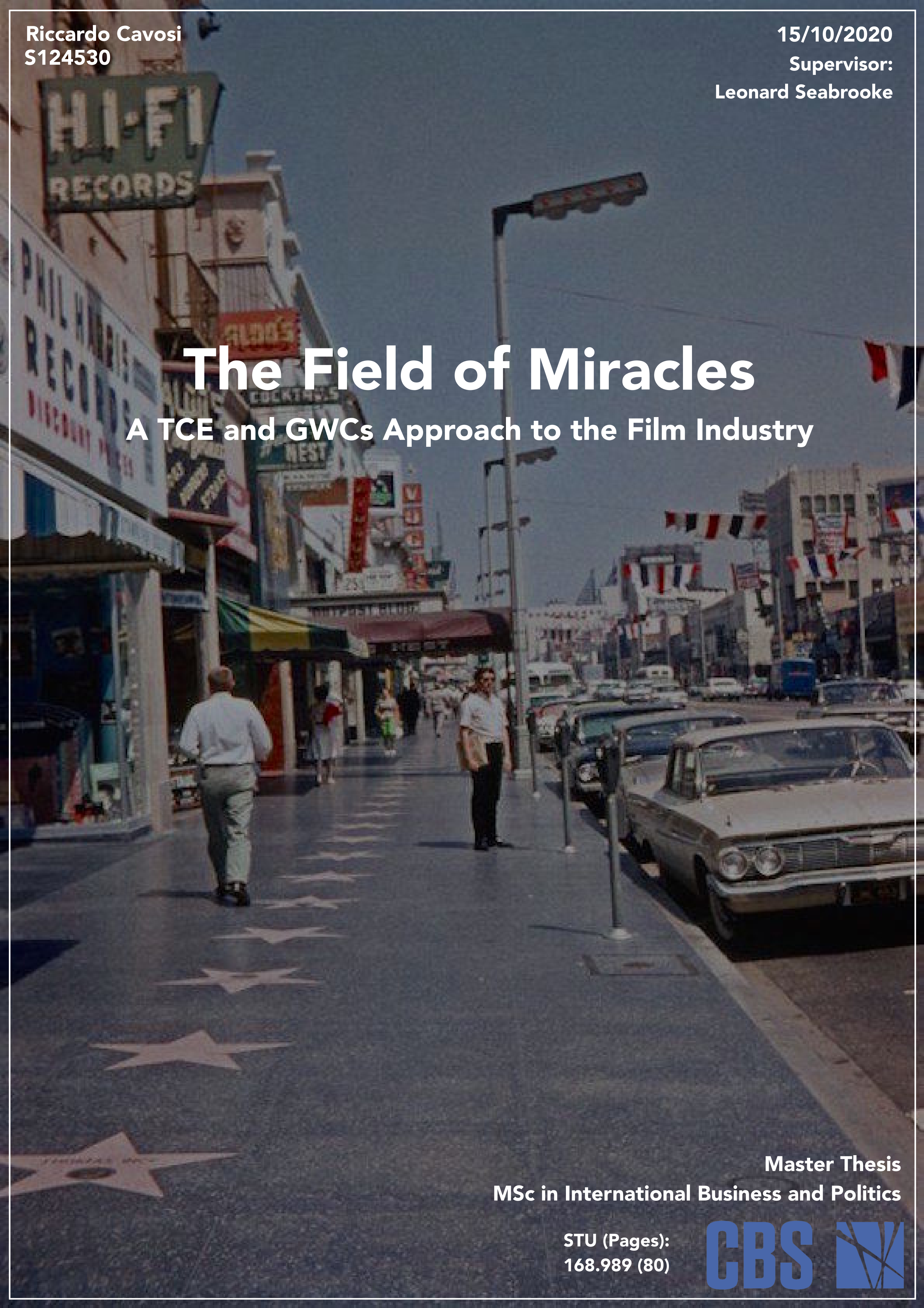

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The Field of Miracles

A TCE and GWCs Approach to the Film Industry

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Abstract

The Film Industry has always been characterised by incredibly high costs and low margin of profits. In the years, production companies not only have started diversifying their purpose becoming full-fledged entertainment conglomerates, but also begun to structure their financing and intellectual property operations in a way to lower transaction costs and take advantage of tax favourable regimes. This thesis investigates under what circumstances production companies choose to organize their operations across multiple legal jurisdictions. The research question was investigated at two levels: a macro level regarding Hollywood entertainment conglomerates, which was the main study of this thesis; and a micro one studying the Danish and the Italian film industries. By analysing the issue through TCE and GWCs, and through the use of quantitative (Network Analysis) and qualitative (Interviews) methods, the thesis highlights the importance of the institutional role and the scale of the industry. From the two case studies, two main findings were identified: (I) Hollywood entertainment conglomerates take advantage of their intellectual property operations to exploit GWCs and reduce transaction costs; (II) Danish and Italian production companies operate in countries with low transaction costs deriving from uncertainty, frequency, and information asymmetry.

Key Words: Film Industry; Corporate Structures; Hollywood; Tax Shelters; GWCs; TCE; Denmark; Italy.

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1. Introduction

In the tale of *Pinocchio*, the Cat and the Fox, two sleazy cheaters, one blind from an eye and the other one with a limb leg, convince the wooden puppet to bury his five *golden coins* in a phantom *Field of Miracles*, telling him they would transform throughout the night into a tree with hundreds more of pure *golden coins*. Amazed by such an incredible offer, Pinocchio easily gets convinced by the two cheaters, with the inevitable result of getting robbed.

1.1 Background

