

**JULES OR JIM:  
ALTERNATIVE CONFORMITY TO MINORITY LOGICS**

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**ABSTRACT**

To what extent do organizations respond favorably to minority participation, i.e. conform to demands from minority resource suppliers that hold an unconventional logic? A favorable response to minority participation (i.e. “alternative conformity”) contributes to decrease the influence of dominant players, alter the resource suppliers’ social structure, and promote new logics, which makes alternative conformity a soft control strategy for organizations. We expect a positive relationship between minority participation and alternative conformity and that relationship to be attenuated by organizations’ adherence to the dominant logic, centrality of minority logic holders, and minority logic’s institutional credit. We test and find strong support for our hypotheses using original data on investment funds in the French film industry (1994-2008).

**KEYWORDS:** conformity; resource dependence; institutional logics, minority logic, soft control strategy

Firms and organizations in general confront more and more situations where they need to cater to conflicting resource holder demands. Entrepreneurs face diverging investors' expectations, while many large corporations must meet both their bottom line and their sustainability requirements simultaneously. Cultural organizations (museums, film making, or art galleries) need to combine public good and profit-based logics in their actions, while, in the aftermath of the 2007-2008 financial crisis, manufacturing firms, insurance companies, and banks had to respond to the demands of new shareholders in the form of government agencies that provided capital alongside their traditional shareholders. In all these cases, while dominant resource providers – and their logic – maintain their hegemony over organizations, minority actors promoting alternative institutional logic(s) challenge their influence. This study seeks to understand to what extent organizations conform to the demands of these latter logic holders, a situation we call *alternative conformity*, which has been ignored in past research despite the frequency of its occurrence and its importance as a factor accounting for gradual change in institutions.

Organizations are both supported and bounded by their environments: in responding to environmental demands to secure the resources they need, they face pressures to conform to various external expectations, a situation that is particularly consistent with both resource dependence and neo-institutional theories. Resource dependence theory considers how organizations counteract the power of key resource holders (Pfeffer & Salancik, 1978), while neo-institutionalists study how organizations adopt structures and practices to address critical environmental demands so as to gain legitimacy (Meyer & Rowan, 1977; Oliver, 1997): as Oliver (1991) noted, both theories agree that organizations seek legitimacy, are self-interest-driven, and averse to uncertainty.

At first glance, neither theory would suggest that minority logic holders would trigger any significant conformity response from those organizations to which they supply resources. Resource dependence scholars view organizations as coalitions of interests among which influence and control are negotiated, and allocated to the “organizational participants which are most critical to the organization’s continued survival and success” (Pfeffer & Salancik, 1978: 36). This view holds that organizations conform to external actors’ demands to the extent that such actors have discretion over resources that are both critical and scarce. Merger and acquisitions (Casciaro & Piskorski, 2005; Finkelstein, 1997), joint ventures and alliances (Lester, Hillman, Zardkoohi, & Cannella, 2008; Xia, 2011), and changes in board composition (Katila, Rosenberger, & Eisenhardt, 2008) are the material responses implemented by firms seeking to alleviate their dependence on major resource holders. As Pfeffer nevertheless underscored in the Introduction to the Classic Edition of *The External Control of Organizations* (2003), the presence of various different logics of capitalism raises new challenges for Resource Dependence Theory, which tends to ignore the dynamics of organizational conformity to minority participants (Davis & Cobb, 2010).

For institutionalists, organizations cater first to the salient demands of those important actors that could challenge their legitimacy: thus, again, they have no clear need to attend to the demands of minority logic holders, or to decouple symbolic and technical procedures to meet them. Looking at questions of conformity, neo-institutionalism-inspired studies mostly examine the consequences of decoupling (MacLean & Behnam, 2010; Tilcsik, 2010) or deviance (Durand, Rao, & Monin, 2007; Phillips & Zuckerman, 2001) vis-à-vis dominant players. And while a growing number of studies document settings where several institutional logics coexist and compete, they tend to emphasize field-level changes in identities (Reay &

Hinings, 2009), practices (Lounsbury & Crumley, 2007) and discourses (Dunn & Jones, 2010), rather than the degree of organizational-level conformity to minority logics (for an exception, Greenwood, Diaz, Li, & Lorente, 2010).

We draw on the idea from resource dependence scholars that conformity is engaging and more than symbolic, and the neo-institutionalist notion that conformity is more probabilistic than deterministic, more a continuous than a binary variable (Marquis & Lounsbury, 2007; Thornton & Ocasio, 2008). We argue that organizations may conform to minority logic holders' logics as a means to enact their environment in a direction that reduces or counters the influence of dominant players, alters the social structure of resource suppliers, and promotes new logics of action in the industry. Hence, we examine how these factors play out in explaining what we call *alternative conformity*, i.e. conformity to the demands of minority logic holders. We suggest organizations may modulate their conforming behaviors in response to resource supply according to how much they adhere to the dominant logic, how central the minority logic providers are, and the extent to which the minority logic has already garnered institutional credit

In empirical terms, we study French film-making organizations that are involved with both traditional film investors (including producers and media distributors) and specialized investment funds called Soficas. We combine exhaustive data from several unique sources on 2,531 films over the period 1994-2008. Soficas are accountable to market investors and thus present film-makers with demands that conflict with the taken-for-granted values and goals widely shared by traditional film investors. Film-makers need not apply for their funds and Soficas remain only secondary investors in the industry, supplying between 7% and 12% of the total investments over our study period. The French film industry thus makes an

interesting setting to study how organizations responded concretely to the demands of minority logic investors. We look at the extent to which film-making organizations conformed to Soficas' expectations by committing resources to opening their films in a wide range of theatres on the first week of their release, and find evidence to support our hypotheses after correcting for endogeneity.

We expand resource dependence and neo-institutionalist perspectives by analyzing situations that concern minority logic holders directly and their interactions with dominant players. Despite supplying limited resources, minority investors influence organizations' material engagements in accordance with their new logics. We show that organizations conform to minority logic holders' demands contingent on past logic adherence at the organizational level, socialization processes at the resource suppliers' level, and accumulated institutional credit in favor of the new logic. Organizations appear to use alternative conformity as a *soft-control strategy* to resist resource and ideological pressures from dominant players. Although it does not threaten dominant players at the organizational level and, for this reason, has largely been ignored, we suggest that alternative conformity is a powerful mechanism to alter prevailing practices, resource engagements, and institutional order.

### **ORGANIZATIONAL CONFORMITY TO EXTERNAL DEMANDS**

As open systems, organizations depend on and enact their environments to access critical resources – both material (e.g., financial capital, production inputs), and symbolic (e.g., legitimacy) – to operate, survive and thrive. To ensure continuation of the much needed flows of both productive and legitimizing resources, they must conform to exogenously imposed demands to satisfy those who control those resources. We define conformity as an objective

modification of organizational behavior that accedes to the requests or expectations that resource holders formulate and promote according to their own institutional logics.

Institutional logics provide the ‘rules of the game’ in a given organizational context: they are cultural beliefs and rules that shape how actors perceive and act on reality (Friedland & Alford, 1991; Thornton & Ocasio, 1999). A single institutional logic reigns in most industries, which has generally been established by dominant players. When external participants (e.g., investors, raters) hold distinct logics, they are likely to have different expectations and demands about how the organization ought to behave, prompting the question of why and to what extent organizations may choose to conform to or deviate from the dominant industry logic. For instance, the chefs who conformed to the nouvelle cuisine principles, a minority logic in France in the 1970-1985 period, helped give credit to a new logic and challenged the industry order (Rao, Monin, & Durand, 2005). Institutional credit characterizes the comprehensive acceptance of a logic in an industry. By definition, minority logic holders promote a contrasting logic and lack credit. Although we use ‘minority’ chiefly to characterize the lack of logic prevalence, minority logic holders are also expected to control a relatively minor share of the industry’s pool of critical resources: logics and resources are linked together, since the schemas composing logics “are the effects of resources, just as resources are the effects of schemas” (Sewell, 1992: 13). Minority participation corresponds to resource supply or investments of a minority logic holder in favor of an organization. Conforming to minority logic holders’ demands is what we term an ‘alternative conformity’ to conforming only to the interests and logics of the dominant resource holders.

Prior works on conformity essentially conceive organizations as constrained by powerful resource holders (Pfeffer & Salancik, 1978; Zuckerman, 1999). The resource

dependence perspective emphasizes the influence of ‘organizational participants’, identified as individuals or organizations that participate in the coalition of interests governing the organization and which, in pursuit of their own interests, attempt to impose their own agendas on focal organizations. As organizations are unable to respond to every environmental demand, organizations faced with conflicting expectations are thus expected to make their decisions about conformity based on the criticality of the demands involved (Pfeffer & Salancik, 1978: 27–28). Empirical works in this tradition tend to focus on the tactics organizations deploy to escape external constraints, from more or less coordinated efforts (e.g., alliances, cooptation) to constraint absorption (e.g. M&As), and rely on industry-level data. As Casciaro and Piskorski (2005) illustrated in their study of M&As among U.S. public corporations, resource-dependence studies typically examine patterns of material exchanges (i.e., inputs-outputs) across industries (Burt, 1983; Finkelstein, 1997) and rarely account for variations in response intensity across organizations to resource holders holding different logics. Averaging results at the industry level falls into the ‘ecological fallacy’ trap which has been denounced as a limitation of resource-dependence theory (Davis & Cobb, 2010: 27).

