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# HANDLING FINANCIAL AND CREATIVE RISK IN GERMAN FILM PRODUCTION

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**Abstract:** Creative film producers serve as interface between creative/artistic and commercial objectives. They have to address risks in both realms: production and consumption risks shape the commercial framework, reputation risks and creative risk the creative framework. In Germany public film funding was implemented to reduce commercial pressure and allow for more creative and artistic films. However, in recent years the focus of public funding has shifted from cultural to economic aspects. This raises the question how producers deal with risks both economic and creative when developing a film. The study present results from a qualitative study with a diverse sample of German producers. It appears that the power relations in the industry yield to predominantly commercially oriented measures of risk control. However risk control is not systematic with intuitive decisions allowing some room for creative risk takers.

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This paper focuses on the development phase of film production, the phase in which projects are selected. This paper will concentrate on creative producers in the initial phases of a film project (Iljine and Keil 2000: 208). In the first phase of a film project, producers act as story developers. Their task is to search for, identify and secure potential stories and develop them into a realizable script. The second phase of project development calls on the strategic capabilities of the producer who needs to serve as an agent bringing together script, cast, crew, and financing to create a film package which can be green-lighted. The green light is a crucial turning point in the production of a film since major expenditures only begin afterwards, with the start of the physical production. With the exception of independent producer–entrepreneurs, producers need to pitch their projects to an executive board which approves or rejects the project. In the green light decision, commercial aspects are emphasized and films with great creative risk are ruled out. As risk-takers, producers stand at the interface between creativity and art on the one hand and commercial aspects on the other. Fillis states that risk-taking artists seek to “move forward existing artistic and business practice” (2000: 125). Of course these two aspects are interrelated but not equally important. This article will discuss possible strategies to deal with financial and creative risks in the development of a film project and present findings from a study involving producers from Germany. Germany has an extensive system of public funding; however, over the years the focus has shifted. During the 1970s the paradigm was that only culturally successful films could be financially successful in the long run. Since then the relation has been reversed, emphasizing economic logic: only a financially successful film industry can at times create culturally valuable films (Hofmann 1998: 67). It shall be analyzed whether the German system of extensive but largely economically-oriented public funding allows films to take creative risks rather than just concentrating on controlling financial risks. It will turn out that financial constraints strongly dominate film project development. Creative risk-taking is not very pronounced and seems to be more relevant during the production stage.

## 1 Financial risks in film development

Financial risk can be described a deviation from an expected value. The amount of risk depends on the probability of this deviation and the potential loss. Traditionally, two major fields of financial risk in the film industry have been described: (1) production and (2) consumption risks (Bächlin 1945). Intuitively, neither risk seems relevant in the development phase. However, the project will only receive a green light if its definition allows for confidence about later phases of production and distribution. In addition to these two major fields of risk, producers face two immediate risks: (3) the reputation risk (intangible damage to a producer’s reputation whenever a project is not approved or fails to meet the market demand), and (4) development risk (if the project is not given a green light, the producer has to bear the cost of all unrecoverable expenses of the development stage up to that point).

**Production risks** evolve from nature of the production process. Films are a combination of diverse individual inputs that need to be coordinated and controlled. They require large outlays of money that cannot be recovered if the project fails at any stage. If a project is aborted, invested capital cannot be retrieved. Similarly, if the film does not find an audience, it cannot be adjusted once it is finished. From an investors’ perspective the essential risk is about completion on time and within budget. This risk can be covered with a completion bond, but this forces producers to trade in their independence (Lee 2000). Producers need to provide additional signals that suggest that the project will be completed on time and within budget, such as experienced and motivated personnel.

**Consumption risks** originate from uncertainty regarding audience demand. Demand for an individual film cannot be determined in advance and it is largely independent of the production budget. While overall demand for film entertainment may be forecasted (Dewenter and Westermann 2005), individual films face strong competition from other films and alternative leisure activities. In principle, consumption risks should be managed by distributors who are acquainted with consumer preferences. However, distributors have a powerful position in the market since there are few distributors compared to the number of producers. Distributors can therefore shift risk onto the producers (von Rimscha 2008). Producers may, in turn, pass on consumption risks to the personnel they hire, since there is again a power asymmetry with the number of talents exceeding the number of film projects.

