

## DOES EXPERIENCE HELP OR HINDER TOP MANAGERS? WORKING WITH DIFFERENT TYPES OF RESOURCES IN HOLLYWOOD

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**Research summary:** Research on the resource-based view has begun to place more emphasis on the ability of managers to extract better performance from the resources that are available to them. In this paper, we show that prior experience can both help and hinder their ability to generate performance from various categories of resources. Further, we argue that the fungibility of each resource influences the opportunities managers have to use their experiences in order to find the best method to deploy them. We test our hypotheses by examining the ability of Hollywood film producers to generate results from financial, brand, and human resources. Our findings show that experienced producers can generate better performance from more fungible resources, but they actually achieve weaker results with less fungible resources.

**Managerial summary:** Do more experienced top managers get better results from their resources? We examine this question for Hollywood film producers. Our results show that experience can really help when producers work with resources such as cash (budgets) and brand resources (such as film sequels). However, such experiences actually reduce performance when they work with some human resources, such as highly talented directors. We argue that experience can be most helpful when managers work with more fungible resources, which can be used in a variety of different ways but can actually hurt when they work with resources that are more constrained in how they can be deployed. Under ideal circumstances, we find that experienced producers can generate nearly 40 percent more revenue with the right mix of resources. Copyright © 2015 John Wiley & Sons, Ltd.

### INTRODUCTION

Research on the resource-based view (RBV) has begun to place more emphasis on the critical role that managers can play in generating revenues from resources (Barney, 1994; Castanias and Helfat, 2001; Kor and Mahoney, 2005; Mahoney, 1995). In fact, it has been suggested that it is the choices that

managers make about how they deploy resources that account for much of the revenue that these resources can generate (Holcomb, Holmes, and Connelly, 2009; Kor and Mahoney, 2005; Shamsie and Mannor, 2013; Sirmon, Hitt, and Ireland, 2007). In this paper, we propose that the ability of managers to generate value from the use of resources stems from the experience that they have accumulated in managing these over time.

However, there are likely to be differences in the extent to which managers may be able effectively to derive value from the various resources they have available to them. In other words, different

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categories of resources will differ in the opportunities for the users they offer, posing a challenge for resource managers to discover the best method to deploy them. Although several different categorizations of resources have been proposed in the literature, none of these have focused on the opportunities that resources may offer to managers for generating superior performance through alternate methods of deployment. Kraaijenbrink, Spender, and Groen (2010) have suggested that a better categorization of resources should allow us to advance our understanding of how different resources allow firms to develop the advantages that are the basis of the RBV.

We make distinctions between resources based on the opportunities they can offer to be deployed in different ways (Anand and Singh, 1997; Sakharov and Folta, 2014). Such versatility derives from the *fungibility* a resource possesses, a characteristic of resources recognized in the early works of Penrose (1959) and Rubin (1973). Consistent with this perspective, Wernerfelt (1984) referred to the deployment versatility and Sirmon, Gove, and Hitt (2008) highlighted the deployment flexibility of a given resource. When a resource is more versatile or more flexible, it can offer managers more opportunities to explore alternate methods of deployment in order to extract the best possible value. These arguments suggest that the benefits that managers draw from their accumulated experience will be greater for more fungible rather than for less fungible resources.

To assess our hypotheses, we examine the utilization of resources on 837 projects by movie producers in Hollywood. Like project managers in many firms, movie producers manage the full range of project development from early planning to final release (Adler, 2004; Vachon, 2006), and these activities require them to manage a variety of resources to achieve success. This provided us with an excellent context to examine the effect that managerial experience could have on the performance that can be generated from various resources. We specifically focus on how prior experience influences managerial ability to create value from three different types of resources: financial, brand, and human. Consistent with our overall theory, we find that the benefits of manager experience vary with the opportunities that a resource may offer for various forms of deployment based on their degree of fungibility.