It is probably from the birth of Cinema that productioxn companies, overloaded by high costs and low margins of profit, have tried themselves to find a *Field of Miracles* where to invest and realize their "dreams". In the years (especially considering the declining popularity of cinemas caused by an increase of TV quality and streaming platforms), production companies not only have started diversifying their purpose becoming conglomerates of the entertainment industry, but have also begun relying dramatically on external funds and corporate strategies such to take advantage of funds and tax incentives. On the way, many Pinocchio(s) were deceived as many Cats and Foxes tried to find any possible shortcut. Today, with the advent of Globalization and the creation of GVCs and GWCs, it seems like the *Field of Miracles* truly exists. At least for a few.

Speaking of tales, maybe it is not a coincidence that Disney was the first one (and maybe the only one) to truly find this *Field of Miracles*. From 1923, "Disney Brothers Cartoon Studios" (as it was called at the time), quickly created an empire behind the fairy tale brand we all know today (Griffin, 2000). Interestingly, Disney's main source of revenues does not come directly from the famous cartoons and films, but from everything else characterizing this multinational corporation (ibid). And considering the low margin of profits and incredibly high costs characterizing the Film Industry (Robins, 1993), this does not come as a surprise. Between media networks, amusement parks, entertainment products, and so on and so forth, Disney operates today in 133 countries around the World, with a physical presence in 30 of them ("Disney – Leadership, History, Corporate Social Responsibility", 2020). The real fairy tale is not *Pinocchio* or *Cinderella*, but the way Disney managed to create an empire around their brand.

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The film industry is a business characterized by very high costs and low margins of profit (Robins, 1993). Most of Hollywood production companies are in fact part of larger entertainment conglomerates listed directly or indirectly on the stock market (Leaver, 2010). Of which, "the film entertainment segment is typically the lowest-return business in these (conglomerates) companies' portfolios" (Credit Suisse First Boston, 1997: 1). It seems like production companies became a sort of superficial façade for bigger multinational companies interested either fully or partially in the entertainment industry (Gomery, 1998). Like for the case of Disney. But can production companies behave like full-fledged MNCs?

