Business Capabilities of Small Entrepreneurial Media Firms: Independent Production of Children’s Television in Canada

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ABSTRACT This article investigates business capabilities of Canadian independent television production firms that produce children’s programming, an entertainment product area in which Canadian firms have achieved relative success in domestic and international markets. The Canadian independent television production industry is populated by many precarious microenterprises. Competition is intense, and the domestic market provides limited opportunities for growth. The authors use the Davidsson-Klofsten model (2004) of a business platform as a framework for organizing enquiry into the capabilities of eight Canadian producers. The research shows that, contrary to much of what is said about firms that engage in project-based production, firm-level capabilities are critically important, and small organizational size does not necessarily imply small capabilities. Furthermore, among successful independent television production firms, project execution is a taken-for-granted business capability, and is not considered to be the most challenging business capability of the firm.

KEY WORDS: television, independent producers, organizational capabilities, project management, Canada

The positioning school of strategic management suggests that firms select industries to enter that offer superior opportunities for growth. From this perspective, entrepreneurs might not be inclined to enter the Canadian independent television production industry, where overall profits margins are lower than 2% (Nordicity, 2005). Entry barriers are low, competition for production contracts is intense, and the relatively
small domestic market for television programming in Canada provides only modest opportunities for growth. Yet some firms that enter this industry are relatively successful. Our interest in this article is to understand the business capabilities of firms that are successful in an industry in which success does not come easily. We investigate the business capabilities of certain small Canadian independent television production firms that have achieved growth, focusing on firms that produce children’s television. This is a product group in which Canada has developed relative strengths in domestic and international markets (in contrast, other product groups such as English-language television drama have not developed strengths in the market).\(^1\) We frame our analysis within the organizational capabilities perspective, an extension of the resource-based view of the firm. In this perspective, firm-level capabilities rather than positioning in product markets are the key to understanding the firm’s performance. However, conventions regarding ways to conceptualize and measure capabilities are not yet available. We turn to the literature on entrepreneurship and small firm development, borrowing the Davidsson-Klofsten model of a “business platform” (2004; 2003) as a framework for organizing enquiry into the capabilities of small firms. We provide a qualitative analysis of the business capabilities of a group of independent television production firms that have achieved viability in a complex and competitive business environment in which most independent production firms do not grow.

**CONCEPTUALIZING AND OBSERVING CAPABILITIES OF INDEPENDENT TELEVISION PRODUCTION FIRMS**

Independent television production firms are small enterprises that produce television programs for customers, who are almost always broadcasters. Of the several hundred production firms in Canada, between 150 and 250 are in production in a given year (CFTPA/APFTQ, 2007). Most firms in this industry are precarious micro-enterprises (WIFT, 2004). Canadian independent television production firms face a complex business environment and numerous obstacles to growth. The business environment is characterized by a relatively small national market for television programs, a population of established incumbent independent television production firms that earn the lion’s share of production revenues in the industry, a private broadcast distribution system with nominal business interest in domestic content, highly concentrated purchasing power in the domestic broadcasting industry, a

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\(^1\) We refer to children’s programming and drama as “product groups” rather than as “genres” because producers and broadcasters increasingly develop television content for specific sociodemographic audience segments rather than solely in terms of aesthetic conventions. Also, content production for multiple platforms requires development of families of products rather than production primarily with reference to aesthetic conventions. In this article, the term children’s programming refers to production for pre- and elementary school children, tweens, teens, and youth.
wave of consolidation that promises to concentrate purchasing power still further, and stiff competition in export markets. The development of business capabilities in the independent television production industry is of considerable economic and cultural significance in Canada, where imported television programs are popular as well as economically attractive to broadcasters (Davis, 2008).

It is common for young firms to fail. Research on patterns of entry and survival of newly founded firms consistently shows that most ventures end in failure (Audretsch, 1995; Fritsch, Brixy, & Falck, 2004; Phillips & Kirchhoff, 1989, and many others). Environmental as well as internal factors affect the growth prospects of young firms. Among environmental factors the firm’s location, the degree of maturity of the industry, and the timing of entry are key explainers of firms’ growth prospects (e.g. Agarwal & Audretsch, 1999; Sarkar et al., 2006). Lists of obstacles to growth faced by SMEs typically include limited access to finance, internal resource constraints, management and administrative skills deficits, and ineffective sales and marketing efforts (Terpstra & Olson, 1993).

Independent television production firms typically produce on a project-by-project basis. Project-based production is a growing trend in industries where “complex, non-routine tasks require the temporary employment and collaboration of diversely skilled specialists” (DeFillippi & Arthur, 1998). Typically, most of the specialized creative and technical production workers are not permanently employed by the firm. The workers are instead a “motley crew” (Caves, 2000) who are recruited for a specific project, and upon completion of the project, the internal production team disbands. In television and film production, the production team itself often persists as a number of semi-permanent or latent work groups in which members move together from project to project with line producers or production managers (Blair, 2003; Starkey, Barnatt, & Tempest, 2000). Furthermore, crew stability is usually greater in television than in film due to frequent serial production in television.

Project-based production practices thus rely heavily on temporary or transient organization. Such practices raise the apparent paradox of how largely temporary organizations succeed in accumulating and maintaining the requisite knowledge, resources, and capabilities to perform their tasks efficiently and effectively (DeFillippi & Arthur, 1998). This paradox has attracted a great deal of scholarly interest. Research tends to locate the key knowledge generation and transmission processes in the network of linkages that the firm maintains with external members of the production project team, and in the mechanisms that support coordination, knowledge flows, and learning within project teams (Ferriani, Corrado, & Boschetti, 2005a,b; Grabher, 2004; Manning & Sydow 2007; Sydow, Lindkvist & DeFillippi, 2004; and many others).

The literature on project-based firms challenges the assertion that such firms possess significant internal capabilities. The firm itself
appears mainly in the background. Whitley classifies film production firms as “hollow” project-based firms because “the ‘firm’ coordinating such projects and employing these staff is often just a legal vehicle, or ‘administrative convenience’ …. for paying wages, acquiring other resources, and owning property rights over the final product” (Whitley, 2006: 81). Davenport’s study of small UK film production firms suggests that project-based production minimizes risk rather than enhances innovation (Davenport, 2006). Further, Davenport suggests that project-based production in the film industry inhibits firm-level managerial learning:

> [P]roducers, while highly effective managers of production, do not develop the skills to organize and develop their companies. This is arguably a failure of learning and knowledge creation at the management level, happily exploited and reinforced by those whom it benefits most—the US ‘Major’ studios (Davenport, 2006:256).