## THEORY AND HYPOTHESES

A considerable stream of research has examined the learning that can arise from experience (Argote and Miron-Spektor, 2011; Berman, Down, and Hill, 2002; Boh, Slaughter, and Espinosa, 2007). Based on this experiential learning, we expect that as managers gain experience, they will incrementally improve in their ability to manage different types of resources effectively. With repeated experiences, individuals have the opportunity to reflect upon their observations, develop some abstract concepts and test their ideas in repeated situations to improve performance. In the case of managing resources, experience provides a manager with the opportunity to develop deeper knowledge about the nature of the resource, the various benefits it can offer, and the best possible manner in which it can be deployed (Holcomb *et al.*, 2009; Peteraf and Barney, 2003; Shamsie and Mannor, 2013).

We suggest, however, that the benefits of this experiential learning will vary based on the nature of the resource that the manager is working with. As mentioned earlier, resources can be categorized in terms of their fungibility, which defines the range of opportunities that they can offer in terms of their deployment. More fungible resources, such as available cash, can be used in many different ways by managers in order to create as much value as possible. Less fungible resources, such as talented employees, may resist efforts by managers to work closely with them to influence their value. To examine these issues, we consider three different categories of resources that differ in their fungibility and the opportunities they offer to managers to leverage their experiential learning.

### The strong fungibility of financial resources

Although available funding has received little attention in the RBV, it represents a critical tangible financial resource (Brush, Bromiley, and Hendrickx, 2000; George, 2005; Kim and Bettis, 2014; O'Brien and Folta, 2009). Taken alone, it may not provide a basis for any sustained competitive advantage, especially if it is also readily available to other firms. However, as mentioned earlier, it can provide a significant contribution depending on how it is deployed by managers within a firm.

Financial resources, in the form of funds that are allocated to a task or project, are associated with

the highest levels of fungibility (Kim and Bettis, 2014). As such, cash offers the greatest opportunity for managers to deploy it in many different ways in order to extract the best possible returns. On any given task or project, higher levels of funding can provide managers with greater flexibility over how to allocate it to each activity in order to deploy it in the most effective manner. Apple, for example, has been able to draw on its huge cash reserves to allocate substantial funding for the development of its various iconic products.

However, the availability of greater funding is more likely to help those managers who have accumulated more experience with allocating cash across various activities. A considerable amount of research on the benefits of available cash in the form of slack has shown that experienced managers can take some calculated risks and make more aggressive choices based on their experiences with past tasks or projects (George, 2005; Greve, 2003; Nohria and Gulati, 1996). When the level of available cash is lower, these managers may not be able to generate a strong performance because of constraints on their ability to draw on their accumulated experience to figure out how to make the best possible or the most productive use of the more limited funds.

In contrast, the performance that less experienced managers can generate from financial resources is not likely to differ much across different levels of funding. Their lower levels of experience may not allow them to determine how they can obtain better returns, even if they have more cash available to work with for a project. At the same time, they are less likely to feel constrained than their more experienced counterparts when they must manage with more limited funds. In fact, when they work on projects that have lower levels of funding, managers with less experience may be more inclined to experiment, which may actually allow them to show better performance.

*Hypothesis 1a: Higher levels of financial resources will be positively linked to performance.*

*Hypothesis 1b: Managerial experience will moderate the effect of financial resources on performance such that managers with more experience will generate higher levels of performance when they work on projects with greater funding, relative to those with less experience.*

### The moderate fungibility of brand resources

The names that a firm attaches to its products in order to attract and retain consumers can also represent a useful intangible brand resource (Hall, 1992; Norton, 1988; Srivastava, Fahey, and Christensen, 2001; Vomberg, Homburg, and Bornemann, 2014). Brands are carefully developed and exploited by firms through coordinating several different activities in order to target products or services to address the needs of a particular group of customers. As such, each brand represents an asset for the firm that is valuable, rare, hard to imitate and without substitutes (Barney, 1991).