Generally speaking, with the advent of Globalization many MNCs turned into corporate governance strategies in order to take advantage of GWCs around the world (Garcia-Bernando *et al*, 2017). Or, in other terms, they initiated corporate plannings to exploit the lack of international standardized tax regulations to maximize wealth (ibid). In the film industry, very few in the world can exploit strategies related to the creation of GWCs. In the US, we find only the so-called Big Five, the five major production studios in Hollywood: Walt Disney Pictures, Warner Bros., Universal Pictures, Columbia Pictures and Paramount Pictures (Davis *et al*, 2015). And not even them singularly can truly be considered as MNCs, simply because sometimes they are owned by bigger conglomerates (ibid). For example, Universal Pictures is owned by NBCUniversal that in turn is part of the major group Comcast. Columbia by Sony Entertainment, Paramount Pictures by ViacomCBS and Warner Bros. by AT&T. In theory, even Walt Disney Pictures is a subsidiary, however owned by The Walt Disney Company (ibid). This is why Disney is such a peculiar case, because it is probably the only major Hollywood production company that went along without never being absorbed by other major conglomerates.

The above-mentioned entertainment conglomerates are no different from full-fledged MNCs, setting their operations across different jurisdictions under the circumstances of value and wealth creation, respectively through the use of GVCs and GWCs.

However, the majority of production companies around the world cannot operate in the same way. Most of the time, they produce films for their own country in their original language. A Danish production company makes films in Danish for a Danish audience, distributed mainly in the country.

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The same production company would probably not be able (economically) to have a subsidiary, let's say, in the Netherlands such to exploit the favourable taxation of the country over foreign revenues (Van Dijk *et al*, 2006). And considering once again the premises of this industry, national production companies are certainly not able to compete with major Hollywood entertainment conglomerates. It is interesting to ask, "is there any value in a film studio? Why do capital allocators [private and public funds, government tax incentives, etc.] continue to give money to this business?" (Credit Suisse First Boston, 2001: 6). And again, what is the role of the government in the production of films? Should it work as a protector of cultural goods and services? Should it support cultural productions and, in the specific, film productions through tax incentives/funds/etc.?

In this regard, Cultural Political Economy examines how governments around the world are particularly interested in protecting culture markets from free trade and liberalisation, protecting intellectual rights, putting quotas and restrictions to foreign cultural goods. In fact, as Goff (2007) underlines in her book "Limits to liberalization", national culture is represented in films or TV productions, and external cultural goods are often seen as a threat to societies in this very sense.

Despite this help, most production companies around the world are not able to compete with Hollywood (Pibernik, 2015). And probably they will never be. They cannot take advantage of corporate strategies to create GWCs, nor can they distribute their movies in basically every corner of the world. This is why the role of culture and the government play major roles in this discussion, because it is probably the only reason why production companies other than Hollywood still survive, trying to find their own tailored and domestic *Field of Miracles.*

This does not mean that every single country has the best conditions for the production of films. On the contrary, some have better taxation than others, or state funds, or regional funds, or any other type of support, financial and not (Rodriguez, 2017). To exploit other countries incentives, production companies might open subsidiaries, acquire foreign counterparts or make international co-productions. These circumstances are not only connected with domestic incentives and production costs, but mostly to transaction costs deriving from uncertainty, frequency, specificity, and information asymmetry.

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To briefly conclude, this thesis aims at understanding under what circumstances production companies choose to organize their operations across different jurisdictions. By investigating the issue at both a macro (Hollywood entertainment conglomerates) and micro (Danish and Italian film industries) level, analysing it through TCE and GWCs, and through the use of quantitative and qualitative analyses, the intent of this study is to answer the following research question.

1.2 Research Question

When do production companies choose to structure their financing and intellectual property operations across multiple legal jurisdictions?

1.3 Thesis Outline

Hereby a brief explanation of how the thesis is structured. Chapter 2, *Literature Review*, provides the reader with a presentation of all competing theories that could examine the research question, and it continues by focusing on the most suitable ones for this thesis. Chapter 3, *Research Design*, follows by illustrating in detail all the research process, delineating the philosophical approach and the methods adopted for this thesis. This section provides the reader with necessary knowledge not only to better understand the following analysis, but also to increase their familiarity with the research topic.