With high uncertainty about audience interest on the one hand and the quality of creative input on the other hand **reputation** is a key concept in the film business. Producers need a twofold reputation. Among investors and green light decision makers, producers should have a reputation for delivering economically sound films. Among directors, actors and other talent producers need to have a reputation for allowing artistic freedom and paying salaries reliably. In both cases, trust has to substitute for contractual certainty. “Trust implies voluntary advances on waiving explicit security or control measures against opportunistic behaviour while expecting that others will not act opportunistic even without such securities” (Ripperger 2004: 45). When producers gain the trust of those they work with, the benefits extend beyond the project they are working on: the producer’s good reputation spreads through the industry (Eisenegger 2005). Producers with a positive reputation are preferred, since their reputation guides expectations in a context of uncertainty. Financial and creative partners make risky decisions when collaborating with a producer so they seek advice to guide their expectations about salaries, profits, film attributes and the like. A producer’s good reputation guides the expectations of his colleagues and leads to repeated collaborations (Herger 2006). To investors, reputation risk expresses the value of the producer as collateral within the film package. It is expected that a producer will handle production and consumption risks at least as well as in preceding projects. To creative talent, the reputation risk relates to whether a producer will live up to his or her creative reputation and be a desirable employer. In practice, these two aspects of reputation could work against each other: directors may like producers who allow expensive artistic ventures, while investors might prefer demand-focused cost cutters.

**Development risks** are based on uncertainty in the demand of distributors and investors for a film package as preliminary product. Distributors rely on the producer's reputation and have to trust the producer's ability to anticipate and serve the audience's interest. To gain trust, producers have to use their financial resources as well as their reputation to optimize the film package in advance. If a project is rejected the effort of the producer is in vain. The development risk lies in the possibility that a project will not be approved. It results from sunken development costs as well as from the power relations along the value chain of the film business with distributors being more powerful. The development risk indicates a connection between financial and creative risks: the level of creative risk has an impact on the expected audience reaction and thus the financial feasibility of the film package. A correlation is expected, with higher creative risk leading to higher development risk.

## 2 Creative risks in film development

In analogy to financial risk, creative risk can be described as deflection from an expected value, in this case the creative or artistic value. Measures of creative or artistic success are less precise than economic data and in their very nature hard to define. Possible indicators might be critical acclaim, peer acclaim, awards and festival success. Thus creative risk could result in less enthusiastic reviews, or failing to win any awards. In a second perspective creative risk can be interpreted as risk of losing a creative edge which might result from the interdependence of economic and artistic objectives. The question is, to what extent do power relations in the industry lead to an economic imperative? Creativity is at risk when factual or perceived economic necessities compromise a creative or artistic vision (Prindle 1993; Wasko 2003).

Creative risks are associated with production risks: completion bonds might guarantee completion but have no influence on the quality of the resulting film. Therefore, Adam (1959: 51) emphasizes the "risk of artistic creation". The collaboration of different professions with divergent objectives (DeFillippi 2009) can lead to complications. Artists, technicians, and film managers have different ideals that need to be harmonized (Caves 2000). Fillis (2000) illustrates the connection between creative and commercial risk when he depicts van Gogh as failing and Salvador Dali as successful creative risk taker. In the film production context it seems short-sighted to opt for short-term profit whenever commercial and creative interests conflict, even if the general audience might not reward artistic and technical perfection. De-motivated or embittered personnel tend to shrink and have massive influence on the quality of the film, thus creative risks do have an economic dimension.

## 3 Controlling risks in film development

Having identified the relevant risks in the development phase of a film project, the question that arises is what producers can do to address them. It seems all but impossible to address commercial and creative risks at the same time. From a normative perspective, commercial risks should be kept small; creative risks, however, shall be greater to allow for creative innovations. Creatives need a “risk space” (Bilton and Leary 2002: 59) to cultivate ideas without the limitations of time and budget. Most existing work on risk handling in film production can be found in the realm of market research with a focus on the consumption risk in the audience market and how to influence, plan, and control audience (=consumer) interest. Successful films are analyzed to identify characteristics of a film that determine success (Litman 1983; Prag and Casavant 1994; de Vany and Walls 1999; Chang and Ki 2005). Commercially-oriented producers might use the results of these studies: to get a green light, producers need to explain to decision makers why the proposed film should be successful. One argument could be that a film package contains elements that market research has identified as appealing to audiences.