However, the value of established brands is at least partly determined through the choices that managers make to utilize them. Each brand is typically developed to create a stronger tie or association between a target customer group and products that are offered by a firm within a well-defined category. Consequently, managers have some, but not unfettered, flexibility in how they can build upon and extract more value from resources. At Procter and Gamble, for example, A.G. Lafley used the well-known toothpaste brand “Crest” to expand into related products such as toothbrushes and mouthwashes. As such, brand names that are already well known can demonstrate a reasonable degree of fungibility.

Managers who have experience are more likely to be able to identify opportunities to expand the appeal of an established brand by developing what they may see as related products or services (Sakhartov and Folta, 2014). They can use their understanding of the characteristics of the brand that have played a significant role in attracting and holding customers. Consequently, they are likely to show better performance when they are working on tasks or projects that are tied to an existing brand. By contrast, managers are more constrained when they are trying to launch a new brand since their prior experience may not be as helpful in figuring out how they will be able to attract enough customers to create a success.

On the other hand, managers with less experience can be expected to have less knowledge about the various ways that they can exploit an established brand. In particular, they may not have the level of nuanced understanding that stems from experience about the characteristics of a brand that may bind it with a particular group of consumers. Less experienced managers will therefore tend to compensate for their lack of knowledge by simply

trying out different strategies when they are working with either a new or an existing brand. Because they are much less likely to differ in their efforts, they may be able to generate better performance with a new brand, but they may not be much more successful in exploiting an established one.

*Hypothesis 2a: Higher levels of brand resources will be positively linked to performance.*

*Hypothesis 2b: Managerial experience will moderate the effect of brand resources on performance such that managers with more experience will generate higher levels of performance when they work on projects with established brands, relative to those with less experience.*

### The weak fungibility of human resources

Employee talents have been given considerable emphasis as a key form of human resource (Barney and Wright, 1998; Hatch and Dyer, 2004; Vomberg, Homburg, and Bornemann, 2014; Wright, McMahan, and McWilliams, 1994). Firms can recruit individuals who possess specific skills that could be applied to particular tasks or activities. This embedded aptitude or talent among employees, typically reflected in a pattern of their professional accomplishments, often represents a resource that fulfills the criteria of RBV (Barney, 1991).

As with other resources, the value that a firm may derive from talented individuals would be influenced by the manner in which they are deployed by managers. However, employees who demonstrate higher levels of talent are likely to be somewhat specialized, restricting their applicability to a well-defined area of expertise (Sirmon *et al.*, 2008). For example, a talented game designer—Shigeru Miyamoto—was critical to the rise of Nintendo as he personally created some of the firm’s most popular video games, becoming one of the most recognized names in this arena. This specialized characteristic of talent tends to make such a type of resource much lower in fungibility.

Low fungibility can make it harder for managers to draw on their experience to deploy highly talented individuals in different ways. Some recent studies (Holcomb *et al.*, 2009; Huesch, 2013) have demonstrated that managers have fewer degrees of freedom in deploying and working with employees who have a greater level of talent. When managers try to apply their experience with such individuals, they may, in fact, decrease the potential of these

employees to apply their own considerable skills to generate higher levels of performance (Castanias and Helfat, 2001). On the other hand, it is much more likely that managerial experience would be beneficial in generating value from less talented individuals because their lower level of specialized skills may allow these managers greater latitude in deploying them on tasks or activities where they may be able to provide the strongest possible contribution.

As opposed to this, managers who have less experience will be able to generate better performance from talented individuals because of the greater freedom managers will likely provide to them. Because of their lower levels of experiential learning, these managers are less likely to try to control the activities of employees who demonstrate considerable talent. At the same time, less experienced managers will not be able to figure out how to help make the best use of those who have less talent. The inability to provide necessary direction to less talented employees will prevent these managers from obtaining better performance from such resources.