Whereas resource dependence theory underlines pressures to conform to dominant participants’ individual interests, the institutional perspective points to various selection forces originating from the broader institutional context. Organizations are pressed to comply with taken-for-granted norms, logics and rules, or risk losing legitimacy (Deepphouse & Suchman, 2008; Meyer & Rowan, 1977). Even more than in resource-dependence theory, conformity is conceived as a constraint (Oliver, 1991, 1997) which depends on the variety and prevalence of institutional logics (e.g., Dunn & Jones, 2010) more than on the agenda of individual self-interested actors. Thornton and Ocasio (1999) explain how the changes in



structural forms of American publishing houses (e.g., refocusing on core business or opening top executive positions to MBA graduates) correspond to changes in firm behaviors to conform to a (financial) market logic. Zuckerman (1999) argues that stock market listed firms are pressured to conform to a single institutionalized market category used by securities analysts. In this view, conformity is not a property of dyadic relationships between the organization and external participants, but rather relates to its relationship with a larger external audience and its shared understandings about what the organization should do (see Tolbert and Zucker (1997) who detail this objectification process).

But the assumption of audience obedience may not always hold, and is particularly likely to vary when minority logic holders enter the game. For instance, Espeland and Sauder (2007) document how a new category of agency –raters– entered the U.S. higher education sector and challenged how universities regarded themselves and their competitors, while, in a related context, Durand and McGuire (2005) studied how the internationalization of the American-based AACSB accreditation agency challenged the social hierarchy of European business schools and elicited a countervailing effort towards establishing a European accreditation system. In their longitudinal study of the U.S. feature film industry, Cattani et al. (2008) find more evidence that the level of consensus among resource holders (in their case, film distributors) is not stable over time. In fact, a growing body of evidence suggests that many organizations do not operate in homogenous institutional environments, but rather face institutional pressures nested in competing institutional logics operating at the societal level (Friedland & Alford, 1991; Greenwood et al., 2010).

Recent studies document the coexistence of two competing logics in a wide variety of settings – the U.S. medical education sector (Dunn & Jones, 2010), the nascent Bolivian

micro-finance industry (Battilana & Dorado, 2010), and the field of genetically modified mice (Murray, 2010). In such cases, organizations face conflicting institutional demands (Rao et al., 2005; Lounsbury, 2007; Kraatz & Block, 2008) with different historically and socially elaborated logics presenting conflicting interpretations of how organizations ought to behave. In all these cases, the pre-existing institutional order was eventually upended, but this may not be an inevitable outcome: logics can gradually gain credit without achieving dominant status, suggesting that a complete shift in institutional prevalence is not a necessary condition to study why and to what extent organizations might respond to minority participation by acceding to minority logic holders' demands.

### **ALTERNATIVE CONFORMITY**

Resource dependence theory assumes that, at the industry level, organizations develop actions to counter their dependency on major resource holders. Where a given resource is available from a plurality of holders, some will be more established and powerful than others, and precedence will be given to them. The institutional logic framework offers two main variations. First, conformity is a conditional process (Bicchieri, 2005; Thornton & Ocasio, 2008: 106): as environments and organizations' characteristics vary, so will organizational propensities to conform to dominant or minor resource suppliers' requirements. Second, logics are not viewed only as constraints, but also seen as resources that organizations can draw on as basis for action (Friedland & Alford, 1991: 253), recasting the conformity question in different terms. When facing pressures to conform to different sets of institutionalized norms and rules, organizations may have some latitude in addressing logics with distinct institutional credit (Battilana & Dorado, 2010; Creed, DeJordy, & Lok, 2010; Powell & Colyvas, 2008). Conformity to a minority logic in case of minority participation

may seem an unlikely response, but may also provide organizations with opportunities to shape environmental constraints and alter the make-up of their institutional environments.

Against this backdrop, we consider two groups of suppliers, dominant and minority, for an essential resource, each holding a distinct institutional logic. By definition, the latter both extol a distinct logic with a lower institutional credit and supply a smaller share of the essential resource than the dominant players. Dominant resource holders act to ensure organizations employ their resources according to their institutional logics. As in the cases mentioned in introduction (private-public investors in technological ventures, cultural production, or bail-out plans) minority participation, i.e. resource supply or investments of a minority logic holder in favor of an organization, does not threaten this established institutional order: dominant logic holders still control the majority of resource stocks and flows, legitimacy access, and symbolic granting, among other things.

In this context, in case of minority participation, organizations can use alternative conformity, i.e. the modification of their behavior to accord with the minority resource providers' logic, as a means of reducing the control their dominant resource providers enjoy. They can increase their chances of securing the resources they need by being able to source them from two alternative origins (dominant and minority suppliers), and reduce the overlap with rival organizations for accessing the rare and critical resources controlled by dominant players. Complying with the requests from supplementary types of suppliers allows organizations to mitigate the direct pressure exerted by dominant resource providers in both present and future investment situations (Smith, 2011). As dominant logic holders still supply the greatest share of resources, substantive and symbolic, they are not per se challenged at the organizational level, and so need not retaliate.

By accepting minority logic holders' participation and making material and visible changes in favor of their demands, the mutual dependence between organizations and minority logic players increases (Casciaro & Piskorski, 2005; Xia, 2011). As a consequence, organizations contribute to socializing low credit players into the industry, a process that entails a gradual displacement of dominant players in the industry's social network and leads to the erosion of their institutional credit (Rowley, 1997). As their involvement in the industry increases, minority logic participants learn about the industry's 'tricks of the trade', become better known and more acceptable by more central players. This interconnectedness between different kinds of logic holders alters the social structure of the industry, relatively weakening the most powerful and central suppliers –a desirable outcome for focal organizations. Complying with minority logic holders' demands make these players matter in the industry helping focal organizations temper what dominant resource holders can impose on them.

As enactors of their institutional environments, organizations may also conform to minority logics to alleviate the symbolic pressures exerted by dominant resource holders. Organizations become more actors in their own destinies the more they are aware of alternative logics and practices (Meyer, 2010). They can contribute to accruing institutional credit for minority logics. By acceding in concrete, material ways to minority logics' demands in return for their participation, the unorthodox views, rules, and norms of minority logic holders are introduced to the industry, gain an audience, and become audible and credible: alternative conformity widens debate about industry practices, values and norms (Zietsma & Lawrence, 2010). For the above reasons (control; social structuration; logic promotion), we expect alternative conformity to be positively related to minority logic holders' participation:

*Hypothesis 1. The greater the degree of participation of minority logic holders to an organization, the more it will conform to the related logic i.e. exhibit alternative*

*conformity.*

Oliver (1991: 153) stressed that an organization's conformity depends on its awareness of institutional processes and its own interests. In the same way, control, social structuration, and logic promotion favor alternative conformity but their influence varies according to each organization's awareness and willingness to influence their institutional environment and their relative dependencies on dominant resource holders.

Established organizations whose sustained practice involves both receiving resource supplies from and giving repeated obedience to dominant suppliers are embedded in the field and entrenched in its order and dominant logic. Resources are attached to logics of action and corresponding institutional order (Sewell, 1992) and organizations that adhered the most to dominant logic holders' demands partake in their establishment and share their values and interests. When agreeing to receive minority participation, relative to neutral peers, more entrenched organizations suffer less from dominant resource suppliers' demands and need less to gain control over them (they are content with *status quo*); they are less willing to alter the social structure of the industry and transfer their own legitimacy to minority players (the social structure is favorable to them); they do not see high interest in promoting a new logic of actions (they share beliefs and interests with dominant logic holders). As a result, past (ideo)logical adherence to dominant players makes organizations less aware and willing to respond favorably to minority logic holders' demands in response to their participation:

*Hypothesis 2. The stronger an organization's adherence to dominant players' logic in the past, the lower will be the association between minority participation and its degree of alternative conformity.*

The various links organizations have with dominant and minority resource suppliers create direct and indirect associations between logic holders at the resource supply level (Fernandez

& Gould, 1994; Rowley, 1997). As a result, the position of minority logic holders in the resource supply network evolves as their affiliations with focal organizations and dominant resource holders develop. In their awareness and willingness to loosen the dominant players' yoke, organizations will be likely to respond differently to minority participation contingent on whether minority logic holders are more or less central to the supply network (Borgatti, 2005; Freeman, 1979). Tying the organization with peripheral minority players characterizes a heightened awareness and willingness to counterbalance majority resource suppliers' domination. Demonstration of independence and thus control over dominant resource suppliers is stronger and more salient when minority participation comes from peripheral logic holders as it appears more threatening for the established resource suppliers. Engaging with peripheral minority suppliers alters more deeply the resource supply networks since it increases the mutual dependence between organizations and minority logic holders and brings the alternative logic closer to the network core (Casciaro & Piskorski, 2005). Logic promotion intensifies when minority logic holders that participate to an organization's enterprise are more peripheral than central, because the less central minority logic holders are also less socialized and more radical in their advocacy of their own logic (Leblebici, Salancik, Copay, & King, 1991; Phillips and Zuckerman, 2001). Therefore, the effects of control, social structuration, and logic promotion on an organization's alternative conformity will be stronger when the minority participation proceeds from more peripheral logic holders. Hence:

*Hypothesis 3. The more central minority resource suppliers are in the network of resource providers, the lower will be the association between minority participation and an organization's degree of alternative conformity.*

An organization's awareness of and willingness to conform to a minority logic is likely to vary inversely with the degree of institutional credit that the logic has accumulated in the industry