As this research explores the research question from both a macro and micro level, Chapter 4, *Analysis*, is formed around two different parts and it should be seen as the core of the thesis. The first and main study investigates the research question at a macro level, analysing the corporate structures of three major Hollywood entertainment conglomerates: Comcast Corporation (owner of Universal Pictures), ViacomCBS Inc. (owner of Paramount Pictures), and The Walt Disney Company. The second part studies the micro level of the film industry by analysing the Danish and Italian industries, very different in terms of size but very similar in terms of strategy. Each part is followed by a related subchapter (*Findings and Discussion*) presenting and discussing the findings.

The analysis is followed by Chapter 5, *Discussion*, which provides the reader with an open discussion on the theoretical and methodological choices made in this thesis. Finally, Chapter 6, *Conclusions*, gives a summary of the findings and presents the main conclusion of this thesis.

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2. Literature Review

2.1 Chapter Guide

The chapter introduces all competing theories that could be applied to this research. It begins with a brief preface on the background that the literature review is based upon. This is followed by a broader inspection of the competing theories which provides the reader with a greater knowledge of the different perspectives this research could be seen from. The chapter concludes with a deeper examination of the theoretical framework preferred for this thesis and its connection with the film industry.

2.2 Background

The aim of this thesis is to study the rather unexplored (at least academically) field of the film industry, trying in particular to understand why and when production companies decide to structure their financing and intellectual properties across different countries. I analyse the existing theories within the major areas of international political economy and financial-legal studies, hereby briefly introduced. It does so in the prospect of finding a narrowed theoretical framework that takes into consideration different views on similar matters. Within the macro areas chosen for this study, I limited this thesis to look into the fields of wealth management within international political economy, financialization of MNCs, cultural political economy, transaction cost economics, and financial legal studies. This section is meant for briefly investigating the theories competing to explain the issue examined.

2.3 Competing Theories

When studying the film industry, it is necessary to make a distinction between Hollywood (the macro level) and basically any other production company in the world (the micro one). And in order to get an idea of how the film industry works, it is important to study both phenomena separately. Considering the big gap with Hollywood, it would be pointless to use the same study approach with every production company in the world. However, this is not to say that Hollywood major production companies are MNCs while other production companies are simply smaller realities only

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dependent on state funds or tax incentives. In fact, it is important not to confuse the terms "corporation" and "firm". It would be misleading to think of Hollywood production companies as corporations and others as firms, as de facto, for example, even some Hollywood production companies are firms belonging to major corporations (like the case of Columbia Pictures and Sony Pictures Entertainment) Davis *et al*, 2015). Therefore, this thesis uses different approaches not because of the legal entity of the production companies but because of their competitiveness in the market (global versus local).

This clarification is especially important considering that "firm" and "corporation" are often mistaken in the literature for being the same entity (Robè, 2011). In his academic article 'The Legal Structure of the Firm' (2011), Jean Philippe Robé criticises Jensen and Meckling point of view on this matter. For Robè, corporations are legal mechanisms considered as juridical persons with rights and liabilities (ibid). They are used to legally structure big firms that, on the contrary, are defined as organized economic activities not falling into the category of juridical persons (ibid). This concept of juridical person can sound illogical if considered that a corporation is not a human being. In this matter, Jensen and Meckling (1976: 8) write in one of their articles:

"…most organizations are simply legal fictions. This includes firms, and even governmental bodies such as cities, states… The private corporation or firm is simply one form of legal fiction which serves as nexus for contracting relationships…".

But considering corporations as mere legal fictions misses their "ability to act on behalf of legal persons owning assets, and of being part of the constituents of the legal fiction" (Robè, 2011: 10). In fact, seeing corporations as juridical persons gives them the possibility to act like human beings and therefore own properties, have liabilities, make contracts, have the possibility to sue and get sued in courts, go bankrupt, etc. (ibid).

