



## DÉJÀ VU: IS THE FILM INDUSTRY'S SEQUEL AND REMAKE ADDICTION A SIGN OF THE END?

WHAT OTHER INDUSTRIES CAN LEARN FROM HOLLYWOOD'S PATH TO  
IMPLOSION OR DISRUPTION

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The US film industry has been immensely successful and has overshadowed its rivals around the world, but are we starting to see signs of its decline? Is it a victim of the success trap?

2017 has been a record year for the seemingly endless number of Hollywood sequels, reboots and remakes coming out. By the end of the year, Hollywood will have released 43 movies in one of these categories. These kinds of movies, while not very original, are thought to be safe bet cash cows for Hollywood studios. But, they are also lamented by Hollywood's insiders who prophesize that these big budget movies will implode the industry once a majority of them start fail. With movie theatres being flooded with sequels, reboots and remakes, it seems that the US movie industry is either heading towards implosion or disruption.

Hollywood's déjà vu problem illustrates how many other industries and organizations struggle to resist the temptation of overexploiting successful but fleeting opportunities while underexploring and not coming up with new ideas and concepts. This is one of the key dilemmas of innovation.

Every organization and industry must actively manage exploitation and exploration in order to remain competitive over time. For long term success, exploration is necessary. In the short term, doing more of the same may not seem risky, but in the medium term not changing is detrimental – and especially during times of major change. In studying the US automotive industry in the 1970s, W.J. Abernathy of Harvard noticed that US automakers were entrenched in incremental development (exploitation) and were ignoring far-reaching advanced innovation (exploration). He argued that the US automobile industry's preference for incremental development was partially responsible for its decline.

### **Pure exploitation**

One of the ubiquitous trends in Hollywood is the focus on pure exploitation films (sequels, remakes and reboots). Movies such as Star Wars 8, Transformers: The Last Knight, and The Avengers: Age of Ultron – and now there's even talk of Top Gun 2! – can be considered examples of films that are based on a pure exploitation strategy. These are films that have established market bases and story lines. Therefore, production firms prosper by doing incremental development of story lines and characters in order to bring new films to the market.

The numbers behind pure exploitation films are mind-boggling; for example, Iron Man 3 grossed \$1.2 billion, Star Wars 7 grossed \$2 billion and the Avengers grossed \$1.4 billion. To date, 41 of the 50 highest grossing movies of all time is either a sequel, reboot or remake. Of the 29 films that have grossed over \$1 billion, 23 of them are sequels, remakes or reboots. This year, analysts report that 7 movies could potentially break the billion dollar mark: Beauty and the Beast (remake) Fast and Furious 8, Guardians of the Galaxy 2, Pirates of the Caribbean (5th film), Transformers (5th film), Despicable Me 3, and Star Wars 8.

Hollywood's love for following a pure exploitation strategy can be seen in its sky-high and rising budgets. The industry is spending more and more money on sequels and now they even have higher budgets (product and marketing) than the original films from which they're spawned. In the 1970s and 80s, the first Superman movie had a total budget of \$55 million and Superman IV had a budget of \$17 million. Fast forward and the first Fast and Furious had a budget of \$38 million. The 7<sup>th</sup> and 8<sup>th</sup> instalments have had a budget of over \$190 million. And Number 9 is in the works.

The concern for those in the US movie business is that Hollywood's love for pure exploitation films will destroy its creativity (exploration) and creative processes and will lead to the film industry's eventual implosion. By over investing in sequels, remakes, and reboots, the Hollywood industry will become susceptible to decline, just like the US automakers who fell in love with big gas guzzling cars in 60s and 70s.

### **The problem: Industry entrenchment**

Over the years, industries (this also applies to individual products and companies) start to entrench as business practices begin to stabilize to satisfy market needs. It therefore becomes extremely costly and difficult to introduce new organizational routines, processes, and technologies into existing product markets. In addition to these facts, stakeholders do not reward risk taking or innovative behavior that will undermine short-run profits.

As industries become more entrenched, managers become champions of imitative design over innovative design. This is because imitative design promotes short-term profits by reducing risks and promoting established markets. Characteristics of imitative design are that markets are relatively stable and predictable. Consumer recognition and acceptance of imitative products is fast and easy. Most organizations already have successful marketing, sales, and distribution policies. And most importantly, imitative design easily co-exists with existing market segmentation and product policies.

Sequels, reboots and remakes in the film industry represent Hollywood's move towards imitative design over innovative design. This is because these films illustrate the natural relationship between both product development and marketing. According to Abernathy's theory, this is a sign of the start of industry entrenchment and a signal for possible decline: implosion or disruption.

### **Answer: Balance exploration and exploitation**

Managers' preference towards imitative design and the entrenchment of industries are not new phenomena. Research shows that firms and industries tend to either over exploit or over explore. To successfully manage the tension between exploration and exploitation and avoid the long term impact of either a pure exploitation or a pure exploration strategy, managers need to embrace ambidexterity.

One way organizations can achieve organizational ambidexterity is through cross-functional collaboration. Research shows that firms can enhance performance when departments work together on projects but have different perspectives towards exploration and exploitation. One department approaches the project via an exploitation perspective while the other department focuses on an exploration perspective. The project is then only considered successful when it satisfies components of both perspectives.

It is increasingly clear that the cynical overloading of consumers with big budget sequels and unconvincing independent films is leading the US film industry toward implosion or disruption.

If Hollywood doesn't figure out how to embrace a more ambidextrous model soon, even popcorn sales might not be able to save them.

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