But for a firm to learn to be a firm, the producer must be entrepreneurial—which is not the case in the film production firms that Davenport analyzed, or probably also in many of the independent television production firms in Canada. Most of these firms are microenterprises, many of which are administrative shells for occasional projects or firms created for the purpose of a single production. However, some Canadian independent television production firms are genuine firms in the sense that they possess critically important internal capabilities. In these cases, the firm’s capabilities are not primarily passively administrative, but entrepreneurial, strategic, and operational. The capabilities of these firms make the difference between growth and remaining an administrative shell.

Firms acquire or develop capabilities in order to address their “pain points” and compete more effectively by overcoming various barriers to growth. We suggest that the resource-based view provides a useful analytical perspective on the growth of small media firms. The resource-based view considers the firm as a bundle of resources that are actively deployed by managers. This perspective has proven fruitful because it locates the critical growth enablers within the firm rather than in the firm’s environment. Heterogeneity in performance among firms results from uneven inter-firm distribution of resources, as well as from variation in firms’ abilities to exploit resources for competitive purposes. The most important questions raised by the resource-based view are: which capabilities make a critical difference to firm performance, and can capabilities that confer competitive advantage be identified predictively rather than post hoc?

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2 For a recent survey of research from the resource-based perspective see Barney and Arikan (2001).
Interest in firm capabilities has spurred researchers to develop ways to describe them in marketing, technological innovation, new product development, information systems, business development, networking, and other functional and cross-functional business domains. But differences in conceptualization and operationalization of the concepts of resources and capabilities complicate the interpretation and comparison of research results. Considerable conceptual, terminological, and measurement issues persist in research on resource-based firm performance. Resources, which may be tangible or intangible, are almost infinitely variable, and quite elaborate taxonomies of resources have been proposed. Similarly, distinctions among the related concepts of competencies, capabilities, and routines have been proposed (in this paper we use the term capabilities). Apart from these conceptual difficulties, a key problem in the resource-based view is the need to account for the development, shaping, and reconfiguration of firm-level capabilities. The concept of “dynamic capability” was introduced as a higher-order capability to explain how firms modify and shape lower-level (“substantive”) organizational capabilities (Teece, Pisano, & Shuen, 1997). This may open the door to an infinite regress of ever higher orders of capabilities (Collis, 1994), but it can be a step in the right direction if it links the development of dynamic capabilities to the actions and decisions of individuals and groups within the firm, thereby locating capabilities in entrepreneurial and managerial cognition and decision-making (Felin & Foss, 2005; Zahra, Sapienza, & Davidsson, 2006). Despite conceptual and measurement challenges, empirical research on resource-based business logic largely confirms that firm characteristics are more significant than industry characteristics in determining firm performance, and that valuable, rare, and costly to imitate resources have greater performance effects than less valuable, common, or easily imitable resources (Barney & Arikan, 2001).

PRODUCTION OF CHILDREN’S TELEVISION IN CANADA

Traditionally, children’s television involves animation, live action (with puppets, children, or adult actors), music, and playful educational lessons. The children’s demographic has a number of attractions for television producers and broadcasters that have propelled children’s television away from strictly educational purposes toward highly commercialized entertainment. Children’s television is relatively inexpensive to produce, and it has a relatively long shelf life. The audience is always evergreen, and younger children enjoy reruns. Children and youth are eager adopters of gadgets, allowing content producers, broadcasters, and merchandisers to experiment with new

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3 For recent reviews and conceptual clarifications of the concept of organizational capabilities see O’Regan & Ghobedian (2004), Spanos & Lioukas (2001), Spanos & Prastacos (2004), and Yu (2001).
business models and formats for non broadcast linear and interactive content on different platforms. Also, animation appeals to increasingly older audiences: as youth audiences age, they take their tastes for animation, mobility, and interactive websites and games with them. By socializing children and youth as consumers, advertisers encourage them to build lifelong relationships with brands. Programming for children is becoming less of a genre and more of a socio-demographic category of media programming, as content providers, media distributors and advertisers go beyond age and gender to segment the children's market and develop television programs for specific ethnic groups, family incomes, and lifestyles (Preston & White, 2004).

In addition, children's television has the attraction of offering three revenue streams: advertising, subscriptions, and spin-off merchandising of intellectual property in the form of toys, clothing, books, recordings, food, games, collectibles, and live entertainment. The opportunities to generate business activity from children's television have not gone unnoticed by media firms (Kapur, 1999; McAllister & Giglio, 2005). In 2003, the Cartoon Network made more money than CNN for Time Warner (Mathews, 2006). Disney is considered the leader in extending branded media properties into adjoining entertainment products and services.

In the days of mass broadcasting, children's television, often featuring inexpensive animation invented expressly for the purpose, was parked in the Saturday morning time slot. The market for children's television programs in the United States became highly concentrated by the early 1990s, with major media players such as Disney, CBS/Viacom, and Time Warner supplying more than half the programming through Nickelodeon, the Cartoon Network, the Disney Channel, and their offshoots and international extensions (Chan-Olmsted, 1996). But demand for children's television programs boomed in the second half of the 1990s, driven by the proliferation of specialty and pay television channels around the world. Between 1979 and 1995, 25 channels were established. In the following five years, more than 80 were established (Mathews, 2006). At present more than 100 children's channels exist around the world (Mathews, 2006). Children's television is currently largely associated with specialty and pay television channels. High levels of vertical integration have again taken place within the major media conglomerates, with subsequent reduction of opportunities for independent production firms to supply programs.

In Canada, production of television programs for children and youth is a success story in the domestic television production industry. Canada's longtime investments in film animation and in children's programs for public broadcasting are considered to be important sources of the industry's present strengths. Such investments created pools of talented labor, particularly animators, puppeteers, children's writers, directors, and producers, who have nourished the independent production industry in Canada. Key independent production firms in the
children’s television area were established in Canada the 1970s and early 1980s, particularly the Toronto animation firm Nelvana and the Montreal-based animation firms CinéGroupe and Cinar. These firms faced difficulties at the beginning of the present decade, when the market for children’s television programs became saturated. Nelvana was acquired by the Canadian telecommunications conglomerate Corus. Cinar’s assets were acquired by the Toronto-based startup Cookie Jar, and CinéGroupe filed for insolvency (Nordicity, 2007). At present Canada counts approximately 140 independent television production firms that have some involvement in children's and youth programs and animation (Nordicity, 2007). Between three and four dozen of these firms produce children’s television programs in a given year, according to data published in Playback’s recent annual industry surveys. In 2005, 44 Canadian production firms were active in the area of children’s television.