Making this distinction helps understanding what type of studying is worth applying to specific cases, and whether it makes sense to study the corporate strategies of a production company that is part of a bigger conglomerate or it is more meaningful to study directly the conglomerate itself. This thesis uses the second approach. In support of this choice, we have to look at the strategic choices behind why a conglomerate decides to enter the film industry, especially considering the

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high costs and low margin of profits: if it is not a profitable market, why would bigger conglomerates be interested in entering the business? For example, in the case of the Sony acquisition of Columbia Pictures in 1989, "Sony's purchase of Columbia would provide it with what the industry calls "vertical integration" – the ownership of programming and the mechanisms for distributing the programming" (Chicago Tribune, 1989: 1). Here, Columbia Pictures alone did not operate any longer as an independent production company but started serving the strategic needs of a bigger conglomerate. In this respect, "the goal for senior management in conglomerates which incorporate a major film studio is to construct a portfolio of complementary activities generating synergies throughout the corporation which release value" (Leaver, 2010: 462). Therefore, I argue that studying a subsidiary alone without taking into consideration the parent corporation would be somehow incomplete.

To sum up, this thesis studies production companies separating them depending on their competitiveness in the market i.e. Hollywood versus the rest of the world. Whenever it is the case, it focuses on the parent corporation rather than on the production company itself.

From a competitive point of view, it is unquestionable how Hollywood is at another level in respect to other production companies around the world (Pibernik, 2015). And as such, Hollywood major production companies are able to work as financialised corporate economies (Froud *et al, 2006*), "running on narratives as much as numbers" (Leaver, 2010). MNCs wealth strategies, therefore, are a central research context of this thesis.

Recently, wealth management in MNCs was pushed in the spotlight by the famous tax related leaks disclosed by the International Consortium of Investigative Journalists: the offshore leaks in 2013, the China leaks and Luxembourg leaks in 2014, the Swiss leaks in 2015, the Bahamas leaks and Panama Papers in 2016, and the Paradise Papers in 2018 (VanOpdorp, 2017). MNCs operate through complex corporate structures such to manage their operations and ownership structure across different countries and jurisdictions (Garcia-Bernardo *et al*, 2017). Some jurisdictions are known as Offshore Financial Centers (OFCs) and attract MNCs with extremely advantageous taxation and tolerant legislations (Fitcher *et al*, 2016). Through OFCs, MNCs take advantage of their complex intricate corporate structure in order to minimize costs, accountability and transparency

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(Seabrooke & Wigan, 2017). They want to increase legal protection for their operations and protect their investments from other governments' decisions (Garcia-Bernardo *et al*, 2017). They seek friendly regulatory regimes such to avoid accountability and public audit for their operations (ibid). Not by coincidence most of the financial products that enhanced the 2008 financial crisis were generated in OFCs (Fernandez *et al*, 2017). Finally, and probably most importantly, MNCs exploit complex corporate structures through OFCS to drastically reduce tax payments, especially for those multinationals with many intangible assets e.g. intellectual property rights (Bryan *et al*, 2017). And the film industry is definitely characterized by intellectual property rights.

In the discussion on how wealth maximization occurs in MNCs, it is useful to also look into literature on financialization (Seabrooke & Wigan, 2017). Defined in different ways, the term 'financialization' in this thesis refers to: "a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production" (Krippner, 2005: 174). And although from this definition financialization may seem a process in contraposition with Global Value Chains, this is not entirely true (Engelen et al., 2010). In fact, this thesis is based on the inevitable connection between Global Wealth Chains (GWCs) and Global Value Chains (GVCs), following the notion that processes of global financialization and production are interdependent (Erturk *et al*, 2010), where although film and television products add economic and cultural value, especially in intellectual property, the management of wealth may differ from where productions actually occur.

The use of GWCs to exploit OFCs gives a competitive advantage to MNCs over smaller sized companies, which are taxed at a national rate that usually is above 22% (Clausing, 2007). For this reason, I argue that the competitiveness gap between Hollywood and other production companies is irreparable. This to demonstrate how - somehow unfortunately – also Hollywood highly depends, directly or indirectly, on corporate revenues and market capitalisation (Froud *et al*, 2006), and how corporate governance inevitably becomes central in the discussion.