### 3.1 Avoiding Risks

In the US, the supply of film scripts exceeds producers’ demand. Thus scripts do not need to be created, but the most promising ones have to be identified. Hollywood studios employ readers to evaluate scripts and recommend whether to develop the script or not (Eliashberg et al. 2007). Reasons why a script is rejected can be clearly identified (boring, clichéd, etc.), however the promotion of a script depends also on unpredictable “political” factors such as the assumed preferences of executives or favours owed (Gray 2007). For the UK, MacDonald (2003) finds no finite set of requirements and agreed definitions among script readers. Generally, craft skills, visual appeal, a clear structure, originality, and the notion of realistic budgeting are highly rated, while prior knowledge of the story (adaptation) is considered less important. There seems to be a difference between the US and Europe, however. Whereas in the US readers have a commercial scope, filtering out feeble scripts and avoiding obvious flops, in Britain readers look for fresh ideas. In Germany, however, the approach may need to be different again, since scripts are in short supply.

To avoid risk concerning the personnel, producers need to ensure that they work with motivated individuals who share a common vision. Caves (2003) argues that artists who are involved for art's sake might follow individual concepts when going about their creative work. From the producers' commercial perspective, the long-term career interests of the personnel are crucial. Talents hope to enhance their professional reputation with the quality of their work and their association with commercial success. Several authors focus on conflicting objectives between creative talent and the producer: those on the business side aim for a commercially appealing film, whereas the talent strives to create an artistic masterpiece (Chisholm 2004; John et al. 2003; Weinstein 1998). Profit-sharing contracts motivate talent to care about the commercial appeal. The talent is forced to work hard because they cannot rely on long-term contracts and therefore regularly depend on their reputation. In the people business, information about talent behaviour travels quickly, whether good or bad.

When it comes to funding**,** avoiding risk is difficult: measures that reduce the probability of loss usually increase the budget and thus the potential amount of loss. Inversely, this means that attempts to avoid financial risk reduce the leeway of producers when trying to acquire expensive but popular content or personnel. Moreover avoiding financial risk also implies reducing the risk space for creative producers.

### 3.2 Reducing Risks

The risk inherent in content attributes is reduced by story elements that ensure familiarity and thus reduce the uncertainty about the film's characteristics. Reducing financial risk by adapting content from other media, or by using common plot structures and patterns of storytelling means reducing the creative risk. Producers might even cut out their creative input by using market research results to create films. However there is a certain limitation to this approach since films need to be original in some sense not to alienate the audience by being too repetitive (Sood and Drèze 2006). Instead of re-narrating an existing story, producers can build a new one based on common assumptions how a story should be crafted. These patterns can be established if veteran script writers review their work (Field 2005) or by referring to psychoanalytic archetypes to create a mythical structure as the basis of successful stories (Vogler 1998). This approach is taken to extreme in handbooks that substitute creative risk with a set of boilerplate plots or characters (Tobias 1993; Schmidt 2001). Although market research has a long tradition in Hollywood (Bakker 2003), it is not popular among producers, especially those who consider film as an artistic venture (Handel 1953). Market research for experiential goods like films demand the product to be all but completed, which makes it less helpful at the development stage, even though it is used in this way. Some authors believe concept, cast and title can be tested even before production starts (Wyatt 1994). Familiar content is rated high, while innovative content, which includes creative risk, is rejected, so the merits of market research in development are unsure. On the one hand it reduces financial risks by securing familiarity; on the other hand it might create new financial risk by streamlining a script to the point where it becomes predictable. This kind of market research is certainly an encumbrance to creative risk-takers.

Industry wisdom suggests that stars come with an inbuilt audience that reduces the uncertainty of demand and thus stars reduce risk. Stars are used as explanatory variable of box office performance (Litman 1983; Wallace et al. 1993; Sochay 1994); however, the impact of stars is disputed. It seems like stars boost revenue but capture their rent (Ravid 1999). To employ stars producers need to carefully foster their relationships (Ferriani et al. 2007). Those with a good reputation can reduce their risk by hiring a reputable cast with an inbuilt audience. If a star is willing to broaden his or her appeal or participates out of creative enthusiasm, it might even leave room for creative risk.

Financial risks can also be reduced by attracting equity investors. Since other industries offer higher average returns on investment than the film industry, Lazarus notes that "without some compelling reason other than love of films, there are better places for investors to put their money" (2005: 59). Thus reducing the risk with equity funding does not necessarily mean projects need to emerge as commercially promising, but could also mean building from a creative reputation that resonates with a particular investor.