*Hypothesis 3a: Higher levels of human resources will be positively linked to performance.*

*Hypothesis 3b: Managerial experience will moderate the effect of human resources on performance such that managers with more experience will generate higher levels of performance when they work on projects with less talented individuals, relative to those with less experience.*

### METHODS

To assess these hypotheses, we focused our data collection on producers who worked with the major Hollywood studios on films targeting the mass market. Almost 90 percent of the films that are released by the major studios fall into the mass-market category and are released in 2,000–3,000 theaters. Our sample therefore consisted of 837 films that were released by a major Hollywood studio between 1996 and 2003 on at least 1,000 screens across the U.S. The data came from several sources, including *Variety*, *American Film Institute*, *British Film Institute* and *IMDB.com*. We collected data on each of these films, including the names and prior experience of all of the producers. Although some films are managed by only one producer, most

films are managed by teams of producers working together, which allows them to draw on their combined experience. In our data, 92 percent of the films had between one and three producers, with the remaining eight percent having as many as seven producers.

## Independent variables and moderator

### *Financial resources*

Financial resources are best captured by the size of the production budget that is allocated to each film and within which it must be completed. This budget represents one of the most critical inputs into production, with significant effects on the finished film (Houghton, 1991; Stringer, 2003). This variable was measured in millions of U.S. dollars and logged to reduce the influence of skew.

### *Brand resources*

We used sequels as our indicator of an established brand resource available to producers. Because they build on a prior movie, sequels are easily identifiable for audiences and can offer the advantages of a brand (Basuroy and Chatterjee, 2008; Jess-Cooke, 2009). A dummy variable (0/1) indicated whether or not a film was a sequel to a previous film. In our sample, 87 movies were sequels.

### *Human resources*

Although the success of a film relies on a wide variety of human resources, we focused on the director for our measurement of human resources. This is because the producer works closely with the director throughout the entire process of the development and production of the film (Adler, 2004; Houghton, 1991; Lee, 2000). Most of the other human resources work primarily under the director and have less direct contact with the producer. In order to assess the talent of this human resource, we chose to rely on the professional recognition that he or she had received for their previous work. We created a dummy variable to indicate if the director had ever been nominated by the Director's Guild of America (DGA) for a major professional award (0/1). The DGA is an organization of professional directors who analyze peer work, making them effective judges of talent. Using nominations, rather than wins, allowed us to avoid being overly

restrictive in the identification of talented directors. In our sample, 18 percent of directors had received a nomination.

### *Experience as a producer*

For the moderator, we used a count of the number of previous films the producers working on a focal film had cumulatively produced prior to the current film. The data was gathered from the work histories of each producer as listed on the IMDB.com. In our sample, groups of producers ranged in experience from 0 to 67 prior films produced with a mean of 6.5 films.<sup>1</sup>

## Dependent variable

### *Financial performance*

We used the total box office revenue generated from the U.S. release of each film as the indicator of financial performance. Although this does not include revenues from other sources, the U.S. box office revenue is the most widely used indicator of financial success for a film in Hollywood (Liu, 2006). This variable was measured in millions of U.S. dollars and logged to address the skew in box office figures.

## Controls

We controlled for several factors that could influence the performance of a film. To begin with, we used a variable to measure the total number of producers on a film and a dummy to indicate if the director was also one of the producers on a film. Furthermore, we used dummy variables to indicate whether the movie was released during the summer or end-of-year holidays, whether it was given a restrictive R rating, and whether it had any actors or actresses who were identified within the industry as a "top star" at any point in the five years prior to the release of the film. We also added a control for the marketing budget of the film, which was logged in the same way as the production budget. Finally, we added a dummy for the year in which the film was released and a dummy for which studio released the film.

<sup>1</sup> To test the robustness of our findings, we also used a measure of the number of films that had been handled by the producer with the most experience. The results from this measure were not significantly different from those reported here.

**Analysis**

For our analysis, we used hierarchical OLS regression, starting with the control variables, adding the main effects of each of the resources and producer experience, and finishing with the addition of the interactions. We created interaction variables by multiplying our resource variables with producer experience. To avoid statistical artifacts due to embedded multicollinearity, we centered each of the interaction variables prior to multiplying them together. Variance inflation factors ranged from 1.06 to 3.11 in the models, suggesting that multicollinearity was not overly influencing our results. To aid in the interpretation of interaction results beyond the significance levels, we plotted the significant interactions to illustrate better the nature of each interaction.