In literature, corporate governance is roughly divided into two major schools of thought: the shareholder value model and a "challenger" stream (Robè, 2011). The first one is in line with the principal-agent theory (ibid), where the shareholders are the principal (as they own the firm) and managers are the shareholders' agent (Jensen, 2002). As this school of thought follows the

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principal-agent problem, it also expects to get a result that maximizes the benefit of all: shareholders, stakeholders and society altogether (Robè, 2011). This approach is built around the conjecture that "we live in a society where there is a strict separation between governmental and economic activities, and that all externalities are being internalized by efficient rules and institutions" (ibid: 57).

The challenger approach, on the contrary, takes into consideration the role of stakeholders (Mitchel *et al*, 1997), "people whose contribution is also important and/or whose interests are affected by the firm's activities" (Robè, 2011: 57). This approach can also be seen from the society point of view, going against the assumption of a perfectly regulated world made by the shareholder value model (Freeman *et al*, 2010). In this respect, MNCs would play a role of responsibility towards the society they operate in. Berle and Means (1932) highlight the view of enterprises (in this case production companies) as social organizations, almost elevating them at dominant institutions of the modern world. At the same time, governments also have a role towards their own societies. With MNCs, and commerce in a broader sense, governments can be either seen under protectionist economic policies or under the free market ideas of liberalism (Gray, 1985). Although the general tendency to go towards a more open global market, there are still today exceptions (some) governments seem to be intransigent about (Goff, 2007). The culture industries, including all businesses in the field of culture (films, TV, radio, periodical books, etc.), are significant exceptions to the primary idea of trade liberalism characterizing Western countries (ibid). And not surprisingly, the country advocating for the liberalization of culture industries is the US (Brown, 1991). In part because they use the culture industries to influence European societies, in part because their culture industries are able to compete worldwide (De Grazia, 1989). As a matter of fact, Hollywood production companies are able to produce movies that can be distributed everywhere in the world (Leaver, 2010). This discussion found fertile ground in both GATT and NAFTA rounds (Cahn *et* al, 1997; M. Goff, 2007), "nevertheless, despite the leverage that American superpower brings to the bargaining table, its wishes did not prevail, and culture industries received special treatment in the regulations of GATT and NAFTA agreements" (M. Goff, 2007: 3). The reasons behind the will of protecting these industries does not reside on commercial fear, but on social cultural concerns about identity construction and cultural heterogeneity (Collins, 1990). Cultural political economy -

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focusing on the importance of cultural dimension in the creation and formation of national and international policies - is an important theory to better understand the role of culture and governments in the film industry.

In the film industry, the role of the government as protector and supporter becomes extremely important for the production of films (Hutchison, 1993). This is even more accurate for smaller production companies that would not be able to operate otherwise (Goff, 2007). The government usually provides production companies with both national funds and tax incentives on one side, and on the other with quota imposed on foreign movies (Rodriguez, 2017).

As certain countries have better conditions than others, it is inevitable that production companies of more disadvantageous countries might decide to open subsidiaries or acquire production companies where they can find the best incentives available. This choice, however easy it can look, does not reside exclusively on the costs of production or the incredibly beneficial tax incentives of a country, but also on whether it makes sense to produce a film in a certain environment rather than other ones. In fact, in order to get access to funds and incentives, films must often pass a cultural test reflecting the country providing these funds and incentives (ibid). To make an example, a Danish production company would have few if not zero interest in opening a subsidiary in, let's say, Belgium. It would more likely go to Norway or Sweden, both culturally much closer to Denmark. However, these incentives are often available to foreign production companies (mostly through the use of co-productions), which means it is not always necessary to open subsidiaries or acquire production companies in a specific country in order to get them (ibid). In this respect, production companies should consider efficient and effective strategies that can decrease transaction costs deriving from opening up subsidiaries, acquire, or co-produce with foreign production companies (i.e. environmental and behavioural uncertainty, frequency, information asymmetry and asset specificity) (Gil et al, 2007). Certainly, transaction costs play a fundamental role in the film industry, especially considering once again the nature of the business: high costs and low margin of profits (Robins, 1993).