(Lounsbury, 2007). The more evidence adds up to show that minority logic holders have gained acceptance in the industry (and thus their logic has gained credit), the lower are benefits of increased control, alteration of social structure, and new logic promotion. As cases accumulate where organizations resort to minority resource suppliers, for each new minority participation, the counterbalancing effect of minority resource providers on dominant players' power fades away due to the normalization of the minority logic and the socialization of its proponents. As the institutional credit of minority logic increases, minority participations have a diminishing effect on the social structure of resource suppliers. Finally, as the acceptance of minority logics becomes more obvious, for each new case of minority participation, organizations' need and willingness to promote the minority logic weakens. For these reasons, as credit favorable to minority logic holders accumulates, the strength of the relationship between receiving minority players' resources and alternative conformity diminishes. Thus:

*Hypothesis 4. The more institutional credit a minority logic has accumulated, the lower will be the association between minority participation and an organization's degree of alternative conformity.*

#### **EMPIRICAL SETTING: TWO LOGICS OF FILM PRODUCTION**

Born in the 1890s from the Lumière Brothers' invention of the cinematograph, the French film industry was profoundly transformed by two post-WWII phenomena, which set it apart from more market-oriented film industries (e.g., Hollywood). First, while a set of cultural changes led to the gradual institutionalization of film as an art form throughout the 20<sup>th</sup> century in the Western world (Baumann, 2001), the movement was particularly pronounced in France. Benefiting from the legal doctrine of *moral rights* (Marvin, 1971), which give them authority over the 'final cut,' directors –or *auteurs*– became increasingly central in the French industry, gaining public exposure at major events such as the Cannes film festival (created in 1946).

The *Nouvelle Vague* movement of the 1960s, theorized by François Truffaut in the pamphlet *A Certain Idea of French Cinema* (Truffaut, 1954) provided directors and critics with symbolic resources linking films with art, and made the ethos of the French film industry antithetic to the overt search for financial profits (Martin, 1995).

Second, the fierce competition of Hollywood films after WWII led the French state to intervene increasingly in the industry's organization. The Blum-Byrnes agreement on war debts forced France to open its theatrical market to foreign films, prompting the state to the counteracting effort of creating the *Centre National de la Cinématographie* (CNC), a government agency with wide regulatory powers. Gradually, the CNC implemented a set of policies aimed at sheltering producers from financial risk and protecting and enhancing the national cultural legacy, in accordance with a doctrine now known as 'cultural exception' (Caplan & Cowen, 2004). Various subsidies and pre-sale guarantees meant French film producers were typically accountable for less than one third of total film budgets, dramatically different from the situation in the U.S. market. The overall effect of these moves was to confirm artistic creativity and cultural diversity, not financial success, as the main imperatives driving film production in France. Producers who did make box office successes were expected to reinvest their profits in new projects again valuing artistic considerations over financial objectives. Embedded over the years, this locally rooted institutional logic was supported by a large industry consensus (Demil & Leca, 2003).

### **The Minority Logic of Market Finance**

But by the early 1980s, despite several decades of this protective policy, the number of French films produced each year had declined dramatically, as had film attendances. The average French film budget increased, with determined competition from American movies making



them even less likely than before to break even. At the same time, other forms of cultural production pulled producers' limited funds away from movies (particularly towards production for television, where the number of channels grew from one in 1974 to six in 1986). In 1985, the French government created a new mechanism designed to entice private capital into film production, establishing a new form of 'tax shelter' applicable exclusively to investment in film production (Eling, 1999). Specialized investment funds – Soficas (*Sociétés pour le Financement du Cinéma et de l'Audiovisuel*) – were instituted to raise film production funds from financial markets. Founded by banks and regulated by financial market authorities, Soficas were modeled on equity funds, with individuals' investments being partially tax-deductible. Importantly, they also brought a stricter financial imperative to an industry not historically structured around financial maximization. As their short-life span reinforced the need for a quick return on investment, the arrival of Sofica investment funds opened the film industry up to an alternative logic, that of market finance.

Accountable to their market investors, Sofica managers are expected to act like venture capitalists, picking film projects that minimize risks and maximize short-term expected returns. As a Sofica founder and former manager points out, investors and financial institutions "*exert a constant pressure on Sofica managers to yield higher returns than announced originally.*"(Chevalier, 2008: 12). As financial companies, Soficas are less sensitive to the normative expectations of such professional gatekeepers as performers' unions, art house associations and critics, and so impose significantly different demands on film-making organizations than do traditional French film producers. Being focused on financial returns, Soficas are likely to give precedence to commercial considerations, whereas traditional producers, although not against breaking-even or making a profit, are more obliged

to focus on the cultural and artistic goals embedded in the traditional industry logics.

In the period under study (1994-2008), Soficas raised a total €445m from financial markets which was directly reinvested into film production. Overall, the contribution of Soficas was about 8.5% of the budgets of the films they invested in, so covering a much-needed share of production costs but by no means a leading proportion. Directors could still fund their movies via the traditional sources (including traditional film producers and media companies), which continued to represent the great majority of film financing. Hence, Soficas fit our definition of minority logic holders in that they institute an alternative to the dominant film industry logic, and also control critical but relatively limited resources.

### **Alternative Conformity to the Market Finance Logic of Soficas**

The demands Soficas, as minority logic holders, present to film-makers depart significantly from those of traditional film producers. In particular, the two types of film investors are likely to disagree on the appropriate release strategy, and particularly the number of screens on which the film opens. Theatrical releases are crucial for film-makers as they largely determine the fate of the movie in the theatrical market, and later in ancillary markets including video, television, and international markets (Ainslie, Drèze, & Zufryden, 2005). As a result, all decisions regarding releases are a prime contractual responsibility of film-makers, who ultimately incur the cost of print and advertising and have the final word in disagreements with distributors. We expect financially driven Soficas to support wide releases, following what has been described as ‘saturation booking’, ‘take the money and run’ (Hadida, 2009) or ‘blitz’ release strategies (De Vany & Walls, 1997). Such tactics are conceived to build anticipation prior to the theatrical release through major advertisement and media publicity campaigns, and accumulate as much revenue as possible before word-of-mouth starts

spreading (Eliashberg, Jonker, Sawhney, & Wierenga, 2000). Given the high uncertainty of the film business (Caves, 2000), Soficas are likely to value such strategies as driving toward profit maximization and risk minimization: blitz releasing helps secure revenues whatever the intrinsic quality of the film and the level of moviegoers' appreciation.

In line with the film industry logic's emphasis on cultural diversity and quality, the gatekeepers of the film industry logic regularly voice concerns about blitz releases, accusing those who employ such strategies of preempting the theatrical market and depriving higher-quality films of the chance to be seen and to build audiences. In this dominant logic, movie audiences are given rather than built through marketing techniques. Proper releases strategies are designed to "*exhaust the potential audience*" a film may have, and contrast with "*Kleenex strategies that multiply prints (...) and sacrifice films that need time to find their audience*" (De Baecque, 2004). In 2004, a group of film directors circulated a petition to 'Liberate Screens', expressing concerns that blitz releases would wreck the chances of so-called "*films d'auteurs*" to survive in the market, and calling for the demise of the "*financial logic*" in which films are no more than "*ordinary mass market products*" (De Baecque, 2004). Similar worries are regularly expressed by such professional organizations as the Film Directors Society: "*It is not rare to observe five films occupying 70% of the 5,400 French screens, directly impacting competition: other releases are barely visible and have increasingly short lifecycles. Dozens of films are not given a chance to meet the audience in the first week of their release*" (Société des Réalisateurs de Films, 2006). Under the film industry's dominant logic, every film deserves a chance to encounter its own audience, which is why, despite being financially attractive, flooding the market with prints is regarded as inappropriate, and constitutes a violation of an important and embedded industry norm. By contrast, the financial

logic seeks to create large audiences from scratch, and quickly. As a Sofica manager put it in one of our interviews: “*Distribution is everything. After investing, my primary concern is to make sure that films are properly marketed and released as soon and as largely as possible.*” As a consequence, release strategies are likely to be a major area of difference between the two types of resource holders: while Soficas may push film-makers to secure revenues through blitz-like releases, traditional film producers may remain reluctant to do so. Thus the relative width of theatrical screenings in the first week of a film’s releases can be seen as an indicator of the extent of a film-making organization’s conformity to the minority logic of Soficas.

## **DATA AND METHODS**

Unlike most film industry studies, which typically rely on distribution data, our work focuses on the production side of the industry. We documented the dominant logic of the French film industry and the minority logic of Soficas using archival materials (Sofica prospectuses, newspaper articles, and regulatory reports) and building on semi-structured interviews with Sofica managers, financial brokers and industry regulators (Thornton, Ocasio, & Lounsbury, 2012). Under a unique non-disclosure agreement, the *Centre National de la Cinématographie* (CNC) provided us with detailed (and previously unexploited) data on the 2,818 films that went into production between 1994 and 2008, including some not subsequently released. There are reasons to believe that this dataset is exhaustive: all French film production projects have to go through the CNC for accreditation (a process known as “*agrément*”) in order to qualify for advantages that significantly reduce their production costs, and thus producers’ financial risks. We removed 283 projects that had not been released by the end of our period (for which few data is therefore available), as well as 4 titles made for the ‘Géode’ IMAX theatre, as being atypical niche products not shown in regular theatres, leaving us with 2,531

films produced in France between 1994 and 2008 and subsequently released in theatres.