Independent firms that produce children’s television in Canada adopt one of three business configurations: functional specialization around a production technique (typically computer-generated, stop motion, or hand-drawn animation), product diversification (producing for a wide range of demographics and offering production and distribution services), and product specialization (focusing exclusively or primarily on production of television programs for the children’s and youth demographic and on brand extension to related downstream products).

*Digital animation houses* are functionally specialized around the use of particular production technique, generally computer-generated animation. Most like Studio B (Vancouver) provide animation production services to domestic and international customers. Some also produce digital video content for music videos, games, or advertisements. They venture into television production or games production in search of opportunities to earn income from intellectual property. Digital animation houses rarely venture into live action or theatrical productions.

*Diversified production houses* offer live-action television programs and film production in a wide range of genres for all various demographics and do not specialize particularly in live-action children’s programs or animation. Larger firms in this group are highly diversified across demographics, and also engage in distribution activities and provide services to foreign location shooting in Canada or international co-productions. For example, Muse Entertainment, a Montreal-based company with production facilities in Montreal, Toronto, and Vancouver, is one of the largest production service providers in Canada, with specialized capabilities in the international legal aspects of film production, financial structuring, and collection of tax credits and other public incentives. It also has a distribution arm for the Canadian market. Other firms are smaller, with diversified product portfolios that include films and live-action and animated television programs, the latter typically intended for children and youth audiences. However, most do
not engage in distribution or in service production. An example is Cellar Door Productions, a small production firm in Prince Edward Island that has a product portfolio encompassing comedy, documentaries, animated programs for children, feature films, and lifestyle programs.

Integrated children’s media entertainment houses are relatively specialized in the production of children’s and youth television. They develop vertically integrated media business activities around production of animated and live-action television programs for children and youth, and they extend their brands into complementary products such as live entertainment, games, educational publishing, and branded consumer products. Most firms in this group do not maintain internal animation studios. Examples include Breakthrough and Cookie Jar in Toronto.

In the past decade, international financing for production of children’s television in Canada has declined, and production activities in Canada in children’s television have remained depressed from 2000 levels by approximately 25%. But Canadian children’s television programs have maintained domestic market share with young Canadian audiences in competition with imported programs (Nordicity, 2007). Six specialty channels and one pay TV channel dedicated to children’s and youth programming are licensed in Canada: YTV, Treehouse, and Discovery Kids (Corus Entertainment), VRAK.TV and Teletoon/Télétoon (Astral Media), BBC Kids (Alliance Atlantis), and the Family Channel (Astral Media). These channels support original children’s and youth programming and are important domestic distribution channels for Canadian independent production companies.

THE DAVIDSSON-KLOFSTEN PLATFORM MODEL

We adopt an exploratory and qualitative approach to the investigation of business capabilities in Canadian independent television production firms, interpreting capabilities as a function of the Davidsson-Klofsten business platform model (2003; 2004). A business platform is a set of capabilities that a young firm requires in order to support growth. The Davidsson-Klofsten business platform was introduced as a practical tool to guide very young firms in the development of the capabilities they would need in the two or three years after startup. The assumption is that young firms need to construct a set of generic firm-level capabilities that are necessary but not sufficient for growth.

To survive and develop, a firm must reach a business platform early on. Therewith, the firm has achieved a condition where the initial vulnerabilities have been overcome, although this is not any guarantee that the firm will survive … a business platform is not a goal in itself, but the first very important step towards a stable growing firm (Klofsten, 1998, as cited in Yencken and Gillin, 2006).
The Davidsson-Klofsten model assesses the status of the firm against thirty-one business platform objectives and identifies eight “cornerstones” of a business platform (Davidsson and Klofsten, 2003). The cornerstones were empirically derived by Klofsten and Davidsson from a survey of several hundred established SMEs. The eight cornerstones of the business platform model are:

- Development of an operational organization: five items assess the extent of role clarity, organizational unit definition, and formality of recruitment practices.
- Formulation and clarity of the business idea: four items assess clarity of the business idea and the precision with which the firm has identified customers.
- Development to finished product: three items assess the status of product development and the familiarity of customers with the product.
- Definition of market: five items assess the definition of the market, the clarity of identification of customers, and the scope of targeted customer segments.
- Commitment of the core group and motivation of each member: four items assess the founder’s motivation in leading the firm, time management, and commitment to the firm.
- Core group expertise: five items assess the marketing and sales competence, leadership experience, and product knowledge of the firm.
- Customer relations: four variables assess customer loyalty and satisfaction, and facility of sales to customers.
- Other firm relations: four items assess relations with banks and other investors, relations with credible other actors, and access to additional management support.

The statements are constructed as binary opposites on a five-point Likert scale, and the respondent is invited to assess the status of the firm’s capability on this scale.

The analysis below is based on in-depth interviews with executives from eight Canadian independent television production firms. We selected firms that produce substantial amounts of children’s television and that define themselves as producers of children’s entertainment, producers of interactive programming, or producers of animated children’s programming. The firms we interviewed are entrepreneurial production firms that have demonstrated an ability to profitably create television content for children and youth over a period of several years or more. They have annual revenues between $2M and $50M ($CAN), recent annual growth rates in the 15%-100% range, and permanent executive, management, creative, technical, and administrative staffs in the 5-80 range. When they are in production, they have contract staffs of up to several hundred employees. Most of the firms were established in
the past ten years, although several had earlier antecedents. In all but
one case the firms are still operated by their founders, who in several
cases form a founding team of two or more individuals who continue to
work together. An anonymized descriptive synopsis of the firms is
provided in Table 1. All were founded in the past twenty years, and six
within the past ten years. Our interview protocol included open-ended,
exploratory questions about the firm and its business environment as
well as the 31 items from the Davidsson-Klofsten business model survey
instrument (2004). We asked respondents to provide an explanation and
an illustration for each of their responses to every item. Most interviews
lasted about one hour. Interviews were recorded for later analysis.
Statements that illustrate each capability are provided in Table 2.

QUALITATIVE ANALYSIS OF CAPABILITIES OF CANADIAN
INDEPENDENT PRODUCERS OF CHILDREN’S TELEVISION

Below we discuss the business capabilities of the firms in our sample in
terms of the eight groups of capabilities described earlier. These
capabilities support solutions to overcome obstacles to growth in the
Canadian business environment and in international markets for
children’s television programs.