### 3.3 Transferring Risks

Risks associated with content generally cannot be transferred. However, producers can use step deals with authors being paid only a marginal upfront fee while the better part is dependent on the progress and success of the film (Litwak 1998). These deals exploit the power structure in the industry with the risk passed to the weakest link. Profit sharing contracts can be a means of transferring risk to the personnel. Stars waiving their fees in exchange for profit participation take up the risk as potential salary shortfall. Caves suggests that talents "may trade off cash compensation for credit in a film that appears likely to garner critical esteem" (2003: 80). Creative workers, caring about their creation, can be exploited if the content suits their non-commercial interests. Private money taking over financial risk is only available if the characteristics of a film suggest a commercial success. On the other hand, public funding is usually not dependent on the expected revenue or profit but rather on objectives derived from cultural or regional politics. The transfer of financial risk is only possible if criteria such as a contribution to the national cultural heritage are met (Jansen 2005). This strategy option thus does not necessarily mean creative risk but requires the subject matter of the film to be appreciated by the relevant committee.

## 4 Empirical findings

This study attempts to analyze how producers create a project that is potentially successful, both economically and artistically. At times these goals may be mutually exclusive, so the question is how producers can maintain the chance of a creative success without jeopardizing the chance of a green light. In terms of economic aspects of risk management three factors need to be considered: first, potential loss rises along with the proposed budget, so control measures become more important. Second, producers in vertically integrated or diversified corporations can access portfolio strategies unavailable to producers at independent companies. The latter face an increased urgency of risk control since each project has to stand by itself. To fit with the openness of the research question, this study has taken a qualitative approach, interviewing producers about strategies in development. Semi-structured personal interviews were conducted with twelve German producers, of diverse backgrounds sharing a track record of almost 200 films among them. The sample includes a self-employed freelancer as well as a head of production at one of Germany's biggest production corporations. Most of the interviewees have studied at a film and television academy. Among them was a doctor of business administration, an actor, a psychologist, a solicitor, and a historian. The sample reflects the fuzzy job description and the lack of formal entrance barriers while it avoids focusing on art-oriented producers alone. Comparisons with the US market are based on the literature as well as four interviews with American major studio and independent producers. A full list of the interview partners and their positions can be found in the Appendix.

### 4.1 Risk handling in practice

Consonant with the observation by Pokorny and Sedgwick (2001), producers stress the high level of risk in their work, however they are neither able nor willing to systematize the way they cope with the risk. Rather, they present their work as "alchemy" based on superior intuition. One interviewee illustrates this when he claims: "You just feel whether a project has to be done or not" (Interview 5). Thus the producers attach great importance to their self-conception as creative talent. This result complies with reports from the UK where producers in the development phase emphasize creative aspects of their work and are reluctant to regard themselves as entrepreneurs: "Their principal objectives are to earn an income and make films about which they care passionately. They have no desire to increase turnover or company size" (Davenport 2006: 253).

The interviewed producers hardly ever expose themselves to personal financial risk and inversely seldom participate in the profit of the film. Most are employed and trade job security for profit sharing. Those who participate in the success as managing owners try to have their company fully funded with the production service alone: "We need to break even when the film is finished" (Interview 12). This individual risk management means that external funding is inevitable. The producers' twofold reputation is the foundation of their financial risk management. Investors rely on the producer's professional reputation to know that the project will be completed on time and within budget. They rely on the producer's creative reputation to attract talent and anticipate audience interest. Producers regard their reputation with investors and talent as interconnected: "If I have a good reputation with investors the talent is more motivated, because they know I will get the funding together and the film will really be made" (Interview 16).

Although reputation is specified as a crucial trait when securing input factors, reputation risk is not actively managed or even problematized. Reputation is described as hard to influence and producers seem to believe it comes naturally with a decent and reliable job performance. "You get to know people like on a blind date. You become acquainted with directors and actors and at some point in time, when chatting on the set, it just happens that you start a project together" (Interview 8). The producers describe no intentional and structured approach towards the identification, assessment and control of risk in the development phase of a film. Even in vertically integrated corporations the expertise of the distribution department is not consulted systematically before a green light decision. Therefore, the strategies presented in the following section are not directly expressed by the interviewees but rather a typology derived from the described behaviour.