We used data from the *Registre Public du Cinéma et de l'Audiovisuel* (the Film Public Register), which was instituted in 1944 to ensure the transparency of the intellectual property exchange market, to trace back the contractual relationships between firms involved in film production in the study period. We identified 8,232 production contracts related to films produced during the period, of which 1,489 involved Sofica funding. Again, we are confident the data is complete: contract registration is a legal requirement, and courts use Film Public Register records in litigation cases. The contracts allow us to faithfully and exhaustively reconstruct the film-financing network in the relevant period, which we found comprised 18,072 ties between 2,340 distinct firms. We completed our dataset with additional data from the professional database *Ciné Box Office*, weekly issues of *Le Film Français* (a trade journal), and the Cannes Festival's online archives.

Although the Sofica scheme actually started in 1986, partial data availability before 1994 and tepid success of the initiative prevent us from observing the effects of Soficas on the film industry in its early years.<sup>1</sup> Banks began in the early 1990s only to guarantee investors minimum yields to increase the attractiveness of Sofica financial products, which spurred interest, leading to a gradual (although not continuous) growth of the number of funds and total assets in subsequent years (Figure 1). During this time however, the average contribution of Soficas remained relatively limited, in the range of 7% to 12% of production budgets, slightly lower in later years. A dummy variable used to control for the few funds established before 1994 proved non-significant, and was not retained in the displayed models. We also

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<sup>1</sup> The market finance logic had not significantly pervaded the industry and remained a minority logic in 1994. Past studies have shown that institutionalization processes and blending of opposing logics take at least fifteen years (Lounsbury, 2007; Rao et al., 2005, Thornton and Ocasio, 1999). In our setting, Sofica investment activity did not really start to take off until 1994. The number of new funds actually fell from 9 in 1986 to 4 in 1991, and their total assets shrunk from the equivalent of €40m to €15m, less than the full budgets of three movies.

introduced a dummy variable in unreported models to identify films produced in 2008 (the last year of our dataset) to investigate possible right-censoring issues: the effect of the dummy variable appeared non-significant, suggesting right censoring was not a major concern either.

*Insert Figure 1 about here*

## Measures

***Dependent variable.*** Consistent with our definition of conformity as being continuous rather than dichotomous, we interpret the breadth of a film release (i.e., the number of prints distributed the first week of exploitation) as indicating film-makers' conformity to Soficas market finance logic. We therefore use the natural log of the number of prints distributed as a measure of *alternative conformity*, continuously capturing film release breadth: the more prints distributed (and thus screens occupied), the closer the release strategy approaches to the blitz model, i.e., the more it aligns with market finance logic and departs from the dominant film industry logic. We choose this variable because print numbers are directly under film-makers' control, and thus fit with our definition of conformity as illustrating concrete engagement by the production organization.

***Independent variables and moderators.*** The independent variable *minority participation* captures the involvement of minority logic holders in film-making organizations as the natural log of the amounts invested by Soficas, and was constructed by identifying production contracts involving Soficas from the Film Public Register and retrieving the amounts invested from the contract details. When more than one Sofica invested in a film, the amounts were summed. This continuous measure allows for a precise assessment of Soficas' material involvement in the making of the film. Note that Soficas finance production costs, not print and advertising expenditures. We resort to a two-stage estimation procedure (as

explained below), which uses the film budget as an instrument to predict the value of minority participation in the first estimation step. For that reason, we use the total investment amounts as our independent variable rather than the proportion of Sofica investments in a film's total budget; although results are similar, the instruments' exogeneity was significantly weaker using the latter indicator.

Three moderating variables are used to test our model. We measure the concept of *logic adherence* by counting the number of 'Art & Essai' movies the film director has been involved with before directing the focal film. The 'Art & Essai' classification was created during the Nouvelle Vague movement by directors, critics and theatre owners from the Association of French Art-house Theatres (AFCAE), to celebrate "*all creative endeavors with unlimited freedom*", and signals directors' allegiance to the industry's established culturally oriented logic. We focus on the directors' track record, as they are the central figures in French cinema: it is they (not the producers) who are legally entitled to decide on the 'final cut' (the version of the film that is actually released) and who therefore occupy the central roles in film-making organizations.

We measure the concept of a minority resource supplier's *structural position* by computing the normalized value of Soficas' average degree centrality in the producers' network (Freeman, 1979), i.e. the number of ties incident on a Sofica over a 3-year window.<sup>2</sup> We include 'failure' data on ties formed in projects that were never completed, which allows us to avoid a statistical bias common in network studies (Uzzi & Spiro, 2005). Consistent with longitudinal network studies in similar industries (Cattani et al, 2008), we assume ties remain active for 3 years (thus a tie formed in 1994 is deemed active until 1996), a timeframe which

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<sup>2</sup> Organizations not involved with Soficas are assigned a value of zero because their conformity behaviors are not affected by the structural position Soficas occupy.

appears reasonable given the industry's project-based nature, and the typical one-two years it takes to make a film. Results remain unchanged when using alternative specifications based on two-year and four-year windows. The moving-window approach presumes that older ties dissolve as new ones form because tie maintenance has costs that limit the number of ties that can be kept active simultaneously. Our moving-window approach means that models that include *structural position* as a variable exclude the first two years of observations used to compute centrality measures, reducing the number of observations to 2,300 films. Degree centrality is better suited than other centrality measures to study how logic holders are positioned in resource supply networks because it captures their involvement in the network (Opsahl, Agneessens, & Skvoretz, 2010) and the immediate likelihood of them being influenced by the logic of adjacent network nodes (Borgatti, 2005; e.g., Davis, 1991). Normalized degree centrality is computed using UCINET 6.289 (Borgatti, Everett, & Freeman, 2002).

Finally, we measure the concept of *institutional credit* over time by counting the accumulated number of films financed by Soficas as at the calendar month when a focal film enters into production (first production contract signed) divided by 1000. We also tested the cumulative amount invested by Soficas as another measure, and obtained very similar results.

***Control variables.*** Film characteristics found in other studies (Cattani et al., 2008; Hsu, 2006) may affect exhibitors' demand and film-makers' choice for new releases. The *genre* of the film may be an important factor (e.g., comedies might be more widely distributed than dramas), so we control for this factor by including 16 distinct categorical variables (comedy, drama-comedy, drama, documentary, thriller, adventure, fantastic, animation, action, horror, science fiction, musical, historical, western, war and erotic). We also control for film ratings,



since the release strategy of censored films may be more likely to follow a blitz approach as they have more limited pools of viewers and shorter sales patterns. Our *rating* is a categorical variable equals to 0 for films rated suitable for all audiences, and 1 otherwise. By definition, sequels are designed to repeat prior successes, may have the preference of theatre owners, and open more widely. The variable *sequel* takes the value of 1 where the film is a sequel to a previous release, and 0 otherwise.

The presence of stars in the cast may also increase public exposure, raise exhibitors' demand, and entice film-makers to increase the number of releases the first week. In our models, we add the variable *stars*, a count variable equal to the number of cast members who were among the top 5 grossing actors in the 3 years preceding production. Awards are also scrutinized in the industry (Rossman, Esparza, & Bonacich, 2010), and those granted before release<sup>3</sup> may affect how films are released. Cannes Film Festival awards are so timed, so we include *Cannes* as a categorical variable equal to 1 if the film is awarded a major award at Cannes<sup>4</sup>, and 0 otherwise. We focus on awards at Cannes rather than from other film events because the festival ethos and history, and its wide media coverage, have made it arguably the industry's (and certainly the French industry's) most influential event; we expect such awards will be positively related to wider releases.

The biggest distributors may also have specific release patterns by virtue of their greater power in the exhibitor market: *top distributor* equals 1 if the film's distributor was among the top 5 grossing distributors in the preceding year<sup>5</sup>, and 0 otherwise. We also account

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<sup>3</sup> Most awards (e.g., *Academy Awards*, *Les Césars*, etc) are largely irrelevant to our analysis, as they are often granted months after films have been shown in theatres

<sup>4</sup> *Palme d'or*, *Grand Prix du Jury*, *Prix Spécial du Jury*, *Prix du Jury*, *Prix d'Interprétation Masculine*, *Prix d'Interprétation Féminine*, *Prix de la Mise en Scène*, *Prix du Scénario*, *Prix de la Caméra d'or*, *Prix Un Certain Regard*.

<sup>5</sup> Unlike other markets (e.g., North America), there is no clear-cut distinction between major and independent distributors in the French market. We therefore opted for a concentration index grouping the five major

for the level of competition the film faces in the theatrical market: *competition* is the number of other films released the same opening week, and is expected to negatively impact the dependent variable.

Finally, we control for unobserved factors across and within years that may affect the size of film releases. To account for changes in attendance and competition in the theatrical market, we include 14 categorical *release year* variables (1996, 1997... 2009) to capture potential year-specific effects. We also add two categorical variables that capture the seasonality of the film market - *Christmas* and *summer* - equal to 1 if the film was released at those times, 0 otherwise. Films released at such periods when cinema attendances are high may face higher competition for screens, which will constrain their release strategies, and may negatively impact the measurement of our dependent variable.

### **Model Specification, Estimation, and Robustness Checks**

There are reasons to believe that the independent variable under study is endogenous: Sofica fund managers do not invest at random, but make investment choices based on factors that also relate to alternative conformity. This is confirmed by examining the Durbin component of the Durbin-Wu-Hausman test (Baum, 2006): the null hypothesis that an ordinary least square method would yield consistent estimates is rejected in all instrumented models (see bottom panel, Table 2). To account for endogeneity properly, we rely on Generalized Method of Moments (GMM) procedures. GMM is recommended in case of heteroskedasticity, the presence of which in our dataset was confirmed by a Pagan and Hall test (p-value=0.0000). GMM allows more efficient estimations than the two-stage least square method (2SLS) when the model is over-identified and the number of observations is large (Stock & Yogo, 2005).