Development of an Operational Organization

According to the Davidsson-Klofsten model of business platform, “the
running of business operations requires the existence of an
organizational structure that facilitates functional co-ordination—this
structure should take advantage of the firm’s inherent flexibility and
innovative ability, and be fairly effective at internal co-ordination and at
maintaining and developing external relations” (Davidsson & Klofsten,
2003). In order to have an operational business infrastructure, an
independent television production firm must develop or acquire basic
budgeting, production, project management, and accounting capabilities.
Growth requires a formalized organizational structure with clear
reporting relationships, planning processes, and financial management
capabilities. Several of the firms that we interviewed had recently grown
to a point at which consultants had been brought in to help formalize
business processes and organizational roles. Said one executive, “other
companies might start with a business plan, capitalization, all the things
they are supposed to do. We started to do this only now.”

In light of the literature on project management, it is significant that
the executives we interviewed do not regard production management as
the most organizationally challenging aspect of the independent
television production business. They regard it instead as a necessary but
not sufficient business capability. Said an executive,
Table 1: Information about Respondent Firms

Because we promised not to disclose information that would allow identification of our respondents or their firms we provide the following data in disaggregated form.

- Business configuration of the firm (see discussion in text): one digital animation house, three integrated children’s media entertainment houses, and four diversified production houses.
- Economic size of firm: 3 firms have between $2M and $5M ($CAN) in annual revenues. One firm has between $5M and $10M, one firm has between $10M and $20M, and three firms have between $20M and $50M in annual revenues.
- Number of employees: two firms have <10 permanent employees. Three firms have between 10 and 20 permanent employees. Two firms have between 20 and 50 permanent employees. One firm has between 50 and 100 permanent employees.
- Annual growth rates. Three firms report annual growth rates between 10% and 20%. Two firms report growth rates of 20%-50%. One firm reports a growth rate of 50%-100%. Two firms declined to discuss growth rates.
- Two firms were established between 1987 and 1992. Two were established between 1993 and 1997. Four were established between 1998 and 2003.

All interviews took place with the President, CEO, or co-CEO of the firm.

Table 2: illustrative Statements Regarding Each Capability

| Development of an operational organization | • We have a timeline, a coherent, structured process.  
| • It is not difficult to mount a production. You get the order for the show, you get the office space and hire the people. Every production is starting a new business and it is just ramping-up, ready to go, then when it is done it is closed.  
| • We know how big we want to be. We’ve reached that size, and now our objective is to make our pipeline as efficient as possible and to put things through that we think will be successful. |
| Formulation and clarity of the business idea | • Our business is the production and distribution of TV programming for children’s and family entertainment.  
| • We don’t want to do only preschool because we don’t want to be pigeonholed.  
| • We are a producer of drama and kids’ programs, live action, always live action and never animation. |
| Development to finished product | • We were able to successfully pitch in the U.S. because of our track record there.  
| • Some producers argue that is better to start a show somewhere else and then bring it into Canada; it works sometimes. We start with Canada first because this is where our relationships, funding, and tax credits are. Being set up in our market offers credibility when going into international markets. |
| Definition of market | • It is hard for a service company to break the perception of a service company. |
We expect conventional TV to continue alongside the new media. As the business models evolve, and the consumer demand base increases, we see the new media as another way to earn revenue.

Commitment and motivation of core group members

- We’re not going public, and we’re not going to have 150 staff, it is leadership that’s needed. Twenty people are managing fifty million dollars of production and we could manage double that if there is good association of people.
- In the past the goal was stabilization. Now the goal is to grow bigger projects, not a bigger company.
- We could have sold this company many times. That is not what we got into this business for. Maybe in 20 years.
- Generally, in this industry is a long build to make a company work. There are only a few cases of serial entrepreneurs in the industry.

Core group expertise

- We have probably 25 years of experience in the industry across the board, multidisciplinary, production, distribution, merchandising, corporate management, strategic, etc. We can react, we can respond, we can work and we consciously set up this company this way.
- Working at [a major Canadian private broadcaster] was a fast track learning experience. A lot of things that went on there were good lessons in what not to do.
- It is an advantage to have a background in writing. Most other companies are formed by producers.
- We believe in the creative, artistic reason of what we do, but we are very commercial.

Customer relations

- Product ideas do not come from the kids, but from the broadcasters.
- Every network has a different personality. Some are specific in what they want, some are not.
- International television trade fairs are key events in customer relationship building

Other relations

- Everybody is hired, writers, etc., through contacts, relationships, knowing people.
- Startup is really tough. The goal is to fund some projects with internal cash flow and have some externally funded. However the killer is the last 10%.

It is not difficult to mount a production. It is just a matter of organization. You get the order for the show; you get the office space and hire the people. Every production is starting a new business and it is just ramping-up, ready to go, then when it is done it is closed.

Typically, a member of the independent production firm’s senior management team is a seasoned production executive who oversees projects that are executed by contract producers. Project management skills are widespread in the television production industry and the rules of thumb of good and bad project management practices are well known. Bad practices include failure to secure interim financing, ignoring budgetary constraints, failure to establish clear lines of authority, failure to hire the right people for the job, ignoring red flags in the script, failure
to allow for contingencies, failure to lock down the script, failure to secure the necessary rights before production, and failure to “manage the human side of production” (Brook, 2003).

Formulation and Clarity of the Business Idea

According to the Davidsson-Klofsten business platform model (2003), “the idea must be clarified so that the special know-how of the business idea that makes up the commercial springboard is understandable and can be communicated internally and externally.” In the firms we interviewed, executives are usually able to provide a crisp and succinct description of the firm’s scope and activities in one or two sentences. For example,

Our business is the production and distribution of TV programs for children’s and family entertainment,” “We produce drama and kids’ programs, always live action and never animation,” or “We produce and distribute children’s animated content across all revenue platforms, including television, home video, wireless, promotional, and publishing.

The market for television programs in Canada, as we pointed out earlier, is competitive and concentrated. Therefore, the image of the firm in the marketplace is vital. An independent television production firm’s brand, image, and reputation with broadcasters matter a great deal in the competition for production contracts. A reputation as a producer of children’s television helps to obtain further production contracts in this product area, but can reduce opportunities in other product areas. Likewise, a firm with an established reputation as a producer of children’s television might think twice about choosing to produce content for demographics other than children:

Our firm has a priority which is kids, but not exclusively. The decision to do something that is not for kids is based on the criterion that it does not harm the core business, and that it has longevity of its own. If a content production opportunity has long term rights value, we may pursue it as long as it doesn’t harm the core of the business. We will not do something that would make a customer not buy a kids’ property from us because they associate us with another particular property.