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2.4 Theoretical Framework

2.4.1 Introduction

While TCE is used in this thesis at a micro level (applied to the Danish and Italian film industries), at a macro level, this thesis considers TCE in relation to Institutional Economics. The latter "focuses explicitly on transactions in the economy, and on how these transactions are coordinated" (Groenewegen *et al*, 2010: 2), where the transaction costs depend on the nature of coordination and can be reduced by the institutions (ibid). At the same time, MNCs aim at reducing transaction costs through Global Value Chains by spreading operations across multiple jurisdictions. Institutions are first of all the entities that permit MNCs to endorse such corporate strategies, creating the necessary legal and administrative conditions. This is particularly true considering the complexity of transactions implied by Global Value Chains and the incredible high transaction costs that is generated: transaction costs have to do with efficiency (Williamson, 1996), and institutions have the role (and power) to constitute the conditions such that MNCs can be so (Groenewegen *et al*, 2010). In the current literature on global productions, GVC theory covers 'value added' chains without investigating where value goes (Quentin & Campling, 2017). This thesis starts from this point to further examine what happens to the value added created through GVC, by assuming that MNCs exploit global corporate structures to generate value added and manoeuvre it through Global Wealth Chains to maximize wealth (ibid). Here, institutions help the process of wealth maximization by either directly or indirectly constituting the conditions to reduce the related transaction costs (*figure 1*, section 2.4.5). Directly by embodying favourable and attractive tax regulations (referred as tax shelters), and indirectly by not encouraging an international standardized regulation on tax regimes. In this context, Hollywood entertainment conglomerates profit by the nature of their business, intellectual property operations, which is not only difficult to locate in a particular jurisdiction, but also gives the opportunity to exploit both an economic and cultural dimension of transaction costs. They exploit GVCs to create cultural significant 'value added' and navigate it through GWCs to maximize wealth.

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2.4.2 Transaction Cost Economics

In general, transaction costs are defined as "the costs of running the economic system" (Arrow, 1969: 48). It is important to make a distinction here between transaction costs and production costs. Both are related to the running of an economic activity, but while production costs refer to all the costs to produce a good or a service, transactions costs are all those indirect costs contracted in producing that good or service (Young, 2013). For example, production costs are related to new machineries whereas transaction costs to finding the right team or managing uncertainty (ibid). These can be search costs, selection costs, bargaining costs, enforcement costs, costs of management or intermediary costs (ibid). In a certain sense, as Hayek (1945) also pointed out, transaction costs have to do with efficiency (Williamson, 1996). During the years, the film industry adapted its business model to the changes in the industry, rise in competition and laws regarding entertainment (Leaver, 2010). In this regard, following Williamson reasoning, the film industry adapted to the changes eliminating unnecessary wastes related to transaction costs (Gaustad, 2013).

Williamson (1985) underlines how transaction costs economics rest mainly between three assumptions of human behaviour and three dimensions of transaction costs. In this regard, the human assumptions are bounded rationality, opportunism and risk neutrality (ibid). H. Simon suggested that human beings are "intendedly rational, but only limitedly so" (1957: xxiv) or, in other words, that human rationality is bounded (Williamson, 1985). The type of risk is also influential on human decisions, and transaction cost economics assume that humans are risk neutral. Finally, opportunism is defined as self-interest seeking against the interest of the group (in this case, either of the distribution company or of the production company) (ibid).

The three dimensions of transaction are specificity, frequency and uncertainty. Firstly, uncertainty is divided in two types: environmental uncertainty (external uncertainty) and behavioural (internal) uncertainty (related with communication and behaviour). The primary consequence of environmental uncertainty might be adaptation problems. In general, higher levels of uncertainty increases transaction costs (ibid). Secondly, asset specificity refers to the specificity of an investment in a transaction. This tends to generate dependency (unilateral or bilateral) between the two

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exchanging parties and would suffer if this relationship was to finish (ibid). Finally, frequency is related to the number of transactions between two parties (in this thesis, between a production company and a country), therefore how often a company goes to the market rather than doing something by itself. (ibid).

In this respect, Arrow (1969) and Williamson (1985) see market failures as an explanation of the existence of firms. Choosing the market over the firm means to outsource a certain operation to another company. On the contrary, choosing the firm over the market means to internalize that operation within the firm itself, which therefore has to do with hierarchy.