**RESULTS**

Table 1 presents descriptive statistics and the correlation matrix for the variables in our study. We present the raw values of our logged variables in this table in order to assist with interpretation. The strongest correlations are between our four financially-related variables: box office revenues, the ratio of (box office revenue/production budget), production budget and marketing budget.

The regressions in Table 2 allow us to formally test all of our hypotheses. Inspection of the results in Model 2 reveals support for the significant effect of financial resources ( $B = 0.09, p < 0.05$ ) and brand resources ( $B = 0.19, p < 0.05$ ), but not human resources ( $B = -0.04, ns$ ). As such, we find support for Hypotheses 1a and 2a but not for Hypothesis 3a.

Hypothesis 1b predicted that managers with more experience would achieve better performance on projects with greater financial resources. Model 3 shows that the addition of the interaction between the size of the production budget and producer experience was significant, ( $B = 0.01, p < 0.01$ ). The form of this interaction, seen in Figure 1, shows that producers with more experience achieve better performance than those with less experience on projects with larger budgets but perform more poorly on projects that have smaller budgets, thereby supporting Hypothesis 1b. On the other hand, producers with less experience show little change in performance on projects, showing little effect of the size of the budget.

Table 1. Correlations between study variables

Variable	Min	Max	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1. Box office revenue <sup>a</sup>	1.65	601.00	54.90	62.50	1.00											
2. Ratio: revenue/budget	0.04	4.10	0.84	0.63	0.78	1.00										
3. Restrictive rating (no/yes)	0.00	1.00	0.38	0.49	-0.13	-0.11	1.00									
4. Holiday opening (no/yes)	0.00	1.00	0.39	0.49	0.38	0.20	-0.17	1.00								
5. Number of producers	1.00	7.00	2.73	1.49	0.09	-0.06	-0.03	0.08	1.00							
6. Director a producer (no/yes)	0.00	1.00	0.22	0.41	0.07	-0.08	0.04	0.09	0.19	1.00						
7. Marketing budget <sup>b</sup>	1.29	65.00	19.10	10.50	0.75	0.34	-0.18	0.37	0.23	0.14	1.00					
8. Top star in film	0.00	1.00	0.19	0.39	0.24	0.06	0.01	0.15	0.04	0.13	0.20	1.00				
9. Financial resources (budget) <sup>a</sup>	1.00	200.00	43.60	31.40	0.58	-0.03	-0.04	0.34	0.16	0.22	0.67	0.31	1.00			
10. Human resources (director)	0.00	1.00	0.19	0.39	0.07	-0.05	0.13	0.07	-0.02	0.24	0.08	0.12	0.17	1.00		
11. Brand resources (sequel)	0.00	1.00	0.10	0.29	0.13	0.13	-0.07	0.11	-0.05	-0.05	0.08	-0.03	0.08	-0.09	1.00	
12. Producer experience	0.00	67.00	6.57	7.10	0.04	-0.04	0.11	-0.09	-0.10	-0.06	0.07	0.02	0.12	0.05	-0.04	1.00

N = 837 films. Correlations greater than 0.06 are significant  $p < 0.05$ . Correlations equal or greater than 0.05 are significant  $p < 0.01$

<sup>a</sup> Variable is measured in millions.