In the firms we interviewed, formulation and clarification of the business idea is a process of deliberate, ongoing assessment of the firm’s current situation and of its own sources of competitive advantage against perceived threats and opportunities in the business environment. One of the firms had just completed a strategic planning process with the help of a consultant to “identify who we are, decide what we are looking for, and brand ourselves.” This firm chose to define itself as a producer of
interactive media products, extend its brand across all platforms, and seek rewarding opportunities to produce interactive media products for demographics other than children to avoid being pigeonholed by broadcasters.

**Development to Finished Product**

“Once the product is available, it must gain acceptance by one or more reference customers—the firm has then proven that it is capable of satisfying the markets’ needs and wants” (Davidsson & Klofsten, 2003). This cornerstone of a business platform must be interpreted in the context of independent production firms’ business models, which mainly involve production of television programs under contract to Canadian broadcasters and then licensing rights to broadcasters in other jurisdictions, although some firms produce initially for non Canadian broadcasters or studios. It would be extremely risky for a Canadian independent to invest in the production of a television program that has not been commissioned or pre-sold, and this is very rarely done. Canadian broadcasters are thus the initial source of funding and also reference customers for most Canadian independent television production firms.

The quality of a production is judged by three criteria that do not necessarily converge: efficient execution, critical acclaim, and audience response. Reliable production matters greatly to Canadian broadcasters, who prefer to work with known Canadian independents. This is an advantage to incumbent independent production firms. Newcomers who successfully pitch a proposal to a broadcaster are often required to partner with established independent firms. In this way, broadcasters reduce their risk, especially when the program in question is a series of episodes. An executive observed that,

> *if broadcasters do not know you, they will ask you to go and find an established producer. We have had a number of calls from writers who wanted to produce a series and they did not have the background so the broadcaster would say “here’s a list of five companies to go and talk to about this, and work with them, find an executive producer.”*

Critical acclaim is helpful in the development of an independent firm’s reputation, but ultimately audience response is the factor that matters most to broadcasters and entrepreneurial firms. In this respect, Canadian independent television production firms face a structural difficulty: a hit show in Canada does not necessarily weigh heavily in foreign buyers’ assessment of an independent’s track record, especially in the all-important U.S. market. Said one executive who established a production firm in Canada following a successful stint as a producer in California,
We were able to successfully pitch in the U.S. because of our track record there. It would be much harder for a Canadian who has a children’s program, made with funds from CTF [the Canadian Television Fund], to walk into head of programs at Nickelodeon or Disney or Discovery Kids. He wouldn’t even be recognized; the Canadian credits would not be taken seriously. Pitching an idea that is just an idea is a non-starter in this case. No matter how successful one is in Canada, this does not develop the skill set or the credibility in the marketplace to pitch in the U.S.

Timing of entry into the children’s television market has proven to be an important factor in the internationalization of Canadian independent television production firms. Entrants in the international market in the late 1980s or mid 1990s, when demand for children’s television programs exceeded supply, were able to build reputations with foreign media distributors. Since the late 1990s the international market for children’s television programs has become crowded, with consequent challenges to Canadian production firms.

**Definition of Market**

“The firm must define a market that is large enough and profitable enough to ensure survival” (Davidsson & Klofsten, 2003). This is a challenge for new entrants into the independent television production business because of the maturity and intensity of competition in markets for children’s television. Independent firms in the children’s television area are experiencing the need to identify and exploit sources of revenue that complement television properties. This involves the capability to develop and test new formats and revenue models, new distribution channels, and brand extensions.

Although the television industry is evolving toward multiplatform and multichannel interactive content delivery, business models for non-broadcast content delivery are still unsettled (IBM, 2006). All the independent firms in our sample are closely watching the technological evolution of the media industry. Some believe that “television is slowly becoming obsolete” and that “broadcasters are going to be insignificant” as fixed and mobile broadband distribution channels emerge. This will create opportunities for content producers to interact directly with audiences and engage in direct sales to audience-customers. Although independent firms are looking at new platforms and this is usually part of their conversation with broadcasters (who themselves are experimenting with multiplatform content delivery), the business payoff is presently small. Independent television production firms are increasingly required by broadcasters to design and prepare content for various media platforms, especially websites and cell phones, in the absence of viable revenue models for this extra production. This
represents an additional production cost that independent production firms must bear. Intellectual property (IP) payments for non broadcast video content were recently the subject of a three-way dispute among the independent television production industry, performers, and the broadcasting industry in Canada. In sum, opportunities to monetize content on interactive platforms are still minor compared to conventional lines of business—production of content for television, distribution, service, and merchandising—but producers of children’s television are experimenting with interactive or multiplatform content delivery in anticipation of clarification of revenue models in the near future.

Distribution of other production firms’ programs is a source of revenue for some of the independent television production firms in our sample. Distribution of television programs is regarded by executives as more difficult than production itself because it requires volume, proven audience reach, and constant novelty to be profitable. It takes time and financial resources to acquire rights, assemble a catalogue, and market the offering. Said one executive,

Buyers will not come to you if you don’t have a hit like Desperate Housewives in your catalogue. And everybody in distribution needs worldwide rights in order to stay healthy. Or else nobody is going to come to talk to you. Once you get them in your booth [at a trade show such as MIPCOM], then you try to sell them the back catalogue. If you don’t have hits, you are automatically a B or C or D level player and you won’t get the best buyers and the best time slots. And since companies that distribute Canadian programs typically don’t have catalogues, they are just not going to sell.

Distribution requires a dedicated and talented sales and marketing staff. Many of the additions to core staff made by Canadian independent television production firms in recent years are in this functional area.

Most of the executives that we interviewed were not interested in engaging in service production. Although it provides production experience and generates income for Canadian production talent, service production does not provide significant business opportunities to Canadian creative talent (PWC, 2001; Vang & Chaminade, 2007). Service production is not a springboard to creative production of programs with attendant property rights. As an executive observed,

it is hard for a service company to break the perception of a service company and co-produce an American program. In the American studio system, the creative development people aren’t the people who deal with the service providers. Once the show is pitched, developed and ordered, it moves over to the production division. The production managers and staff do the budgets, send it out to tenders unless there is an exclusive contract, and they find a line production or production managers in Toronto, Vancouver, or Montreal to supervise it. To get in
the door of the creative people, the only card one has as a service provider is that one is the service provider of one of their shows. You're therefore automatically considered not to be a creative person. This may get a meeting but not reception to the ideas.