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distributors. Results are similar with a classical concentration index using the four top players, but we preferred an index of five because there was clear drop in market share between the 5<sup>th</sup> and 6<sup>th</sup> biggest distributors, but no significant difference between the 4<sup>th</sup> and 5<sup>th</sup>.

We rely on two instruments. *Overall investments* is the natural log of the overall amount of assets invested via Soficas' in the year a film is produced. We expect this to be relevant, as Soficas' decisions to invest or not in a given film project are likely to be affected by asset availability at the time. The instrument is exogenous in that its value results from a legislative decision: the annual overall amount of tax breaks available to investors in film funds is voted as part of the annual French State budget, before being allocated to individual funds by the Ministry of Finance. The other instrument *–film budget–* is the natural log of a film's production budget. We see production budget levels as relevant instruments, as fund managers are likely to be sensitive to key financial considerations when making investment decisions. We expect this instrument to be at least partially exogenous. The two instruments are strongly dissimilar (pairwise correlation of .04), alleviating concerns of multicollinearity. As interacted variables inherit endogeneity from the main independent variable, additional instruments were added to estimate models with moderating effects by interacting the two instruments with the moderator, under the assumption that the latter is exogenous to the equation of interest.

We followed Bascle (2008) in computing a first-stage F-statistic to ascertain the strength of the instruments (Stock & Yogo, 2005), and used the Hansen J-statistic to test for over-identifying restrictions in GMM regressions, confirming the results of the latter via Sargan and Basman tests. When applicable, we also computed difference-in-Sargan statistics to verify the exogeneity of each instrument considered in isolation<sup>6</sup>. We subsequently ran Moreira's (2003) conditional likelihood ratio to confirm the main effect in Model 2 (Andrews, Moreira, & Stock, 2008) and, finally, used the Durbin component of the Durbin-Hu-Hausman

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<sup>6</sup> The difference-in-Sargan statistics is not applicable when the number of instruments is lower than the number of endogenous regressors + 2.

test to confirm the endogeneity of *Sofica investments* in all models. All relevant statistics are reported in the bottom panel of Table 2.

## RESULTS

Table 1 provides summary statistics and pairwise correlation coefficients for all variables in the models. The correlation between *Minority participation* and *Structural position* (.7842, significant at .001) is due to the fact that centrality is only observed for films in which Sofica funds were invested: on the subset of Sofica-funded films, however, the correlation between the two variables drops to -.2601 (significant at .001). In addition, modeling *Minority participation* as an endogenous variable alleviates multicollinearity concerns.

*Insert Table 1 about here*

Table 2 presents the results of regression equations for the 2,531 films produced between 1994 and 2008: Models 1 and 2 are Ordinary Least Square regressions (OLS), while the others are GMM regressions treating the main independent variable as endogenous. Models 2 and 3 test the direct effect of *Minority participation* on *alternative conformity*. Models 4 to 7 sequentially introduce the moderating effects of *logic adherence*, *structural position* and *institutional credit*. All models rely on heteroskedastic-robust standard errors, and include dummy variables to capture fixed *genre* and *release year* effects.

*Insert Table 2 about here*

Model 1 examines the effect of the control variables on *alternative conformity*. Overall the estimates are in the expected direction: *rating*, *sequels*, *stars*, *Cannes* and *top distributors* are positively and significantly related to wider releases, while *Summer* and *competition* have opposite effects. *Christmas* is negative (as expected) but statistically non-significant. Overall, the model explains .45 of the variance in release strategies.

Hypothesis 1 predicts that *alternative conformity* will be positively related to *minority participation*, which we introduce in Model 2. The coefficient estimate of the variable of interest is positive and strongly significant (.069, p-value=.000), supporting our prediction. We suspect that the decision of Soficas to invest in film-making organizations is not random, since factors underlying investment decisions are likely to be correlated with the dependent variable, violating an important assumption of OLS estimation. To correct for the resulting bias, we treat *minority participation* as an endogenous regressor in Model 3, and estimate the equation using GMM. We find that the estimated coefficient of *minority participation* remains positive and significant, lending support to Hypothesis 1. Note that the p-value of the Durbin component of the Durbin-Wu-Hausman test (p-value=.000) allows us to reject the null hypothesis that the regressor is exogenous, and confirms that the OLS model yields biased estimates. Between Model 2 and Model 3, we also observe a dramatic increase in the size of the coefficient. As both the independent and dependent variables are natural logs, we can interpret the coefficient as a sort of elasticity measure: a 10% increase in Sofica's participation (as predicted by the first-stage equation) is associated with a 5.75% increase (p-value=.000) in the degree of conformity to the minority logic (after accounting for endogeneity). In more concrete terms, over the period, the average investment in film by Soficas is €495,000: Model 3 shows that a 10% increase in Sofica investment (i.e. from €495,000 to €545,000) is associated with an increase of 10 (from 166 to 176) in the number of prints released, all else being equal. (The model also shows that the absence of Sofica investment would have dropped the average print numbers released to just 71.)

Looking closer, we observe that *stars* and *competition* lose significance in Model 3, hinting that the relationship between these factors and the dependent variable observed in

Model 2 (OLS) may be induced by endogeneity in the model. From the tests of the relevance and exogeneity of the instruments, we see that the first-stage F-statistic (105.07) is largely above the value recommended by Stock and Yogo (2005) –19.93 for one endogenous regressor and two instruments (based on TSLS size)– confirming the relevance of the instruments. The Hansen J-statistic for over-identifying restrictions (p-value=.5754) supports the assumption that the instruments are exogenous while, finally, Moreira’s CLR estimate ([.50; .68], p-value=.000) confirms the accuracy of the estimation.

In Model 4, we add *logic adherence* as a direct and as a moderating factor. The direct effect is positive and significant (.162, p-value=.002), indicating that when film-makers are led by directors with demonstrated adherence to the dominant film industry logic, they have on average wider releases, which is likely concomitant of them being known in the exhibitor market. Hypothesis 2 concerns the interaction of *logic adherence* with *minority participation*, and predicts that organizations that are more entrenched in the dominant logic of the industry will tend to be more reluctant to embrace the market finance logic of Soficas in case they receive such funds’ participation. The negative and significant coefficient of the interaction effect (-.041, p-value=.001) lends support to this hypothesis, although the estimates of the interaction terms are conditional marginal effects, and cannot be interpreted in isolation from the dependent variable. For this reason, we represent the marginal effect of *minority participation* on *alternative conformity* conditional on *logic adherence* graphically in Figure 2 (Brambor, Clark, & Golder, 2006), using the estimations of Model 4. We observe that the marginal effect decreases monotonically with *logic adherence*, up to the point where it becomes close to zero and statistically non significant (above a value of 10). All else being equal, for an average level of *minority participation*, and compared to film directors who

never shot an art house films, the estimated marginal change in *alternative conformity* is about 1/3 and 2/3 lower when film directors have directed 5 and 10 art house films respectively.

There is a concern that the findings of Model 4 may be related to the general experience of film directors, rather than their prior involvement with the dominant logic. To guard against this alternative explanation, we ran the same model replacing *logic adherence* by *experience*, a count variable of all the director's previous films. In Model 5, which presents this test, the estimated coefficient of the interaction is far from significant. Graphically too (unreported), the marginal effect of *minority participation* on *alternative conformity* appears not to vary much with respect to *experience*, reinforcing our confidence that *logic adherence* rather than general experience drive the results of Model 4, in line with hypothesis 2.

*Insert Figure 2 about here*

We introduce the direct and moderating effects of *structural position* in Model 6 (after having tested them separately). The direct effect of *structural position* is positive, suggesting that film-making organizations financed by Soficas occupying a central position in the network of resource suppliers have broader releases than those financed by more peripheral funds; this finding is in line with classical network arguments that see centrality primarily as a vector of influence (e.g., Borgatti, 2005). Hypothesis 3 suggests that Soficas' centrality will reduce the association between *minority participation* and *alternative conformity*; we find that the estimated coefficient of the interaction term is negative (-.962) and significant at the 0.1% level. However, an inspection of the tests reveals that one of the instruments in Model 6 is not exogenous (p-value of the Difference-in-Sargan statistic=.0202) and that the interaction term *minority participation x structural position* is not endogenous to the equation (p-value of the Durbin component of the Durbin-Wu-Hausman test=.5765). Accordingly, and to confirm the

results, we estimated Model 7, in which the interaction term associated to *structural position* is treated as exogenous. The coefficient estimate of the interaction term appears in the same range and equally significant (-.882, p-value=.000), confirming the results of Model 6 and adding support to Hypothesis 3<sup>7</sup>. All the instruments of Model 7 are exogenous. The graphical representation (Figure 3) allows a closer analysis of the marginal effect of *minority participation* on *alternative conformity* conditional on *structural position*. Consistent with Hypothesis 3, we observe a strong effect of Soficas' *structural position* on the relationship of interest. The marginal effect is positive and significant at low normalized degree centrality values (below 1.1), becomes non significant at medium values, and even turns negative at higher values (above a degree centrality of 3), which seems to indicate that (in line with Hypothesis 3) the socialization of Soficas in the overall resource network strongly reduces film-makers' propensity to respond to their participation by conforming to their minority logic.