Table 2. Resource management and performance

Variables	Financial performance (box office revenue)					Financial performance (revenue/production budget)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Restrictive rating	0.02 (0.05)	0.02 (0.05)	0.01 (0.05)	0.01 (0.05)	0.02 (0.05)	0.01 (0.05)	-0.06 (0.05)	0.02 (0.05)	0.01 (0.05)	0.01 (0.05)	0.02 (0.05)	0.01 (0.05)
Holiday opening	0.14** (0.05)	0.13* (0.05)	0.13* (0.05)	0.13* (0.05)	0.13* (0.05)	0.13* (0.05)	0.09† (0.06)	0.13* (0.05)	0.13** (0.05)	0.13* (0.05)	0.13* (0.05)	0.13* (0.05)
Number of producers	-0.03 (0.02)	-0.03 (0.02)	-0.02 (0.02)	-0.03 (0.02)	-0.02 (0.02)	-0.02 (0.02)	-0.04† (0.02)	-0.03† (0.02)	-0.03 (0.02)	-0.03 (0.02)	-0.03 (0.02)	-0.02 (0.02)
Director a producer	-0.14* (0.06)	-0.14* (0.06)	-0.14* (0.06)	-0.14* (0.06)	-0.14* (0.06)	-0.15* (0.06)	-0.25** (0.06)	-0.14* (0.06)	-0.14* (0.06)	-0.14* (0.06)	-0.14* (0.06)	-0.14* (0.06)
Marketing budget	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)	0.01** (0.00)
Top star in film	0.20** (0.06)	0.18** (0.06)	0.17** (0.06)	0.18** (0.06)	0.18** (0.06)	0.17** (0.06)	-0.03 (0.07)	0.14* (0.06)	0.14* (0.06)	0.14* (0.06)	0.14* (0.06)	0.14* (0.06)
Producer experience	-0.00 (0.00)	-0.00 (0.00)	-0.01 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Financial resources (budget)	0.09* (0.04)	0.09* (0.04)	0.11** (0.04)	0.09* (0.04)	0.09* (0.04)	0.10* (0.04)	0.10* (0.04)	-0.56** (0.04)	-0.54** (0.04)	-0.56** (0.04)	-0.56** (0.04)	-0.55** (0.04)
Brand resource (sequel)	0.19* (0.08)	0.19* (0.08)	0.16* (0.08)	0.19* (0.08)	0.20* (0.08)	0.17* (0.08)	0.17* (0.08)	0.20** (0.08)	0.18* (0.08)	0.20** (0.08)	0.21** (0.08)	0.19* (0.08)
Human resources (director talent)	-0.04 (0.06)	-0.04 (0.06)	-0.04 (0.06)	-0.04 (0.06)	-0.03 (0.06)	-0.03 (0.06)	-0.03 (0.06)	-0.04 (0.06)	-0.04 (0.06)	-0.05 (0.06)	-0.03 (0.06)	-0.03 (0.06)
Producer experience X financial resources			0.01** (0.00)		0.01** (0.00)	0.01** (0.00)			0.01** (0.00)			0.01** (0.00)
Producer experience X brand resources				0.02* (0.01)		0.01 (0.01)				0.02* (0.01)		0.01 (0.01)
Producer experience X human resources					-0.02* (0.01)	-0.02* (0.01)					-0.02* (0.01)	-0.02* (0.01)
Constant	16.11** (0.09)	16.17** (0.10)	16.17** (0.10)	16.17** (0.10)	16.17** (0.10)	16.17** (0.10)	-0.65** (0.10)	-1.13** (0.09)	-1.13** (0.09)	-1.13** (0.09)	-1.13** (0.09)	-1.13** (0.09)
Adjusted R <sup>2</sup>	0.610	0.614	0.619	0.616	0.616	0.620	0.160	0.317	0.323	0.320	0.319	0.325
FΔ <sup>b</sup>	2.73*	2.73*	4.26**	2.75*	3.04*	3.59**		47.88**	40.12**	38.97**	39.47**	29.47**
Overall F	70.22**	58.98**	57.59**	56.76**	56.92**	53.42**	9.40**	17.87**	17.58**	17.29**	17.42**	16.48**

†p < 0.10; \*p < 0.05; \*\*p < 0.01

Note: Results based on 837 observations. F-change statistics for each model are evaluated in comparison to the baseline control models (Model 1 for Models 2–6, and Model 7 for Models 8–12)