Among independent firms that produce children's television, service provision appeals primarily to firms that have specialized in-house animation or interactive media capabilities as a way of creating revenue from staff resources between proprietary productions. One executive observed that the firm considered service production around some of the animation properties they were producing, but decided against it for three reasons. The business reason was that overhead to set up the studio would be very large, and staff would have to be maintained between contracts. The creative reason was that "not having an animation studio allows the firm to work with other studios that most fit organically with the property that needs to be developed."

Merchandising is of considerable interest to executives of children's production firms because it offers a revenue model with potential to amplify the value of the firm's intellectual property. However, it is considered a risky business, "a combination of inexact science and lottery" as one executive put it. The most "merchandisable" properties are pre-school properties and action-adventure, but broadcasters are not necessarily looking for such properties. Broadcasters are interested in the first place in properties that work as programs for their target audience, and merchandising potential does not drive the deal. Firms with potentially merchandisable properties are always thinking about what might lie beyond broadcast revenues. Sometimes enough interest is generated "and if there is enough profile on broadcasting the opportunity may be pursued. If not, there is no market for it." One smaller firm's strategy is "to take measured shots, build demand from the bottom up for properties we create: first we work for broadcast, and it needs to be an evergreen brand that can sell on distribution, and once all these are in place, they can justify why it can work on merchandising." The property must be conceived from the beginning as something that is not "merchandising unfriendly." For example, properties based on human characters in cartoons are not merchandisable. Pre-schoolers prefer plush objects; other textures do not sell. Some of our respondents consider teen shows as not particularly merchandisable, although other respondents are developing video games around cartoon properties for tweens and have created merchandising opportunities with live-action family shows featuring animals. Some firms seek to acquire media options for properties that first appear as books that have demonstrated market potential in their targeted demographic.

The small size of Canadian independents does not work to their advantage in the merchandising business. One firm does not undertake merchandising for the reason that "we're just too small." The executive has been told that "first you have to show in the U.S. market for a couple
of years.” To capture significant revenues from merchandising, a firm may need to invest in manufacturing product, with attendant risks. Said one executive,

> It is scary that you only get about two weeks in retail. If your product is not a hit, it is taken off the shelf. This is the big-box retailer phenomenon. We went into [two well-known big-box retailers] last year with two books and received sales numbers within ten days. If you don't produce a hit you are a tainted good, and the retailers won't take anything else, whether it's a book, a CD, or whatever. You have to be very careful unless you are a SpongeBob, a hit property. Shelf space is getting smaller and smaller. There are fewer and fewer retailers and more and more licensed products. You have to go out there and build demand.

Even with significant exposure on television, the risk of merchandising can be too great for a small firm to bear. One firm had a puppet series that showed in dozens of territories worldwide. An opportunity was explored to develop dolls, but the cost of mounting a merchandising initiative was judged to be too high. Said the executive, “essentially you have to spend millions of dollars to develop a merchandising opportunity and we thought the opportunity did not justify putting in the energy and risking cash flow, so we moved on.”

**Commitment of the Core Group and Prime Motivation of Each Member**

“A basic requirement for development is that at least one group and the prime person are highly motivated and that the other key actors are committed to the business idea” (Davidsson & Kofsten, 2003). Hoag and Compaine (2006) suggest that the media industry attracts entrepreneurs with two diverging motivations: ‘merchants’ who seek to build a profitable business that happens to be a media business, and ‘missionaries’ who are motivated by the desire to influence, entertain, or inform audiences. Motivational factors certainly contribute to the tendency of the Canadian independent television production industry to accumulate large numbers of very small firms that are not growth-oriented. Commitment to building a viable enterprise is evident among the founding teams of the independent television production firms that we interviewed. Founding teams are stable for years. Several executives told us that it takes approximately ten years to build a viable independent production firm in Canada and that executives must be willing to make the firm a priority, at the expense of personal leisure, for this period of time. This limits the scope for serial entrepreneurship among media entrepreneurs in the children’s television area.

Executives anticipate growth in terms of an increase in volume of production, not in terms of an increase in staff. Once the core firm is
proficient, it can increase its volume of production without an increase in staff. An executive expressed the growth objectives of his firm as follows:

We seek growth in terms of volume of production, not in terms of number of employees. We are not going public, and not going to have 150 staff. Leadership is what is needed, not size. We have twenty people managing fifty million dollars of production and we could manage twice this volume with the right association of people.

Only animation houses maintain relatively large numbers of specialized creative and technical personnel on payroll.

Successful independent television production firms are frequently approached as potential acquisition targets by larger media companies that want to show quick growth, and so executives of independent firm must be of one mind regarding exit strategies. An executive observed that “in an acquisition, your business changes, it becomes the business of merger, of taking over. As an owner I have to be clear about my goals. The right offer hasn’t come in yet.”

**Core Group Expertise**

“A business firm must have technological and commercial competence to develop its products and market - it is crucial to have access to expertise for solving the firm’s real problems” (Davidsson & Klofsten, 2003). Most young media workers enter the industry via educational programs that provide writing, production, or technical training, not media business training. An executive observed that few people in the independent production industry in Canada think in terms of business models because most of them enter from a creative side industry. Business skills deficits are consistently cited as impediments to growth of small, young production firms (Preston, 2002; WIPT, 2004).

Executives of successful independent television production firms regard themselves as media entrepreneurs with business acumen and creative storytelling, leadership, and organizational skills, not as administrators or project managers. Most do not have prior experience as an entrepreneur. The eight firms that we interviewed were founded by thirteen individuals. Among these thirteen founders, only two had previously founded independent production firms. Most, however, had prior experience as executives at the vice-presidential or executive producer level with private or public broadcasters or with another independent production firms (see Table 3). They regard this experience as more valuable than prior experience in starting up a media firm. Notably few writers or young persons seem to have established firms. However, in one case, recent university graduates established an independent production firm that has subsequently enjoyed growth and longevity. In this case, the founders had established small media-related enterprises while students.
Second-tier members of the executive team include persons with responsibility for operations, marketing and distribution, legal and business affairs, finance, and creative development. They are practically always individuals with prior experience at the senior management or executive producer level in other production or broadcasting companies. The recruitment and retention of seasoned and effective lieutenants in the executive team is critically important to the growth of the independent television production firm. These individuals bring strong foreign sales and distribution experience to successful independent firms, capabilities that are notably lacking among less successful production firms that try to earn export sales (Nordicity, 2006).

