



CONTE CINEMATOGRAPHY COMPANY

Matching Goals To Strategy -- Understanding The Purpose of the Family Business *Case Series of The Family and Closely Held Business Program at UCLA*

I. An Old Friend In Trouble

Research and case preparation were done by students of the Anderson Graduate School in conjunction with Dr. Alan Carsrud of the Family Business Program.

It was more than four years since I last saw my college room-mate Alessandro Conte. After graduation, Alessandro moved back out West to work with his father's company and try to break into Hollywood. As far as I had heard, Alessandro had done quite well, building a career as a cinematographer and camera designer. It was quite a surprise when Alessandro called me asking for help. As I was already in Los Angeles to work for another client, I decided to stop by and speak with Alessandro in person.

Alessandro's firm, the Conte Cinematography Company ("CCC") was located near several other independent studies on the west side of the city. The firm's lobby was a museum of old camera equipment and placards of old film titles, many of which were quite well known firms.

Alessandro's office looked exactly like the lobby. His desk was surrounded by film paraphernalia with only a hint of papers stacked neatly behind his desk. After the customary greeting, Alessandro insisted on giving me a tour. Stopping at several film placards, Alessandro explained with pride each of his roles, while he rarely commented on the function his company played in designing a new camera or special effect. It was clear that his main love lied with filming and not with the company. The problem of the owner not wanting to let go did not exist at CCC.

Students at the Anderson Graduate School of Management provided the initial research for this case. Robert B. Chapman prepared the case for publication under the supervision of Dr. Alan Carsrud and The Entrepreneurial Studies Center. The names and information in the case are disguised and any resemblance to an actual firm or individual is coincidental.

The case is intended to serve as the basis for class discussion rather than to illustrate either effective or ineffective handling of a family business/management situation. The Family and Closely Held Business Case Series is a publication of the Entrepreneurial Study Center at UCLA.

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Finally, after more than an hour discussion about the Hollywood scene and Alessandro's role, he began to speak about CCC. The problems started shortly after his father, Antonio, hired a stuffed shirt MBA from a well known east coast school to assume his father's role as COO. Both Alessandro and Antonio had agreed that a professional manager was required to change the corporate structure, culture and systems and prepare the firm for growth. Neither father nor son, however, expected the operations and morale to get worse, but it did.

Within the last four weeks, Alessandro had dealt with more customer complaints than he had for the entire year prior to hiring the MBA. To make matters worse, several long term and trusted employees complained bitterly about the proposed changes to their job functions, citing increased bureaucracy and constraint of "artistic and personal freedom." Several of these employees even threatened to quit if the working situation did not improve. This last threat is what prompted Alessandro to seek my advice on what he should do. I started by asking Alessandro to describe the industry and then recount the history of the firm. By comparing the industry to the firm's story, I hoped to gain an insight as to each owner's goals and as to the true source of CCC's competitive advantage.

II. THE "INDUSTRY"

The glamour and importance of Hollywood date back to the late 1800's, when inventors in France, Great Britain, and the United States began to experiment with motion pictures. These early "movies" were a series of photographs that were moved rapidly across a projector, which created the illusion of "motion." In 1899, the French magician George Méliès was the first to arrange the pictures so that they told a story, and the "movie" as we know it was born.

In those first years, most American movies were filmed in New York City or Fort Lee, New Jersey. In 1907, the first movie was filmed in the Los Angeles area. Once film makers realized that the area offered a temperate climate year-round and a variety of natural scenery for their films, the movie industry in Los Angeles took off. In 1911, the Nestor Company built the first studio in the area of Los Angeles called Hollywood. Other companies soon followed suit, and within a few years, Hollywood became the motion picture capital of the world.

In the early years, the European and American film industries developed simultaneously. During World War I (1914-1918), however, shortages of material and power brought the European movie industry to a standstill. Hollywood stepped in with its cheerful, glamorous films. During this period, mass production film-making methods were introduced by the Thomas H. Ince studios in Hollywood. Until this time, directors had overseen every aspect of their movies. Ince introduced a new system which systematically

planned every stage of production. Scheduling systems were developed and "producers" were hired to oversee these various stages. While this system somewhat limited the director's creativity, it allowed maximum control over production, and more importantly, it made money.

During the 1920s, most of the major American studios were more interested with making money than with creating art. Ince's factory system (also known as the "studio system") was used by Columbia, Metro-Goldwyn-Mayer, Paramount, RKO, United Artists, Universal, and Warner Brothers because it made them money. As a result, motion pictures as an art form continued to develop only in Europe. The Germans were noted for their brilliant photographic techniques, the Russians for their editing, and the Americans for making money. At the end of the this decade, the "movies" became "talkies" with the advent of sound-on-film technology.

Just after World War II (1939-1945), new developments began to take place in the motion picture industry. The one with the greatest impact was the introduction of television. With the increasing popularity of television, the studios began to release many of the directors, actors, writers, and crafts people of their contracts. Many of these people formed independent companies to produce higher quality films and began to refocus on the artistic qualities of the medium.

Independent directors and cinematographers began to experiment with new techniques and use new locations for filming. The studios responded to the pressure of the independent film makers and the growing defections to television by creating more expensive and more spectacular films. Both the on-location extravaganzas of the studios and the new techniques being implemented by the independents called for a new generation of equipment in cameras. This provided Roberto Conte and his family with the "in" they needed to enter this notoriously tight industry, one which would rarely do business with those who did not have connections with independent producers or the larger studios.