### 4.2 Controlling financial risks in film development

The interviews reveal three generic strategies for addressing the financial risks in the development phase, all of which also have an impact on creative aspects. Besides the dimensions

of budget size and level of corporate integration and diversification, market conditions like the availability of public funding and bankable stars also influence the choice of risk control measures applied.

The first strategic option is to reduce the probability of loss. Here producers try to maximize demand by employing inputs with good positional characteristics. When acquiring expensive elements to reduce risks, producers accept an increase of the potential amount of loss. Familiar personnel and stories reduce the audience's uncertainty about what to expect and thus solve the issue of film as an experiential good with consumption risks. Of course from the perspective of creative risk-taking, this means that only mainstream film projects get a fair chance. Risk is controlled by hiring stars or using familiar story templates that draw the audience's interest and thus suggest revenue for the green light decision makers. Usually, the elements guiding expectations in the development phase are accompanied by massive marketing efforts to reproduce these expectations. In development, this handling of risk means that a film project constitutes an acceptable financial risk if it is marketable. "We will get a green-light when the risk is reduced to an acceptable size. […] When the story-line is marketable we look at the other elements and then decide whether the market demand justifies the cost" (Interview 14). This means there is hardly any room for creative risk taking. Producers depict this strategy as somewhat of a textbook case since in Germany there are hardly any marketable stars. "The only actors with a certain bankability in Germany are TV comedians" (Interview 16).

A second strategy option is to shift risks to public funding. In Germany the availability of public funding that can account for half of a film's budget (or even more for especially complex films) considerably reduces the urgency of risk control. To producers using this strategy it is essential to get such public funding. In this case, the objectives of the film board must be adopted and the film has to address the explicit or implicit interests of the selection committee. "Film fund representatives prefer films that may get an award at a festival" (Interview 13). If producers successfully package a project according to the film board's policies, promotion is ensured: "There are projects the film board cannot pass up, projects that just have to be promoted since they address an artistic aspect" (Interview 5). Personal relations to individuals on the film board need to be cultivated since they are necessary to build trust that the proposed film project truly addresses the film board's objectives: "It opens doors" (Interview 6).

Apart from personal relations, producers demonstrate the conformity with the board's objectives by using well-known and sometimes successful forerunners to the script. The stronger economic orientation of public film funding in Germany means that selection committees now also demand financial feasibility. Thus the publicity and popularity of a bestselling novel promises audience interest as well as familiarity among members of a selection committee. In this strategy the essential trait of a producer is access to risk-reducing stories, gained via personal relations with writers and publishers. "I try to get acquainted with the author, to learn about the creative mind behind the book and increase the chances of buying the rights" (Interview 8). The room for creative risk taking to some extent depends on the willingness of authors to turn their work into film art or mass entertainment.

The third strategic option is reducing the potential amount of loss through rigid cost control. If the budget can be kept low, the potential loss will also be low: this makes the risk more acceptable, even if its probability is the same. Cost can be reduced by not employing stars, by asking stars to postpone receipt of their fees, by not buying expensive rights to popular forerunners, and/or by choosing a less expensive way to stage the story. One low budget producer puts it this way: "I knew if I made this movie for that price I could not lose money" (Interview 9). In the case of postponing fees, reputation is key, since actors and service companies need to trust that they will eventually be paid. If reputation and other measures can moderate the potential amount of loss, the remaining production risk can be accepted by the producer. The consumption risk is also reduced, which means the distributors might be willing to bear it themselves and not shift it to the producer. With a presale of rights the distributor carries the consumption risk. This strategy to control financial risk offers the most options for creative risk takers, that is, as long as they keep costs down.