Executives of independent television production firms attach great importance to their firm’s ability to produce compelling content. They regard their unique ability to combine commerce and creativity as critical to success. Said one executive,

*Our balance of commerce and creativity is a unique selling advantage. It is certainly rare in this industry that we have true commercial soul. I am a marketing guy, a strategy guy, we’re an international company, yet there is a passion for creativity and a passion for story telling and a passion for being authentic in terms of the kind of product we create. Shlock and art are the extremes. We do not want to go to any of these extremes. We believe in the creative, artistic reason of what we do, but we are very commercial.*

The sources of ideas for good content are determined by the interplay of creativity with opportunity recognition that comes from understanding markets, broadcast audiences, and customers for non broadcast products and services. Market signals alone cannot provide an adequate basis for product development strategy in the children’s television industry because independent television production firms do not enjoy direct contact with audiences. However, as discussed below, they maintain very close relationships with their principal broadcast customers to learn about their customers’ requirements.

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<th>Number</th>
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<tr>
<td>8</td>
<td>Executive with private production company</td>
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<tr>
<td>1</td>
<td>Independent writer/producer in Canada and US</td>
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<td>University graduate</td>
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<td>1</td>
<td>Executive in international publishing firm</td>
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<td>Independent filmmaker</td>
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<td>International marketing/management consultancy</td>
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<td>Law and audiovisual policy</td>
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Customer Relations

“A customer base must be qualitatively and quantitatively strong enough to generate operating revenue” (Davidsson & Klofsten, 2003). Customers are primarily broadcasters. The term used in the industry is not “customers” but clients, buyers, or commissioning editors. Independent television production firms are valued by broadcasters when they can produce to their requirements and also contribute creative novelty. This means that independents must always have original content ideas to pitch. Independent television production firms are content companies, so they deliberately align themselves with broadcasters who know their audiences. These companies inform the independents about their intended audience and the independent firm ensures that the content it creates is appropriate. However, discovery of new customer segments and new content ideas goes both ways. Independent television production firms watch for trends and alert their channel partners, inviting them to think about a new segment or product and suggesting content ideas. Said one executive,

Our product ideas do not come from the kids, but from the broadcasters. They are the ones to talk to the kids, they form their strategies and then we work with them. Every network has a different personality; some are specific in what they want, and some are not. For example, an executive from a major American network was looking specifically for a character-driven, gender neutral comedy, which would show a character like Napoleon Dynamite. So they specifically know what they want, whereas you may go to another broadcaster who would say “we’re looking for something good!”

Independent television production firms endeavor to develop personal relationships with broadcast customers. With many more suppliers of children’s television programs than buyers, this is a challenge. In the area of kids’ programs there are six or seven customers in Canada. Independent television production firms must be able to identify all potential prime prospects among broadcaster customers and develop a face-to-face relationship with them, no matter how much time and travel is involved. Relationship building requires personal attention:

You develop loyalty with relationship building by following up, having a profile of each buyer in your Outlook calendar, knowing the names of their kids, their favorite wines, etc., and asking personal questions such as “How is Johnny’s summer camp?” The buyers don’t have to do this because they don’t have as many people to track—they’re not as frantic as we are—they can remember things without having to write them down.
Perhaps the most difficult relationship for a Canadian independent television production firm to build is one of becoming a desirable supplier to a foreign network. To export, the firm must participate in all major trade shows and showcase their products there. It must be able to establish a physical presence in potentially important national or regional markets, and maintain a very close working relationship with a customer when a show is in production. An order for a series from a U.S. network can result in bids from Canadian networks, but the reverse is less likely.

We did a pilot for [a U.S. network] and now it has been ordered as a series. Already three networks in Canada are bidding for it. It will go to [a Canadian private broadcaster] because this is the best for the show, although it was not the highest bid. That would never happen if the show had started in Canada. The [U.S.] people know me because I did a pilot for them five years ago and they called. The broadcasters in Canada don't do that, because they have far more producers pitching them than they have time slots available. And because of the structure of broadcasting in Canada, it is almost impossible that one can have a hit in Canada. The most watched Canadian show is not a hit compared with the most watched show in the U.S. A hit in Canada which may have two million viewers is much less than 24 million for a U.S. hit.

International television trade fairs are key events in customer relationship building. The major trade events in children’s television are MIPTV, MIPCOM, MIPCOM Jr., and KidScreen. Although these events hold seminars and panel discussions, one executive noted that he had attended only one seminar in eighteen years of attending the trade fairs. That is because appointments with customers start at breakfast and end at dinner. It is normal to meet about sixty clients during a trade fair. Although the primary purpose of these fairs is to sell original programs or programs in the catalogue, they are also an opportunity to network and to meet with potential customers for pre-sales, and they provide a clear idea of trends and a picture of what distributors and broadcasters are looking for.

**Other Firm Relations**

“The firm may sometimes need additional capital, management know-how, or other ‘oil’ in its machinery—these relations complement the customer relationships” (Davidsson & Kofsten, 2003). Aside from customers, the three key external relations that an independent television production firm must master are those with external production talent, those with banks, and those with government funding agencies.
An independent must have the ability to have access to a supply network of competent creative and production personnel who can be engaged on contract. The social embeddedness of production relations in the television production industry puts a premium on industry experience, since contracting is done entirely on the basis of personal relationships:

Everybody is hired, writers, etc., through contacts, relationships, knowing people. We know four or five people that we like and trust for the position of First Assistant Director. We hire key personnel: camera, art department, wardrobe, etc., and each key person will come with their own team. When we hire a Production Manager, that person would hire people to hire people. So, we hire ten people and actually would have a sixty-person crew. It is about relationships in the entire industry, it really is about who you know, who you feel comfortable working with.

Financial management is a particularly important capability to develop in independent television production firms, requiring management of relationships with public and private funders. Financing of television production in Canada is much more complex than in countries with large domestic markets such as the U.K. or the U.S., where networks usually fund a production in its entirety. In Canada, license fees committed by Canadian public and private broadcasters cover up to 40% of the production costs (Nordicity, 2005). Assembling a package of production financing in Canada is “a jigsaw puzzle” (Gorica, 1999) requiring a great deal of effort and paperwork to piece together various contributions from domestic and foreign broadcasters, domestic production funds, and tax agencies. The “very cumbersome” financing process that Canadian independent producers must undertake requires “completion of all the due diligence imposed by financial institutions, foreign distributors, broadcasters, completion bonders, and government agencies” (Nordicity, 2005). Financing begins with pitching a proposal to a national or provincial broadcaster in search of a commitment to broadcast. Letter in hand, the producer then approaches other Canadian broadcasters, government funding agencies, and a small multitude of specialized funding programs. Support from a public funding agency averages about 9% of the cost of production, while support from various private production funds adds about 16%. Federal and provincial tax incentives provide a further 20%-25% (Nordicity, 2005). The process is so onerous that it “can push a producer against the wall financially and in terms of production scheduling” (Nordicity, 2005, p. 15). In Canada it is difficult to cover the remaining costs of production domestically and cashflow is often a problem that small producers encounter at this stage. Said one executive,

Startup is really tough. [A Canadian bank that we approached] would not give us a dime. We have had to be clever and keep costs low.
Now it is less of a problem. The goal is to fund some projects with internal cash flow and have some externally funded. However the killer is the last ten percent. We would like to use our own cash for the last ten percent - this would allow us to move faster.