Finally, Model 8 adds the direct and moderating effects of *institutional credit*. The direct effect is positive and significant, suggesting that, as the involvement of Soficas becomes more common, conformity to the market finance logic is increasingly likely. The coefficients of the two other moderating effects remain consistent with the previous models' results. Of particular interest, the interaction coefficient of *institutional credit* on *minority participation* is negative and marginally significant (p-value=.097), giving support to Hypothesis 4. Figure 4

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<sup>7</sup> An anonymous reviewer raised concerns that, as both *minority participation* and *structural position* have both strongly positive direct effects, this result might be related to the bounded nature of the dependent variable. Although such bias appears unlikely as no film in the sample occupies more 20% of screens, we tested for this possibility in unreported models. First, we added a dummy variable to control for films released on an *exceptional scale* (over 800 prints). As it appeared not significant, we created another dummy variable for films released on a *large scale* (over half the maximum number of prints in the sample). Again, the variable failed to reach statistical significance. Furthermore, when exceptional and large scale observations are dropped from the analysis, the moderating effect of *structural position* remains negative and highly significant.



shows the moderating effect of *institutional credit* on the relationship between *minority participation* and *alternative conformity*: the marginal effect recedes as institutional credit increases, although the slope is not as pronounced as for the other two moderators. Overall, we find strong support for our set of hypotheses. Concretely, when considered in combination, a 10% simultaneous increase in *logic adherence*, *structural position* and *institutional credit* relative to their average values would lower the estimated number of prints for an average Sofica-financed film by about 55%.

*Insert Figures 3 and 4 about here*

Our measure of conformity captures the breadth of a film's theatrical release (i.e., number of prints made available for its opening) under the assumption that blitz-like releases translate into higher first week revenues and thus appeal to the market finance logic of Soficas. To confirm this, and as an additional robustness check, we ran a series of additional models using the natural log of *first week box office* admissions as a measure of the effect of alternative conformity: as expected, the measure has a strong but not perfect correlation with *alternative conformity* (.782, p-value=.000). Overall, the estimation results presented in Table 3 confirm the robustness of the patterns found in Models 1-8. Estimated by OLS, model 9 introduces control variables and Model 10 adds minority participation. Model 11 confirms the positive and significant effect of *minority participation* on *first week box office* when endogeneity is accounted for, adding support to Hypothesis 1. For the average film financed by Soficas, a 10% increase in Sofica investment (+€49,500) is associated with 10,243 additional admissions in the opening week, adding about €56,334 in gross box office over one week (with an average ticket price at €5.5). Without Sofica money, the estimated opening revenues (all else being equal) would be cut by more than two thirds. The negative and significant moderating

effects of *logic adherence* and Sofica's *structural position* on the main effect are corroborated in Models 12 and 13, in line with Hypotheses 2 and 3. The moderating effect of *institutional credit* is negative as expected, but fails to reach statistical significance in the full Model 14.

## DISCUSSION AND CONCLUSION

In contrast to prior works which have emphasized how powerful external actors control critical material or symbolic resources, our theory of alternative conformity draws attention to the unexplored role of minority logic holders. Sofica investment funds, despite being marginal players in the French film industry from both institutional and resource standpoints, played a significant role in modifying film-makers' release decisions. The more financially involved Soficas became in film production, the more the film-makers with whom they interacted adopted release policies that departed from the established industry logic, a finding that cannot be explained by resource dependence and institutional views that conceive conformity either as a *control* mechanism or as *obedience* to the constraints imposed by dominant players and audiences.

To us, alternative conformity is a *soft-control strategy*, i.e. a strategic behavior that changes how dominant providers exert and impose their interests on organizations, but does so indirectly and progressively. By accepting minority participation, organizations secure secondary resource supply, alter the social structure (centrality) of dominant players, and promote distinct theories of action in the industry. In return, they adjust their behavior in conformity with their suppliers' minority logic. While the industry remained dominated by incumbent film investors promoting the institutional *status quo* as some film-makers chose to conform to the Sofica's market finance logic, dependence on traditional film investors eased and more market-oriented actions gained ground. Deviation from the dominant logic was

gradual and moderate (see Model 3), took place at the organizational level, and as a result did not elicit a massive reaction from dominant players. Alternative conformity is conditional on the context of the exchange. In case of minority participation, film-makers' awareness and willingness to conform to minority logic holders' demands depend on the film-maker's previous level of adherence to the dominant logic, the centrality of the suppliers in the resource supply network, and to a lesser extent the institutional credit garnered by the minority logic. All these factors are directly and positively related to the breadth of a film's theatrical release but moderate negatively the main relationship between minority participation and alternative conformity.

### **Contributions to the Resource Dependence Perspective**

Studies following the resource dependence perspective have mostly regarded organizations' responses to external constraints as direct reactions against the industry-level pressures from resource providers in a mono-logic context. As Hillman et al. (2009) stress, resource dependence theory has not yet specified which dependencies take precedence over time where multiple suppliers with distinct logics are involved. We answer this call in this study. Organizations' struggle for autonomy and control, at the heart of the resource dependence perspective, must be recast in situations where distinct resource suppliers attempt to enforce more or less conflicting logic-based demands. At the organization-resource supplier level, coexistence of dominant and minority logic holders opens up alternative conformity opportunities for organizations, a point that has largely been ignored in past research.

So by varying their levels of conformity to minority resource suppliers, organizations can loosen dominant players' hold, favor minority players' socialization, and promote alternative logics; hence, they gain control and autonomy over established resource holders. Alternative conformity help build mutual dependence (Casciaro & Piskorski, 2005):

organizations depend on resource suppliers, but resource suppliers (in particular minority players) need tokens of conformity from organizations if they aim to survive and introduce and maintain their logic in the industry. Our study avoids the ecological fallacy of previous resource-dependence studies by revealing the dynamics of alternative conformity at the organizational level, dynamics that would not be as apparent at the industry level (Davis & Cobb, 2010). Our study encourages also researchers to consider resource dependence from a perspective where conformity is not just proportional to the relative ‘magnitude of the exchange’ with each supplier (Pfeffer & Salancik, 1978: 46) but accounts for the context and characteristics of the parties involved in the exchange. In multiple logic contexts, research on resource dependence needs to integrate the direct *and* indirect control mechanisms used by organizations to attenuate dominant resource suppliers’ hegemony.

### **Contributions to Neo-institutional Theory**

Resource dependency and institutional logics cannot be assumed to be fixed facts external to the resource relationship context, but should be conceived as social choices that are maintained through actors’ enactment. The challenge for institutional scholars today is to shed light on what mechanisms generate and maintain institutional plurality without assuming a shift in logic dominance is necessary (Kraatz & Block, 2008; Murray, 2010). With this in mind, our study complements recent work in at least two ways.

First, many studies about institutional plurality ignore the material engagements involved in conformity, focusing instead on changes in rationalities, discourses, practices and identities. Echoing the original spirit of neo-institutionalism, which stressed the formal and costly modifications organizations may have to undertake to accommodate legitimacy granting institutional actors (Meyer & Rowan, 1977; Tolbert & Zucker, 1997), we show

clearly that conformity implies material engagements: our case indicates that without Soficas' investments, the release policy of the average film would differ substantially –71 copies instead of 166 on average. So there can be significant modifications in behavior according to a logic, but without implying dominance on the part of this logic and its industry-level holders.

Second, several studies document how individuals and organizations make sense of the constraints involved in the confrontation with plural logics by creating hybrid structures (Murray 2010) or by reframing their identities (e.g., Battilana & Dorado, 2010; Lok, 2010). Our study changes the focus to the organization-resource supplier level: it sees institutional plurality as an opportunity to challenge institutional orders and generate new mutual organization/supplier dependencies. It illustrates the subtle dynamics of concrete institutional evolution that take place in situation of exchange between minority participation and alternative conformity. Despite being minority suppliers both at the organizational and industry levels, Soficas' influence, among many others undoubtedly, was effective. Over our period of study, the proportion of films that earned more than 40% of their admissions in their opening week increased from less than a third of the production slate in 1994 (31%) to two thirds in 2008 (67%).

Our study is not without limitations, the most obvious of which concerns the external validity of our findings. Although the film industry has received some management literature attention, prior studies have mostly built on North American data. While looking at the French film production industry allows us to examine how the market finance logic penetrated a setting where non-market culture and institutions were strongly established, it still faces the shortcomings of any national study. Second, our context meant we could only study the supply of one critical resource by two distinct logic holders, so the sensitivity of our results to more

complex situations needs to be tested. What happens when the two suppliers are not complementary but act as substitutes? Or when two distinct resource holders supply two distinct resources? Or when there are more than two logics, with a varying degree of compatibility between them, or when the influence of a new logic grows to the point where it supplants a previously dominant one? These questions are not addressed in this paper, which sought rather to establish the presence and conditions of alternative conformity. Nevertheless, we expect the theory we have developed here to be applicable to other industry settings where minority logics exist and to offer an adjustable baseline for different scenarios. For instance, to confirm our results, future research could investigate the entrance of new organizations mandated by the State to allocate bailout resources to industries in crisis, maintaining the hegemony of market institutions but dramatically modifying concrete practices. Or one may look at situations where a plurality of logics imposes changing demands on agents – as with responsible investment and sustainable development. In sum, we argue that the influence of minority logic holders cannot be fully captured by looking simply at their feebler resource supply or institutional unconventionality. Looking closely at the exchanges in terms of the resources they provide to organizations and the material responses they receive from these organizations reveals that alternative conformity is a soft control strategy that contributes to alter actions concretely and tinker institutional orders without overthrowing dominant players.