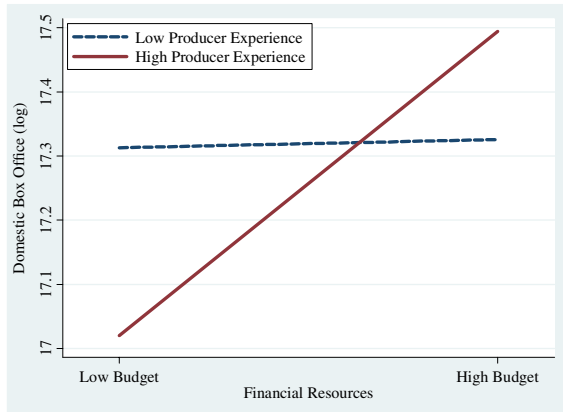


Figure 1. Interaction of financial resources with producer experience influencing financial performance

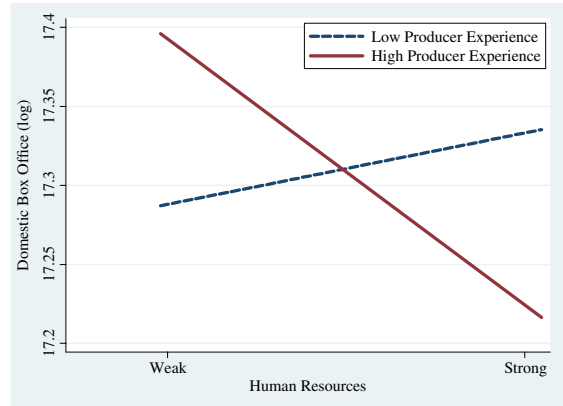


Figure 3. Interaction of human resources with producer experience influencing financial performance

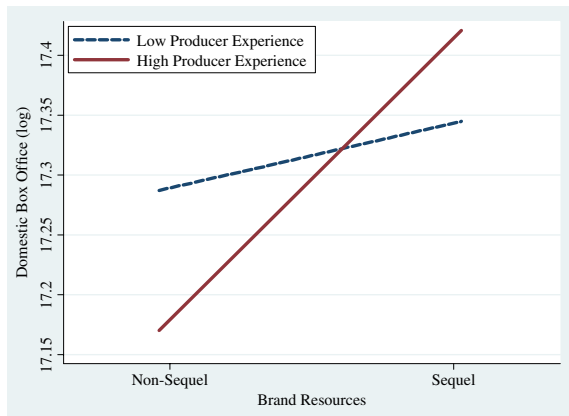


Figure 2. Interaction of brand resources with producer experience influencing financial performance

Hypothesis 2b predicted that managers with more experience would achieve better performance with stronger brand resources. This hypothesis was also supported: in Model 4, the interaction between films that were sequels and producer experience was significant, ( $B = 0.02, p < 0.05$ ). The interaction (Figure 2) reveals that producers with higher levels of experience generate stronger box office revenues from sequels than do producers with less experience. Again, producers with less experience show only a modest change in performance for sequels.

Finally, Hypothesis 3b predicted that managers with more experience would suffer lower performance on projects with strong human resources. Model 5 supports this, as the interaction between producer experience and director talent was significant and negative, ( $B = -0.02, p < 0.05$ ). The

interaction (Figure 3) shows that, as hypothesized, more experienced producers do not perform as well when working with more talented directors, though they do achieve stronger performance when they work with weaker director talent. These results support Hypothesis 3b. Like before, producers with less experience show less variation in performance whether they work with less or more talented directors.

To verify the robustness of our findings, Models 7–12 present similar regression analyses predicting an alternative performance measure: the ratio of the box office revenue relative to the production budget of the film. This measure can provide a better control for extreme variability in box office performance and reflects returns based on risk by comparing return to the investment required, which might be more salient to the studio than raw box office returns. As seen in Table 2, the results using this alternative performance measure are similar in terms of support for all of our hypotheses, though these models explain less variance in the performance indicator, perhaps due to the challenging nature of predicting profitability relative to investment levels. The reason that the effect of financial resources changes from positive/significant in Models 2–6 to negative/significant in Models 8–12 is that production budget appears both as an independent variable (as a measure of financial resources) and as part of the dependent variable (the denominator of our ratio measure of performance) in the latter models. However, it could also potentially indicate that while raw box office dollars increase as budget increases, the financial return declines.