Independent television production firms may end up producing with less than full budget, deferring payment of fees to themselves until last. Canadian banks will provide interim financing if the production budget is fully financed, but gap financing (loans against non pre-sold exhibition or distribution rights) is much more difficult for smaller firms to obtain (Nordicity, 2005).

DISCUSSION

Deverticalization and the need for flexibility, creativity, and innovation are contributing to the spread of project-based organizational practices in many industries, generating considerable interest among researchers and managers in the lessons that organizing practices of creative and cultural industries may hold (Lampel, Lant, & Shamsie, 2000). Researchers from several social science disciplines have contributed observations on the growth of small media production firms. Research tends to emphasize either the motivations of creative workers or external constraints on growth of small firms. Regarding the former, the literature on cultural and creative workers emphasizes their desire for creative control, artistic freedom, and self-expression, in opposition to market or customer orientation (Caves, 2000; Hirsch, 2000). In creative industries, many individuals establish enterprises for lifestyle reasons, not with growth objectives. Moreover, many media microenterprises are survival vehicles for freelancers, new entrants, producers without funded projects, or displaced workers, not ventures that are organized and resourced for growth (Baines, 1998, Paterson, 2001; Saundry, 1998). Industry consolidation, downsizing of public sector media firms, low entry barriers, and unbridled production of young media graduates by community colleges and universities have flooded the industry with underemployed media workers. In other words, many self-employed media workers are not ‘enterprising’ entrepreneurs (Baines, 1998; Davenport, 2006).

Regarding the external constraints on the growth of small film and television production firms, the literature on the organization of the television and film industry emphasizes that flexible, project-based production networks and free agency are functional characteristics of the industry (Christopherson & Storper, 1986). Production networks are the supply networks of central media firms, which control financial resources, programming decisions, distribution capabilities, and contact with audiences and advertisers. Project-based production networks in various media cities allow the major firms in the industry to move
production activities to geographical areas that offer labor flexibility and cost advantages (Christopherson, 2005). Precarious independent production firms “absorb high product risks and labour costs for the giants” (Mosco, 1996). Widespread tax incentives and subsidy of production services among jurisdictions attempting to attract film production activities may serve to improve the quality of local audiovisual infrastructure and production crews, but these seem not to spill over into competitive capabilities among domestic media firms (Vang & Chaminade, 2007).

The small literature on capabilities of media firms focuses on media conglomerates—for example, Aris and Bughin (2005) and Chan-Olmsted (2006). It does not scale down well to the level of small media firms. Comparatively little research has been written on capabilities of independent television or film production firms—e.g. Davenport (2006) or Preston (2002). Our research shows that internal business capabilities are important factors in explanations of the growth of small independent television production firms. Entrepreneurial motivation to build a successful firm, an orientation that combines creative and business objectives, careful selection of products and services to be offered, risk management, deliberate growth strategies, reliable production capabilities, and strong business development, marketing, and customer relationship management capabilities characterize the children’s television production firms that we analyzed. These capabilities need to be more widespread among Canadian independent television production firms if the industry is to grow and prosper.

CONCLUSION

An important insight suggested by our study is that the view of project-based television production firms as primarily administrative vehicles for assembling external production talent does not do justice to the complex business capabilities that successful firms develop. Independent television production firms that wish to grow have to find business opportunities among responsive audience segments and successfully develop and deliver economically viable configurations of products and services to them. These activities require business capabilities, not merely administrative capabilities. These capabilities reside in the senior management team, which is usually comprised of founders and a small number of other executives, and in their small support staffs. The firm must successfully initiate projects through creative ideation, explore markets, pitch to potential customers, assemble funding with initial customers, sponsors, and funding agencies, recruit external creative and technical talent for production projects, ensure the efficient and effective execution of projects, discover and exploit opportunities to increase licensing revenues through distribution of content to customers in other media territories, and extend brands to new media platforms or to
complementary entertainment products. The firm grows when it can profitably develop, produce, and manage a large enough flow of television content and related products and services to domestic and international customers. Entrepreneurial capabilities to identify and exploit opportunities help to distinguish independent television production firms that become viable and profitable from those that remain microenterprises. While the motivation to enter the children’s television production industry may not be entirely rational from an economic perspective, the motivation to build a viable firm is a characteristic of all the executives of the firms that we interviewed.

A second insight from our research is that small organizational size does not imply small capabilities. Entrepreneurial project-based firms can multiply the number of projects under management without significantly increasing their organizational size. With a core group of senior managers and a small support staff, entrepreneurial independent television production firms can produce and deliver a substantial flow of media programs and grow in economic size without growing in numbers. Our qualitative application of the Davidsson-Klofsten model of a business platform to the case of Canadian independent production firms helps to identify the groups of capabilities that growing production firms have developed. These include, in addition to the creative abilities that are expected of television producers, a clear understanding and articulation of the firm's central value proposition, reliable production management capabilities, development of complementary revenue models, in-depth knowledge of the industry, close working relationships with customers and funding agencies, business development and marketing capabilities, development of various specialized production techniques in the case of animation and emerging non broadcast media products, and a knack for combining art with commerce. Reliable production requires substantial contributions from external creative and technical talent, but most of the critical business capabilities are located in the firm in the persons of the senior management team. The core of the firm is comprised of owner-founders who almost always are individuals with substantial prior experience in the television of film industry and a small group of lieutenants—who are generally also individuals with substantial prior senior-level industry experience—with responsibilities for operations, marketing and distribution, legal and business affairs, finance, and creative development. Younger entrepreneurs and serial entrepreneurs are not typical among founders or executives of children's television production firms.

We chose to use the Davidsson-Klofsten model because it offers a useful general framework for organizing an enquiry into the business capabilities of small firms. However, at the risk of lessening the generalizability of results, a rigorous quantitative analysis that demonstrates the relationships between capabilities and firm performance will require that the statements in the original Davidsson-
Klofsten survey instrument be adapted to capture the specific features of the media sector or subsector under study.

References


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