### 4.3 Controlling creative risks in film development

Aside from the strategies for addressing financial risk just introduced, all producers point to the relevance of their intuition when identifying promising project elements. "There is a lot of gut instinct involved" (Interview 15). This reflects Aageson's observation (2008: 98) that cultural entrepreneurs have a passion for culture and creative talent. Every time creative acclaim is set as an important objective aside from mere commercial success, the producers' actions become less systematic and are determined mainly by personal taste and gut feeling. This behaviour is not considered to be commercially feasible in the long run. "It is simply no workable business model" (Interview 16). So even if producers declare that they aim for commercial and creative success, they admit that these objectives are at odds. Producers, who mainly rely on their creative intuition when packaging a film usually do so only for some of their projects. “A labour of love is a luxury you can only afford when you have other financially successful projects” (Interview 1). Several respondents point to personal risk diversification through another occupation in a different industry sector or through the development of fully-funded TV projects. “For the time being, financially I rely completely on my other company which I lead more strategically” (Interview 10). Generally, emphasizing creativity is not considered an investment in reputation, which could be capitalized on in a subsequent project. “An award is definitely no investment in future success” (Interview 5). Winning an award does not help to secure future funding, however it might help with some film board selection committee members. Producers cannot quantify the potential loss or gain in creative merits, the probability of such an effect or its influence on their reputation. The common denominator is to treat your personnel fairly and allow them some but not too much freedom. “It is a balancing act where I have to control but at the same time motivate” (Interview 7). Generally, no strategic behaviour or risk control measures can be observed in relation to reputation risk and creative objectives. The effects of strategies to control financial risks of creative objectives are ambiguous. Public funding might still allow more experimental projects, however hiring a star or reducing production costs does not necessarily harm creative goals. Some independent producers even believe budget constraints help to improve a film project, since they demand and lead to creative rather than expensive solutions. “You can turn a liability into an asset. That means if your liability is your lack of funds, your asset is the way that, with no money, you turn that [film] into something better, as if you had money” (Interview 9).

Although producers emphasize that creative and commercial reputations correspond, methods of managing them differ considerably. A track record of past successes is regarded as a suitable measure to evaluate commercial reputation. Since there is no agreed measure of creative success there is also no established scale for evaluating creative reputation. Film critics or awards which are used as proxies in the literature are not accepted by the producers interviewed. “You cannot serve the critics because they are only concerned about elitist culture” (Interview 7). Critics are regarded as narcissistic know-it-alls whose opinions are irrelevant to the public and the industry. Awards are considered coincidence or “political issues” (Interview 15), but not something that can be achieved intentionally.

If at all, creative success can be measured at a personal level. The fact that a respected person appreciates a producer’s work may be an indicator. In contrast to commercial reputation, creative reputation has no generally accepted maximum. Creative reputation is not about pleasing as many people as possible but rather about reliable appeal to taste clusters, and being able to best realize a particular style. Again, no clear strategies can be identified in the interviews. However, frequently it is stressed that it is crucial that people working together in a film "speak the same language and share the same vision" (Interview 5). With the exception of one producer who states that he has done two projects to establish a creative and artistic reputation, all interviewed producers reject the concept of building their creative reputation with an eye to long-term success. The reputation among creatives is regarded as essential for future projects, however awards and critical acclaim are neither predictable, nor are they rewarded by commercially oriented stakeholders in future projects. It is regarded as more important to have a good reputation among creatives than to have a creative reputation. While the former is a precondition when hiring talent, the latter can hamper the producer's employment prospects or attractiveness to investors. From the perspective of their personnel, producers do not have to be creative themselves, but to have an understanding of the needs of creative people. Creative reputation is said to be of minor importance in the green light decision. Some producers noted that a public film fund that tries to build up creative talents then feels obliged to further support someone when he or she wins an award. "If Caroline Link as Oscar award winner comes up with a new project, of course she will be promoted again" (Interview 5). Thus there are clusters of creatives and sponsors who share the same taste.

Producer-director Rob Hardy demands that producers should not be risk averse in their projects: "You have to be a risk taker because no one's going to take a risk on you but you" (cited in Caldwell 2005: 10). In the interviews, this behaviour could not be observed. Only one of the American producers interviewed reported that he paid for development himself. However, he did so not because of artistic or reputation-related considerations, but to simplify coordination and secure a head start against a competing project. Thus during development, self-financing is not used to build reputation or secure creative freedom. This occurs only when there are problems during principal photography. Several producers state that they have spent own money to allow for additional retakes or sound editing in order to get the result they personally aimed for. "At some point you say, we have to retake some scenes to make it really a good movie. Before that the project was fully funded, but then then you're in the editing room and something is missing here and something could be improved there. We have to do it again, otherwise the film is not as good as it could be. In this situation you have to really believe in your project and put in your own money" (Interview 8). The producers and their companies were not contractually obliged to do so, and not monetarily motivated by sizable profit participation. Therefore, in these cases creative aspects seem to be decisively guiding the producers' actions. The producers do not just want to be known for delivering a project within the budget and time frame, but also demonstrate that they bring their heart and soul to the film and if necessary also use own funds to realize their creative vision.

