

# The hidden role of property rights in cultural production projects

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# **The hidden role of property rights in cultural production projects**

## **Abstract**

This study aims to explore how ownership configuration and member diversity affect business performance in filmmaking joint ventures in Japan. In this organizational form, less autonomy of film creators has often been problematized. Our examination and explorative analysis using the data on 378 Japanese films implied that filmmakers could obtain their autonomy by investing in the joint ventures and sharing property rights of the films and that this creator involvement into the joint ventures led to film success. The analytical results also showed that member diversity in the joint ventures moderated the path from creator involvement to film outcomes.

*Keywords:* Project-based organization, Ownership effect, Member diversity

## **1. Introduction**

The need to respond quickly to environmental turbulence has led to greater use of project-based organizations, the so-called temporary organizations, to govern projects such as construction, advertising campaigns, and new product development (Sydow, Lindkvist, & DeFillippi, 2004; Sydow & Braun, 2018). Although temporary organizations have been used for governing many kinds of projects, little is known about governance mechanisms within temporary organizations (Ghazimatin, Mooi, & Heide, 2021). This study examines the effects of ownership and member diversity in filmmaking joint ventures in Japan, which are a form of project-based organizations.

Fixed-term joint ventures are commonly used in Japanese filmmaking, which are called “Film Production Consortia” (FPCs) (Wakabayashi, Yamada, & Yamashita, 2014). An FPC is organized for production of each film. FPC members sponsor films, share the copyrights, and receive portions of the profits.

FPCs subcontract filmmaking to filmmakers and animation studios, which handle filmmaking processes. The autonomy of these film creators is crucial in the processes of film creation because it may significantly affect success of the films. However, film creators’ autonomy is relatively low in the system of FPCs because they are in the position of subcontractors. Thus, in order to make the films freely and to be granted fair benefit shares and fair treatment, some film creators, such as filmmaking companies and animation studios, have come to invest in the FPCs and hold portions of the film copyrights.

This study aims to explore the effects of ownership and member variety within FPCs on filmmaking. Our explorative analysis found that film creators’ investing in and partially holding property rights of the films positively affected film success. In other words, this hidden role of ownership includes enabling creators to retrieve their autonomy, which leads to successful films

earning more box office revenue. The findings also show that the member diversity in the joint ventures enhances the positive effect of the creators involvement on film success although coordination within FPCs might be more difficult as the member variety increases. These findings partially reveal the ownership effect and the complex coordination mechanisms in project-based organizations, for which few empirical studies have been conducted.

## **2. What is an FPC?**

The FPCs are unique to the Japanese film industry (Wakabayashi et al., 2014). Unlike Hollywood movie studios or large solo film companies seen mainly in the US, they are not “going concerns” but temporary organizations. An FPC, typically composed of different companies, is formed to produce and commercialize a film. FPC members sponsor a film by providing financial capital necessary for the production and distribution of the films. In return, they receive portions of the copyright and profit of the film.

The members of FPCs are often from a broad range of categories or industries, including major film theaters, TV and radio companies, publishers, advertising agencies, music labels, toy and other types of manufacturers, gaming companies, filmmakers, animation studios, and trading companies. If they join FPCs, they are not only fund providers but also copyright holders. Therefore, they have the rights to claim appropriate portions of a profit generated from the film according to their capital contribution. In addition to the box office revenue, FPC members have the rights to derivatively exploit the film contents in conjunction with their main businesses. For example, DVD packaging companies would plan to video the films; TV broadcasting companies of the FPC members could air the films; streaming-media-service providers could deliver the films through the Internet. Other secondary exploitations include

selling goods relevant to the films and producing film-related entertainment events. The profits of the secondary exploitation are distributed among FPC members. Importantly, each representative of the derivative businesses can charge commissions and expenses related to the business it performs. Interestingly, secondary exploitation of films can sometimes provide greater incentives for companies to join FPCs than the box office profits allocated to them.

