be redrafted as below.

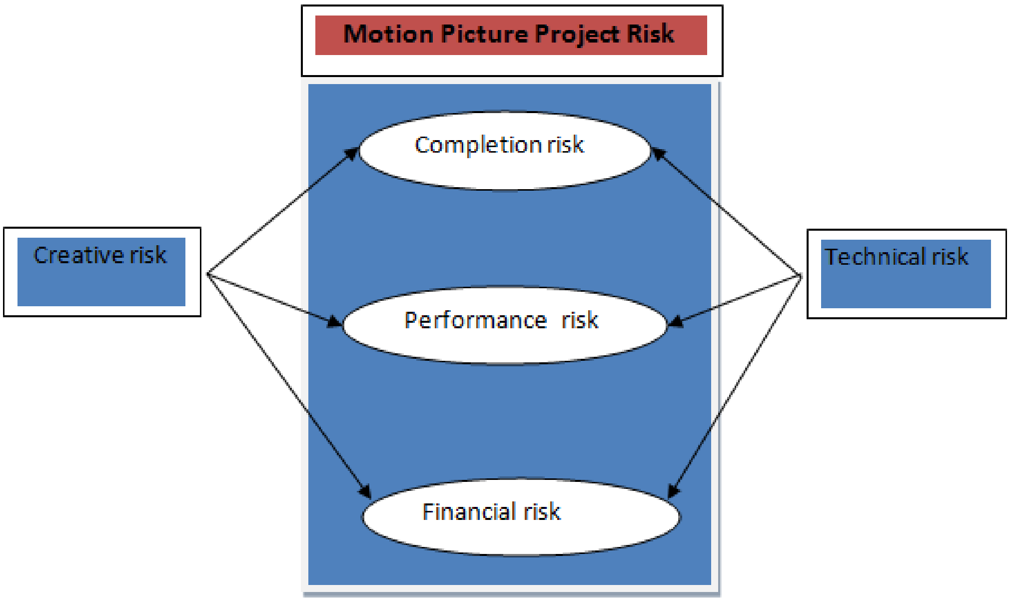


Fig. 3. The schematic diagram of Project risks

The Project Portfolio Process

The project portfolio process has become critical issue for all Biggies in the industry The designing of a effective strategy in selecting a portfolio help the studios to reduce risk and maximize their profitability (Angus Finney, 2008, LRP)

As it is true that to make a movie project to a successful end is not an easy task but many studios at any given time, divide their attention across a number of projects in various stages of development and across types((Jehoshua Eliashberg, Anita Elberse, Mark A.A.M. Leenders HBR 2005).

Buena Vista led the major studios with the highest number of projects – twenty-seven – in pre-production, production, or post-production in early 2004 (Showbiz Data, 2004). It is crucial for a studio to effectively manage its development 'pipeline' – a carefully balanced portfolio can help the studio to manage its risk (see Ding and Eliashberg 2002 for an example of effectively managing pipelines in another industry, namely pharmaceuticals).

The issue extends to finding the optimal portfolio of movie types – for example in terms of genre, storyline, age restriction (e.g., De Vany and Walls 2002), and star power – that protects a studio against changing audience tastes. Hence Studio finds the movie making business is not that easy as it requires strategic leaders with expertise in executing and managing projects. At the same time the studio concentrates on Financing or Production or distribution or even Exhibition or the combination of two or all. Hence more and more portfolio focussed structure is becoming common the Studios started developing specialized skills. Focus Features, a production and distribution unit of Universal Pictures, is structured such that each of its three units specializes in a particular genre: "upscale action", "thriller", and "urban fare". Bob Wright, chairman and CEO of NBC Universal commented on the need for studios to have areas of expertise: “I see Universal focusing on comedies and action films. Those have been areas of real strengths” (The Wall Street Journal 2004d). Other portfolio dimensions that may be considered include original versus familiar concepts (e.g., remakes and sequels), low versus high budget, in-house financing versus co-financing, track-record talent versus new creative talent, and acquisition versus in-house development.

In an Indian scenario the Portfolio selection process and its managing is even on faster pace when compared to Hollywood. Just a glance on the Portfolio of Eros International will give us the amount of strategic decisions and effective management phases it has undergone in executing the projects. According to the report published by Economic Times on March 2013 during the FY 2012-13, the Company successfully released 77 films in multiple languages, comprising 30 Hindi, 47 Tamil and other regional languages. The number of films released remained stable compared to 77 films released in FY 2011-12. Out of the 44 Tamil films released in FY 2012- 13, five were mainstream releases, compared to one Tamil mainstream release in FY2011-12. Of the company’s 30 Hindi releases during the year under review, some successful films included 'Housefull 2", "Cocktail", "Son of Sardaar", "Khiladi 786", "Teri Meri Kahaani", "Vicky Donor" and "English Vinglish". "Thuppaki", "Maatraan" and "Kadal" were the three notable Tamil releases during FY 2012-13. Of India's top ten box office grossing Hindi language films in FY 2012-13, two were released by Eros International (Source: Box Office India & ET 2013).

According to an article published in The Telegraph on June, 2013 it is not only the Indian Biggies but several Bengal-based business houses and entrepreneurs are looking to invest in Bengali films and bringing in structured financing. Globsyn Group, which has set up a media unit to produce films is adopting the portfolio strategy to grow in the competitive industry.

Rahul Dasgupta, director, Globsyn Group, reveals that his company plans to set up a board comprising companies, build a corpus of Rs 5-10 crore, and work on portfolio management for films — in other words, follow a structured, professional approach to filmmaking.

In the same article Shibasish Sarkar, CEO, Reliance Entertainment, which recently produced middle-of-the-road films such as the Mahapurush Kapurush and Ganesh Talkies said that Reliance have re-entered the market with a more structured approach. They have employed their own distribution and marketing teams for the Bengali market. Reliance declared it will produce six to eight Bengali films a year. "We are looking at all kinds of cinema — we want to do 2-3 commercial films," says Sarkar including the Masala films.”

CONCLUSION

The identification of the risks and operation challenges discussed in the article is based on different movie projects in different genres. The article leads to further research on increasing the efficiency of the projects in motion picture industry by reducing the risk associated with it. It is also evident that intensity of risk varies with respect to the genre of the movie and amount of investment. A concrete study on the project and the application of project management techniques will help to reduce the risk and increase the efficiency in terms of quality and monetary

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