III. THE HISTORY OF THE CONTE CORPORATION

Having lost his job due to the Great Depression and drought throughout the mid-west, Roberto Conte, the grandfather of Alessandro Conte, decided to leave Utah. He went west, hoping to find work and a future in the evolving film industry. Soon after arriving in Hollywood, Roberto met an old acquaintance who was able to get him a job as stunt apprentice in one of the smaller studios. Over the next five years, Roberto became an accomplished and well recognized stunt double and quickly mastered several of the more technical aspects of film-making including cinematography.

In the early 1940's, Roberto left his job at the large MGM studios and began working in the independent film making sector. Not only did he continue with his work as a stunt man, but also started to develop new cameras and other technical apparatus which could help a studio better film more challenging stunts.

Soon after developing a few prototypes of smaller, more durable cameras, Roberto began producing cameras at home and renting them to other film makers. With a small stable of clients, Roberto attracted four investors and started the Conte Cinematography Company. Together, the five built a business around Roberto's camera designs and shortly thereafter, began to offer a full range of products of services to independent film making studios. Within five years, Roberto had built a successful company and bought out the four investors who had helped him start the venture.

With the growth of the company and arrival of his first son, Antonio, Roberto found he had little time to pursue his first love, that of being a stunt double. Roberto realized, however, that his company provided him with the contacts and expertise required to land the occasional stunt performance and acting bit. Roberto hoped that his son would soon follow in his footsteps and thus, Roberto decided to split his time between the business, which would give his son an entrance into the industry, and acting career.

Soon after graduating from college in the early 1960's, Antonio joined his father and landed a job as an assistant Cinematographer. His experience as a film maker provided Antonio with a unique insight regarding the types of improvements film-makers required. As a result, Antonio created camera and film making technologies. Antonio used his knowledge and his training as an engineer, to build several new versions of the Conte Camera and film equipment. As a result, the business continued to grow and soon gained a reputation as one of the leading camera and special effect makers in Hollywood.

Even with such a reputation, Antonio limited the growth of the company. As new areas, such as CCC's stunt man training agency, grew too large and demanded too much of his time as a manager, Antonio would let employees purchase these functions and spin them off as independent businesses. This provided Antonio with the time to pursue his career as a cinematographer and experiment with the production and direction of a few independent film projects.

Twenty years later, Antonio's own son entered business and soon father and son began to re-consider the future of CCC. Together, they discussed the pros and cons of building a more professional organization. They felt that such a move would allow them to compete in an increasingly cost conscious and technologically advanced film environment.. This move, it was felt, would also provide them with the flexibility to pursue their own acting and movie careers.

A few months later, Antonio hired his friend's son after reviewing an impressive plan that the kid had made regarding the professionalization of CCC. Alessandro and Antonio felt that the plan, if properly implemented, would enable CCC to compete against the wave of new high tech cameras and special effects products and be a major player in the decades to come.

Shortly after hiring the new COO, however, problems began to emerge. Instead of feeling closer to the clients by utilizing a wide variety of techniques, such as having CCC's engineers visit with producers and directors, CCC felt further away from its clients. The insights previously brought to the company by Anthony and Alessandro, based on their own direct involvement with the industry, ceased as neither had the time to devote to their Hollywood career.

In addition, the departmentalization of the business appeared to hurt corporate communications. New designs now took six months instead of four to produce and the information provided by CCC's marketing and customer service departments never made its way into the design of the products. To further complicate matters, Antonio and Alessandro had lost their drive and often found themselves siding with the old line employees against the new COO.

What to do next was uncertain. Alessandro refused to let the company die as it was his only way to enter Hollywood and develop a career as a cinematographer. In addition, Alessandro's sister wanted to join the firm after college and Antonio hoped that one day his future grandchildren might also become industry insiders. Could it survive as a small player in the camera and special effects business? Both felt the need for growth and professionalization but neither fully understood how or if growth could help ensure their survival. They wondered if they could find another way to maintain their profitable niche and still retain their freedom to pursue their other careers.

With this background, I suggested that Alessandro sit with his father and do two tasks before our next meeting. First, he and his dad had to decide on their goal. What did they want to achieve from the business? With this in-mind, they should then ask themselves how they can achieve this goal and what aspect of their previous firm gave them the competitive advantage they enjoyed for so long. This, I thought, would help me convince them about my own view of the situation and understanding of how they needed to operate in the decade to come.

Exhibit I
Timeline Of CCC's Operations

Date	Event
1935	Roberto builds first camera. Uses on set of movie in which he acts.
1940	Roberto locates investors. Starts manufacturing equipment.
1942	Roberto buys out investors. First son is born.
1950	Several other services, such as payroll processing, accounting services, and scheduling services are formed and provided to clients.
1956	Roberto's son enters business as janitor. Payroll processing service is spun off. Manager is given option to buy and run the operations.
1958	Antonio is promoted. Helps coordinate customer orders and needs.
1960	Antonio gets his first cinematography job. Works part time at company.
1964	Antonio develops first in set of new, technologically advanced cameras.
1969	All departments except camera manufacturing and special effects are spun-off.
1970	Antonio's first son is born. A year later his first daughter is born.
1986	Antonio's children enter the business as office clerks and shop workers.
1987	Advances in technology threaten CCC's position. First year in which revenues declined.
1988	Antonio designs new set of special effects computer imaging products and cameras. Firm's revenues start to recover.
1989	Alessandro and Antonio discuss need to professionalize operations, improve lead times in development and cut costs.
1990	MBA is hired to serve as COO.