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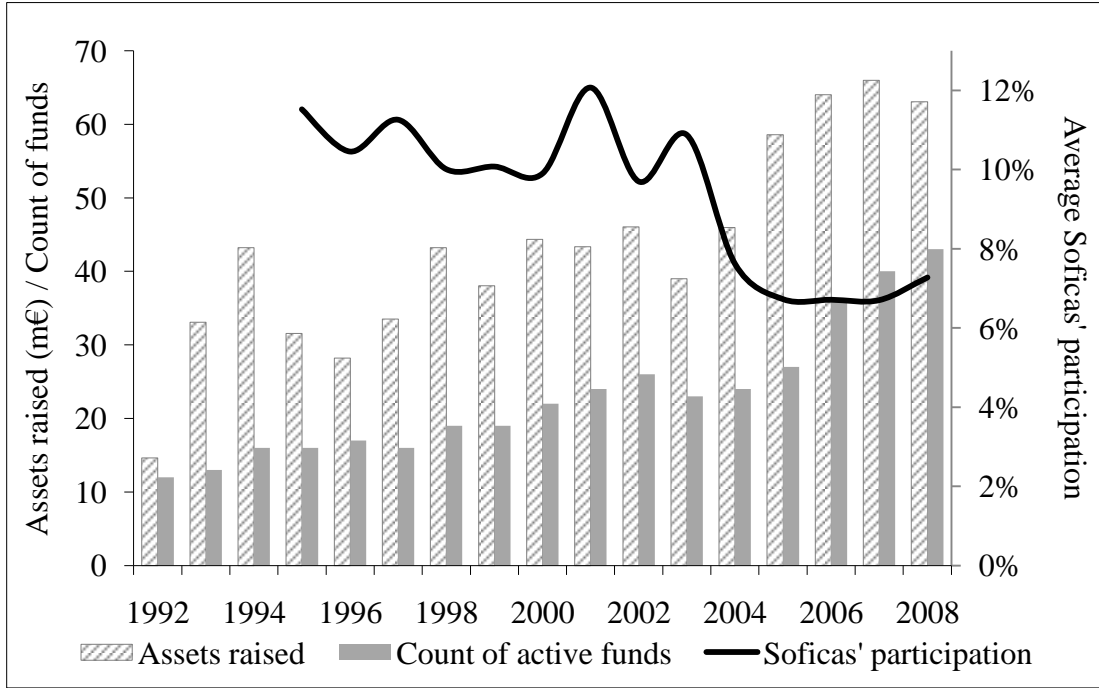
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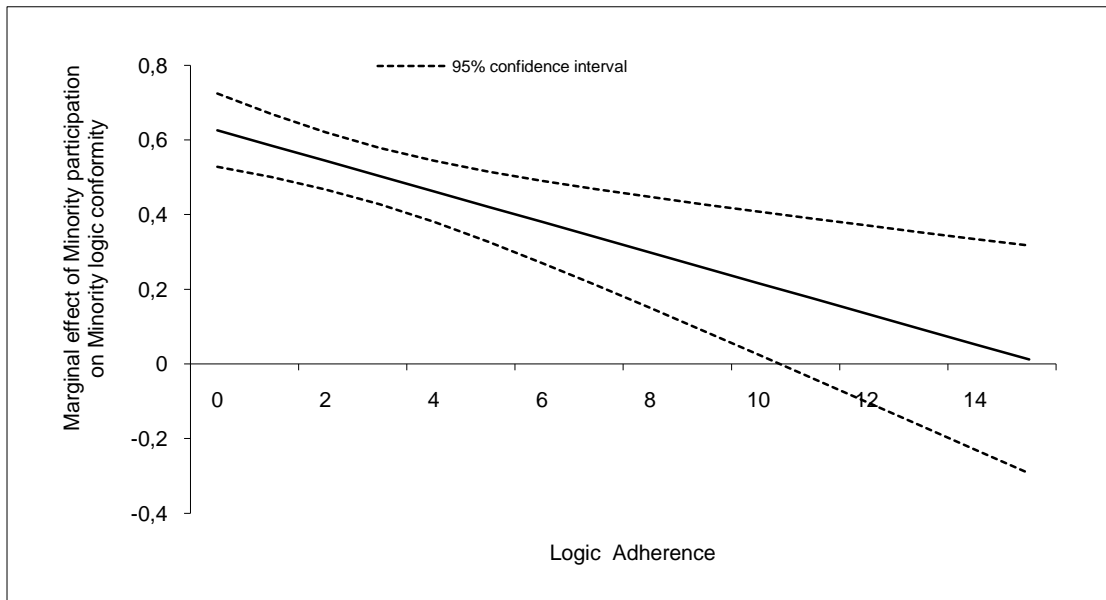
**FIGURE 1**

Population of Active Soficas, Volume of Assets Raised, and Average Soficas' Participation to a film's production budget (1992-2008)



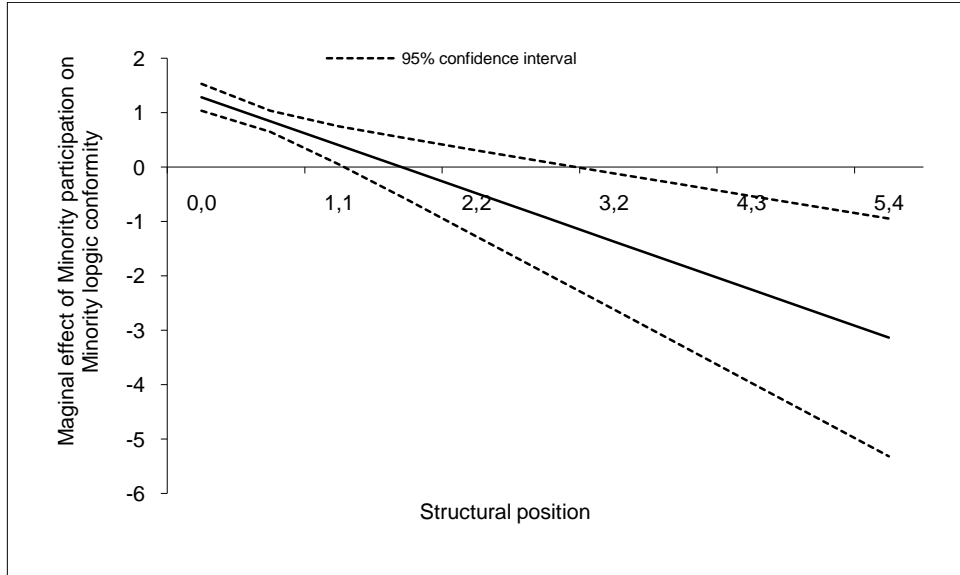
**FIGURE 2**

Marginal Effect of *Minority participation* on *Alternative conformity* conditional on *Logic Adherence*



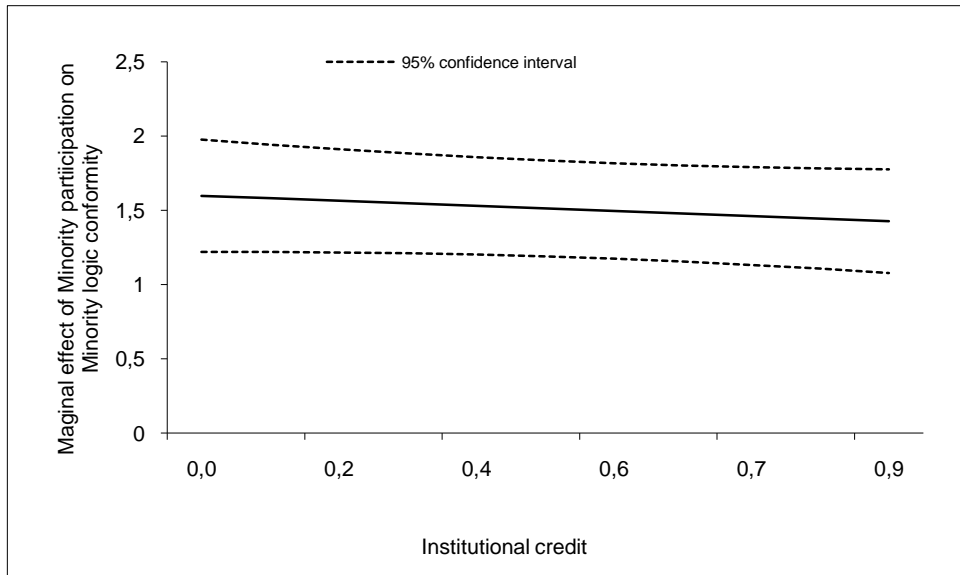
**FIGURE 3**

Marginal Effect of *Minority participation* on *Alternative conformity* conditional on *Structural position*



**FIGURE 4**

Marginal Effect of *Minority participation* on *Alternative conformity* conditional on *Institutional Credit*