### **3. Less autonomy of creators in filmmaking projects**

Because FPCs subcontract filmmaking to specialized filmmakers and animation studios, FPCs and these film-creation companies are in the principal-agent relationship. They often face a principal-agent problem. However, this is different from the issue existing studies often focus on. Although previous research has dealt with the agents' opportunism (Carson & John, 2013), the current study focuses on the negative influence of the client side (i.e., principals) on agents' autonomy. Indeed, the influence of FPCs and the less autonomy of creators have been problematized in the filmmaking industry in Japan.

We argue that creators' autonomy is more favorable for movie production. FPCs often appoint the movie directors and even cast the actors. It is commonly known that FPCs influence the casting of actors and the adoption of songs/singers in the movies (Fukuhara, 2018). This is because FPC members often contain actors' agencies and publishers of music. Importantly, there was a significant range of influence. FPCs with stronger influence would ask creators to clarify their preferences for actors and songs/singers. Under the stronger influence of FPCs, creators have little say in the selection by the committee. A high degree of freedom in movie creation is typically observed in Studio Ghibli's movies. For example, creators in Studio Ghibli autonomously select amateur voice actors because they think that amateurs would do better

jobs than professionals (Studio Ghibli, 2013).

Criticisms of the filmmakers' side against the FPC system assert that FPC members, whose purpose is to make private use of films, tend to seek for films that will be popular with the general public, thereby inhibiting filmmakers' freedom to produce their own films. Film creators often fail to reflect their own ideas and intentions in films due to FPC members' various claims. Because FPCs tend to rush to easy plans based on existing works such as successful comics, novels, and TV dramas, it is difficult for film creators' original plans to be accepted in Japan.

The organizational form of FPCs could cause some problems with autonomy that can negatively affect innovativeness of film creation. FPC members can influence film creation based on self-interest. This is because FPC members with the property rights of a film are granted rights of control related to the film resource usage (Grossman & Hart, 1986; Hart & Moore, 1990). Property rights are the right to use resources within a class of non-prohibited uses (Alchian, 1965). Holders of rights may use the related resources opportunistically to seek self-interest with guile (Williamson, 1975). This contradicts business performance.

Creators' autonomy does matter in creation of cultural products. Film creators sometimes join the FPCs and hold portions of the film copyrights to regain their autonomy. According to existing knowledge in property rights theory and transaction economics, balanced dependence between transacting parties (i.e., power balancing) contributes to efficiency in a transaction (Carson & John, 2013). The involvement of filmmaking companies in FPCs allows them to retrieve some power and autonomy in film creation and prevents other FPC members from influencing filmmaking. This study assumes that this creator autonomy leads to film success.

#### **4. A moderating role of member diversity**

Team diversity can enhance business performance (Joshi & Roh, 2009). A social network perspective suggests that the variety of social networks contribute to acquisition of novel knowledge (e.g., Granovetter, 1973; Burt, 1992). Weak ties among people, which is characterized by non-redundant information structures, is assumed to have an impact on innovation (Ahuja, 2000; Hansen, 1999; von Raesfeld, Geurts, & Jansen, 2012).

The Japanese film industry is dependent on the profits from secondary film exploitation, including videoing, airing, and streaming films, selling film-related goods, and producing entertainment events related to the films. Therefore, FPCs are often composed of members from various providers of cultural contents, such as TV and radio companies, publishers, advertising agencies, music labels, DVD packaging companies, and streaming-media-service providers. These FPC members specialize in derivative usage of films and are advantageous for this secondary usage. Accordingly, they can also provide useful knowledge for filmmaking. If film creators have some autonomy to make films, collaboration between the creators and FPC members can contribute to success of the films. Therefore, we assume that member diversity in film joint ventures moderates the path from creator autonomy to film success.

Meanwhile, member diversity within filmmaking joint ventures can cause coordination problems. The tasks of FPC members are interdependent (Wakabayashi et al., 2014). When members' roles and tasks are highly dependent on each other, role coordination is burdensome (Bechky, 2006; Gulati & Singh, 1998; Puranam & Raveendran, 2013). Coordination will become more difficult as the number of members involved in a temporary organization increases (Ghazimatin et al., 2021). This is even more true when members are from a broader range of industries. In this respect, as the variety of FPC members increases, coordination of

members' claims will be difficult. Importantly, because of this coordination difficulty, member diversity in joint ventures can negatively affect business outcomes.