### 4.4 Discussion

The intended audience as well as available input factors determine the usefulness of certain measures of risk control. In America bankable stars are available, but their usefulness might depend on which the market segment the film aims at. All producers realize the potential risk-reduction of stars, but only a few can afford it. In contrast the interviewed German producers observe a lack of bankable stars in Germany who would bring with them an inbuilt audience. Therefore they need to put more effort into coordinating the cast to create a team that is greater than the sum of its parts: "The real star is the team" (Meiseberg and Ehrmann 2008).

Strategies for script acquisition also differ between markets. German producers mostly rely on scripts written by a single author, often the author of an original novel. It is very uncommon to attach additional authors to the project to improve the dialogue or add gags. Producers notice a shortage of valuable scripts and authors. Therefore they try to acquire scripts that provide a high initial quality and a proven efficacy with the audience, which will in turn secure investors. In this context script acquisition is a crucial element of financial risk control. Good relations with writers and publishers are necessary to gain the rights to bestselling novels. American producers, in contrast, experience no shortage of scripts and consider screen writers as "text workers" who constantly revise script drafts. In this context producers in Germany may have less space to manage risk in this stage of development because of financial constraints and the relatively stronger position of authors.

In terms of funding there are two different frameworks influencing risk control. To secure funding a project has to assure that investors can realize their objectives. Commercial investors' dominant objective is profit maximization, even if they have some sort of cultural impetus. Producers relying on those investors need to stress the commercial viability of their projects. European public film funding has different objectives, focusing on the promotion of regional industry clusters and projects that are considered culturally worthwhile. Several producers agree that film boards tend to be more economically oriented recently as they have to justify their spending of public money. However, as one producer said "the way film boards and investors are approached should wisely differ" (Interview 13). This supports the finding that depending on the artistic ambitions of the filmmaker, different funding options lead to better results (Fee 2002). The main financier (private/public) and the project objective (commerce/culture) need to match, even if producers keep repeating their mantra that creativity and commercial appeal are not mutually exclusive and they strive to combine both aspects in their projects.

Overall the industry structure, with either investors or committee members at public film boards as gatekeepers determining which films get a green light, does not allow producers to be creative risk takers during development. Public funding does not create a framework that lifts economic pressure and allows producers a risk space to take creative chances. Personal taste and creative ambitions need to please common expectations of the mass market. Thus creative risks in development are not controlled in terms of transfer or reduction but basically by avoiding them all together. Creative risk may become more important during the production phase, when a creative benefit calls for the injection of additional cash. In this case, producers commonly accept the combined creative and monetary risk, since by that time it is no longer possible to transfer or reduce the risk.

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# 5 Appendix

**Table 1 List of Interviewies**

| | Name | Position | Company |
|---|---|---|---|
| 1 | Sven Burgemeister | Managing Partner & Producer | Goldkind Film |
| 2 | Maren Elbrechtz | Producer | MMC Independent |
| 3 | Carla Hacken | Executive VP Production | Fox2000 |
| 4 | Douglas E. Hansen | COO & President | Endgame Entertainment |
| 5 | Ewa Karlström | Managing Partner & Producer | SamFilm |
| 6 | Hartmut Köhler | Production Manager & Producer | Ziegler Film |
| 7 | Ulrich Limmer | Managing Owner & Producer | Collina Filmproduktion |
| 8 | Christoph Müller | Managing Director Production & Producer | Senator Film |
| 9 | Stephen Nemeth | Managing Owner & Producer | Rhino Films |
| 10 | Andreas Richter | Managing Partner & Producer | Roxy Film |
| 11 | Couper Samuelson | Director of Development & Producer | 2929Entertainment |
| 12 | Gisela Schäfer | Head of Animation & Producer | Neue deutsche Filmgesellschaft |
| 13 | Gerhard Schmidt | Managing Partner & Producer | Gemini Film |
| 14 | Julian Schwantes | Executive Assistant & Producer | Constantin Film |
| 15 | Sebastian Storm | Managing Owner & Producer | Pipeline Film |
| 16 | Philip Voges | Managing Partner & Producer | Hofmann & Voges Entertainment |