**TABLE 1**  
Pairwise Correlations and Summary Statistics (n=2,531)

	mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1 alternative conformity	3.43	2.11															
2 minority participation	4.48	6.08	0.295														
3 logic adherence	1.06	1.94	0.124	0.073													
4 structural position	0.66	1.12	0.240	0.784	0.079												
5 institutional credit	0.43	0.27	0.371	0.129	0.074	0.161											
6 rating	0.07	0.26	0.010	0.013	-0.030	0.005	-0.050										
7 sequel	0.01	0.09	0.132	-0.009	0.011	-0.011	0.048	-0.008									
8 stars	0.05	0.24	0.186	0.059	-0.018	0.045	0.050	-0.015	0.144								
9 cannes	0.02	0.13	0.064	-0.026	0.065	-0.008	-0.020	0.043	-0.012	-0.026							
10 christmas	0.07	0.26	0.001	0.003	-0.006	-0.001	0.017	-0.037	0.007	0.027	-0.016						
11 summer	0.12	0.33	-0.041	0.020	-0.025	0.013	0.008	0.040	-0.021	-0.008	-0.007	-0.107					
12 top distributor	0.17	0.38	0.301	0.095	0.032	0.026	0.016	-0.021	0.062	0.153	0.000	0.010	-0.015				
13 competition	10.45	2.98	0.112	-0.006	-0.036	0.045	0.267	-0.039	0.027	0.033	-0.092	-0.035	-0.066	-0.019			
14 minor. particip x logic adherence	5.60	17.16	0.197	0.446	0.585	0.380	0.099	-0.015	-0.009	0.026	0.011	-0.028	0.013	0.072	-0.011		
15 minor. particip x structur. position	8.29	13.90	0.253	0.795	0.082	0.996	0.156	0.003	-0.008	0.056	-0.009	-0.001	0.011	0.041	0.044	0.390	
16 minor. particip x inst. credit	2.13	3.52	0.352	0.813	0.088	0.691	0.455	-0.030	0.015	0.073	-0.021	0.001	0.020	0.082	0.089	0.402	0.696

**TABLE 2**  
**OLS and GMM Estimations of the Effect on *Alternative conformity of***  
*Minority participation, Logic adherence, Structural position, and Institutional credit*

VARIABLES	OLS Model 1	OLS Model 2	GMM Model 3	GMM Model 4	GMM Model 5	GMM Model 6	GMM <sup>a</sup> Model 7	GMM Model 8
Genre dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Release year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
rating	0.274* (0.137)	0.248+ (0.133)	0.061 (0.280)	0.032 (0.287)	0.086 (0.277)	-0.261 (0.415)	-0.252 (0.410)	-0.379 (0.431)
sequel	0.944*** (0.235)	1.093*** (0.259)	2.192** (0.825)	2.114* (0.836)	2.126* (0.833)	2.137* (0.877)	2.061* (0.878)	2.171* (0.856)
stars	0.681*** (0.154)	0.631*** (0.143)	0.270 (0.296)	0.312 (0.308)	0.270 (0.296)	0.652+ (0.393)	0.615 (0.379)	0.656+ (0.392)
Cannes	1.386*** (0.238)	1.446*** (0.237)	1.880*** (0.483)	1.825*** (0.473)	1.876*** (0.479)	2.852*** (0.522)	2.844*** (0.526)	2.894*** (0.515)
top distributor	1.355*** (0.088)	1.287*** (0.088)	0.793*** (0.213)	0.845*** (0.216)	0.766*** (0.212)	0.603+ (0.332)	0.497 (0.328)	0.592+ (0.337)
competition	-0.059*** (0.012)	-0.055*** (0.012)	-0.028 (0.025)	-0.028 (0.026)	-0.027 (0.025)	-0.037 (0.038)	-0.046 (0.038)	-0.043 (0.039)
Christmas	-0.170 (0.124)	-0.170 (0.119)	-0.171 (0.263)	-0.235 (0.273)	-0.165 (0.260)	-0.456 (0.382)	-0.431 (0.376)	-0.517 (0.387)
summer	-0.315** (0.098)	-0.322*** (0.094)	-0.366+ (0.206)	-0.337 (0.210)	-0.359+ (0.205)	-0.501 (0.330)	-0.519 (0.321)	-0.551 (0.337)
minority participation		0.069*** (0.005)	0.575*** (0.041)	0.626*** (0.050)	0.563*** (0.047)	1.550*** (0.177)	1.528*** (0.167)	1.679*** (0.197)
logic adherence				0.162** (0.053)		0.246** (0.082)	0.233** (0.080)	0.228** (0.084)
minority participation x logic adherence				-0.041*** (0.012)		-0.042* (0.019)	-0.040* (0.019)	-0.039* (0.020)
experience					0.023 (0.046)			
minority participation x experience					0.002 (0.012)			
structural position						5.669* (2.884)	4.736** (1.555)	5.986* (2.914)
minority participation x structural position						-0.962*** (0.277)	-0.882*** (0.169)	-0.994*** (0.280)
institutional credit								2.235** (0.001)
minority participation x institutional credit								-0.258+ (0.155)
Constant	2.463*** (0.724)	2.212** (0.719)	0.435 (1.911)	0.434 (1.684)	0.387 (1.908)	0.425 (2.632)	0.821 (2.656)	-0.525 (2.987)
R-squared	.4469	.4843	-	-	-	-	-	-
No. of endog. regressors (instruments)	-	-	1 (2)	2 (4)	2 (4)	3 (6)	2 (4)	4 (8)
First-stage F-statistic	-	-	105.07	53.10	51.06	27.13	22.42	20.47
p-value of Hansen J-test	-	-	.3974	.6042	.4859	.0850	.2027	.4589
Difference-in-Sargan statistic	-	-	-	Yes	Yes	No	Yes	Yes
p-value of Durbin component	-	-	.0000	.0000	.0000	.0000	.0000	.0000
Moreira's CLR	-	-	[.50, .68]	-	-	-	-	-
p-value in parentheses	-	-	.0000	-	-	-	-	-
Observations	2531	2531	2531	2531	2531	2300	2300	2300
Period	1994-08	1994-08	1994-08	1994-08	1994-08	1996-08	1996-08	1996-08

p \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1. Heteroskedastic-robust standard errors are given in parentheses below the coefficient. For the difference-in-Sargan statistic, "Yes" means that all instruments are exogenous.

<sup>a</sup> In Model 7, minority participation x structural position is treated as an exogenous regressor.

**TABLE 3**  
 OLS and GMM Estimations of the Effect on *First week box office of Minority participation, Logic adherence, Structural position, and Institutional credit*

VARIABLES	OLS Model 9	OLS Model 10	GMM Model 11	GMM Model 12	GMM <sup>a</sup> Model 13	GMM Model 14
Genre dummies	Yes	Yes	Yes	Yes	Yes	Yes
Release year dummies	Yes	Yes	Yes	Yes	Yes	Yes
rating	0.471*** (0.143)	0.438** (0.139)	0.204 (0.344)	0.173 (0.351)	-0.202 (0.504)	-0.324 (0.525)
sequel	1.922*** (0.314)	2.111*** (0.351)	3.480** (1.058)	3.339** (1.060)	3.266** (1.126)	3.365** (1.097)
stars	0.818*** (0.174)	0.755*** (0.161)	0.307 (0.369)	0.377 (0.384)	0.734 (0.474)	0.740 (0.482)
Cannes	1.711*** (0.220)	1.787*** (0.218)	2.325*** (0.572)	2.223*** (0.553)	3.495*** (0.632)	3.509*** (0.616)
top distributor	1.652*** (0.081)	1.565*** (0.081)	0.949*** (0.255)	1.015*** (0.258)	0.701+ (0.406)	0.823* (0.411)
competition	-0.073*** (0.013)	-0.068*** (0.013)	-0.035 (0.031)	-0.033 (0.031)	-0.052 (0.047)	-0.047 (0.047)
Christmas	-0.154 (0.133)	-0.154 (0.124)	-0.154 (0.312)	-0.242 (0.323)	-0.379 (0.470)	-0.480 (0.478)
summer	-0.589*** (0.110)	-0.597*** (0.103)	-0.654** (0.247)	-0.606* (0.252)	-0.822* (0.397)	-0.836* (0.412)
minority participation		0.088*** (0.005)	0.716*** (0.050)	0.783*** (0.061)	1.920*** (0.208)	2.042*** (0.241)
logic adherence				0.260*** (0.063)	0.342*** (0.100)	0.340** (0.104)
minority participation x logic adherence				-0.056*** (0.015)	-0.054* (0.024)	-0.053* (0.024)
structural position					5.919** (1.902)	6.464+ (3.542)
minority participation x structural position					-1.104*** (0.207)	-1.148*** (0.341)
institutional credit						2.427* (1.030)
minority participation x institutional credit						-0.257 (0.188)
Constant	10.356*** (0.773)	10.037*** (0.779)	7.804*** (2.371)	7.701*** (2.076)	5.827+ (3.310)	4.310 (3.633)
R-squared	0.338	.3977	-	-	-	-
Nber of endog. regressors (instruments)	-	-	1 (2)	2 (4)	2 (4)	4 (8)
First-stage F-statistic	-	-	105.07	53.10	.2242	.2047
p-value of Hansen J-test	-	-	.5754	.7168	.2087	.3555
Difference-in-Sargan statistic	-	-	-	Yes	Yes	Yes
p-value of Durbin component	-	-	.0000	.0000	.0000	.0000
Moreira's CLR	-	-	[.625, .839]	-	-	-
p-value in parentheses	-	-	.0000	-	-	-
Observations	2531	2531	2531	2531	2300	2300
Period	1994-08	1994-08	1994-08	1994-08	1996-08	1996-08

p \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1. Heteroskedastic-robust standard errors are given in parentheses below the coefficient. For the difference-in-Sargan statistic, "Yes" means that all instruments are exogenous.

<sup>a</sup> In Model 13, *minority participation x structural position* is treated as an exogenous regressor.