## 5. Methodology

To conduct an explorative analysis, we collected data on 378 Japanese films screened from 2010 to 2020 in Japan and achieved over one-billion-yen box office revenue. The Motion Picture Producers Association of Japan, Inc. website provides information about box office sales, FPC members, film distributors, and the original works of the films. Additionally, we complemented the data with the official film websites.

The dependent variable was the log-transformed box office revenue for each film. This scale is appropriate for measuring film success (Wakabayashi et al., 2014). The independent variable, creator involvement in the FPC that grants autonomy to creators, was scaled by the ratio of the number of the filmmakers to the number of the whole FPC members (i.e., creator-involvement ratio). We drew upon an entropy scale to measure the variety of members of each filmmaking joint venture. The entropy score of member diversity increases as members are more equally from wider industries. The measurement was computed as follows:

$$\text{Member diversity} = \sum p_i \ln \frac{1}{p_i} ,$$

where  $p_i$  refers to the portion of FPC members in industry category  $i$  ( $i \in 1$  [TV broadcasting company], ..., 14 [others]).

Except for the measures of box office revenue, creator involvement, member diversity, and FPC size (the number of members), we used a dummy to operationalize each variable: distributor involvement, domestic award, foreign award, animation/live-action, and whether the

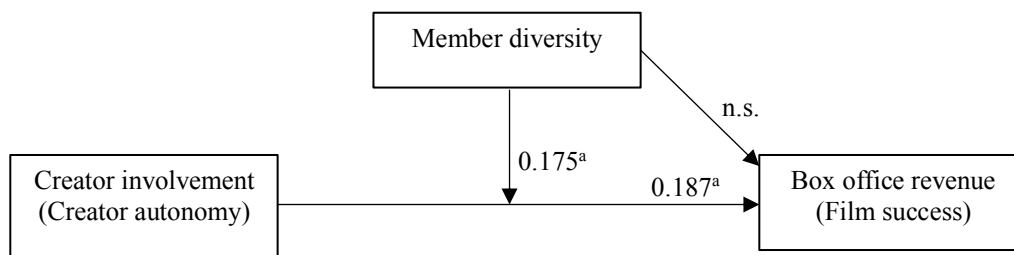


films were originated from comics, novels, TV dramas, or music.

## 6. Results

Fig. 1 presents the conceptual model and the regression results. Although the figure shows only the relationships among the focal variables, we will present a table including all coefficients and significance levels regarding not only the focal variables but also control variables in our presentation in the conference.

The results indicate that creators' involvement into the FPC is positively related to box office revenue of the film. Additionally, we found a moderating role of member diversity in the relationship between the creator involvement and box office sales. The findings imply that creators' involvement into the FPCs that grants autonomy to the creators can be positively related to the film success and that this positive effect can be strengthened by member diversity of the FPCs. Yet, the results did not demonstrate that member diversity directly weakened the film success.



Notes: <sup>a</sup> Standardized coefficient significant at the 1 percent level; n.s.: Not supported

**Fig. 1.** Analytical model and results

## 7. Conclusion

This study provides several implications for organizing temporal projects creating cultural contents. In the Japanese filmmaking industry, less autonomy of filmmakers has been

problematized due to the organizational characteristics of FPCs. Our analytical results imply that filmmakers obtain their autonomy by investing in FPCs and sharing property rights of the films they make. Importantly, this leads to better outcomes of film businesses. The findings including this hidden effect of ownership can contribute to the literature on the governance mechanisms in project-based organizations for cultural production.

Our findings also imply that the performance effect of creator autonomy may be greater as the member diversity in FPCs increases. However, the variety of members of filmmaking joint ventures might make coordination within organizations difficult although the coefficient of this direct effect was negative and not significant in our analysis. In other words, this study sheds light on the complexity of organizing projects for cultural content creation and also paves the way for future studies on temporary organizations and cultural content businesses.

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