## DISCUSSION

The roots of the RBV lie in the entrepreneurial perspective emphasized by Penrose (1959) that allows a firm to recognize and pursue the opportunities that may be offered by various resources. This suggests that the managers within a firm must contribute to the value of a resource through figuring out ways in which it can be deployed (Kor and Mahoney, 2004; Sarasvathy, 2001; Witt, 2007). In this paper, we propose that managers would recognize the opportunities that may be offered by a resource on the basis of their prior experience with deploying them on tasks or projects. At the same time, such opportunities are likely to be derived from the fungibility of a given resource. More fungible resources can allow experienced managers more scope to identify the best possible method for their deployment.

We focused on Hollywood film producers in order to evaluate the performance that can be extracted from three different categories of resources: funding as a financial resource, products as a brand resource, and talent as a human resource. Our findings do raise some questions about evaluating the value of a resource based solely on RBV criteria (Crook *et al.*, 2008). Our paper shows that the contribution of a resource is also tied to its level of fungibility, as depicted by its deployment versatility or flexibility. Although high levels of funding do not always meet the criteria of RBV, the higher fungibility of cash makes it a valuable type of resource that can be deployed by managers in various ways across different projects. On the other hand, while strong talent may satisfy the requirements of RBV, the lower fungibility of individuals can make it difficult for managers to find ways to raise value through figuring out their best possible use.

More significantly, our results provide strong support for the ability of managers to draw on their experience in order to generate higher levels of performance when they work with more valuable resources but only when these resources show more fungibility. In line with our hypotheses, the application of manager experience to resources was found to be quite useful on projects with greater financial and brand resources but was not found to be useful with stronger human resources. In other words, it cannot be assumed that managerial experience will always be more helpful with resources that have higher value based on RBV criteria (Carmeli and Tishler, 2004; Huesch, 2013).

Furthermore the interaction of managerial experience with resource fungibility can have significant economic implications for firms. For example, we performed additional analysis using values of managerial experience and resource attributes that were 1 and 2 standard deviations above or below the mean value. Based on our analysis, the most highly experienced producers can generate as much as \$34.4 million of additional revenue per film when they work with higher budgets, stronger brands, and weaker talent.

Our study does have limitations. For example, there is the possibility of left-censoring in our work, as more experienced producers may have the expertise and opportunity to pass on objectively lower-potential projects. Furthermore, we have used box office revenues to assess the performance of each film, which does not account for appropriation issues. As others have noted (Crook *et al.*, 2008), the link between the use of resources and resulting performance is stronger when they are not based on the portion of the revenues that actually flow to the firm. Besides providing a share of box office revenues to theaters, studios may also make contractual payments to various individuals who were involved in developing the film, reducing their own ability to appropriate value.

Above all, our work focuses on one setting, where managers are tied to individual projects much more than to the overall organization. However, in restricting our study to the role of producers on Hollywood films, we were able to elaborate on specific resources that are likely to be critical within this context. Furthermore, without such a focus on single projects, we may not be able to achieve the same level of theoretical understanding of how experience acquired by managers can augment the revenues that they can generate from various resources based on their level of fungibility. Future research can extend this work to other settings, particularly settings more deeply embedded within a whole organization.

In closing, our study does try to address some important questions about the role of firms in generating revenues from resources. As such, it does provide some support for the findings that Newbert (2007) obtained from his meta-analysis. He found some support for the RBV framework but also emphasized that the effects of different resources can vary significantly (see table 4 in Newbert 2007: 130). Such differences can least be partly explained by the opportunities that each resource

may offer to the managers in a firm to deploy them in the most effective manner. This suggests that we should probe more deeply into the complex relationships between characteristics of each resource and the advantages that managers within a firm can derive from them (Kraaijenbrink *et al.*, 2010).

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