Considering traditional entry modes for any business, an example of choosing the firm is a subsidiary (fully ownership), while an example of choosing the market is to hire another company to carry out an operation in particular.

2.4.3 Institutional Economics

Institutional Economics endorses the idea of an economy entrenched with social institutions, refusing the concept of an independent and self-sufficient economy (Veblen, 1899). In this sense, institutions are entities meant to safeguard and make interactions between different actors less risky and more foreseeable, such to lower transaction costs arising from a poor coordination of transactions (Groenewegen *et al*, 2010). The role of institutions is, therefore, to facilitate transactions in the market, not only by increasing related efficiency but also by distributing "rights and duties with implications for who reaps the benefits and who meets the costs" (ibid: 13). Accordingly, the conditions for which transactions occur are given by the institutional framework of laws and norms echoing prevailing economic, political and cultural dimensions (Hodgson, 2004).

This thesis adopts the definition of 'institution' by Groenewegen *et al* (2010: 25), presented as "systems of hierarchical man-made rules that structure behaviour and social interaction". These are usually divided into formal and informal institutions, where the first one refers to public institutions with legislative power that create and legally enforce private and public regulations, while the second one to informal private rules of behaviour generated by spontaneous social and cultural processes (Casson *et al*, 2009).

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Institutions should endorse the dramatic increase in complex networks of human interactions arising from Globalization by creating the conditions for coordinating transactions in a way to lower transaction costs to individuals, firms, or any other actor involved (Kasper & Strelt, 1999). MNCs operate through corporate structures scattered in multiple jurisdictions such to create value added and reduce transaction costs (Gereffi *et al*, 2005). Institutions play a major role within GVCs of MNCs by establishing the conditions that enable such corporate strategies (Eckhardt & Poletti, 2018).

2.4.4 Global Value Chains

Global Value Chains theory helps understanding how firms are becoming more and more disintegrated while the global economy is going in the exact opposite direction (Feenstra, 1998). This vertical disintegration entails MNCs to offshore and outsource in a way to assure a vertical specialization in the production operation (Humels *et al*, 2001).

Global Value Chains theory brings Michael Porter's concept of value chain a step ahead. While it is described by Porter as "the activities within an organization that go to make up a product or service" (Henry, 2011: 107), GVC theory goes beyond the input and output of the value chain, including in the discussion how power structure affects the way value is globally allocated among firms (Ahmad & Ribarsky, 2014), The idea behind GVC theory is to no longer look only at the physical component of trade (goods) but at value added created by it (Gereffi, 2014). And to do this, it is necessary to evaluate political power of firms, international politics, etc. (ibid).

Therefore, global value chains do not take place by coincidence but they are governed depending on different international political and economy factors. In order to make an assessment on GVCs, there should be taken into considerations three variables: the complexity of information and knowledge within transactions; the capacity of codifying transactions - how efficiently information is transmitted within transactions (where the higher is the necessity for transaction specific investment, the lower is this ability of codifying transactions); and the capability of suppliers to actually fulfil the transaction, i.e. the bargaining power of suppliers (Gereffi *et al*, 2005).

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2.4.5 Global Wealth Chains

Global Value Chain theory has highlighted how value creation within firms is becoming central in MNCs governance. However, looking only at the value created by production activities would give us only half of the story. De facto, as a consequence of value created by production activities, MNCs look for opportunities to generate and safeguard wealth through financial and legal operations (Seabrooke & Wigan, 2017). And they do so through Global Wealth Chains (GWCs). *Figure 1* (Appendix) shows the interdependence between GVCs and GWCs, where MNCs exploit global corporate structures to generate valued added and move it through GWCs to maximize wealth (Quentin & Campling, 2017).

MNCs take advantage of complex corporate structures to create Global Wealth Chains (Garcia-Bernardo *et al, 2017*). These are defined as "transacted forms of capital operating multi-jurisdictionally for the purposes of wealth creation and protection" (Seabrooke & Wigan, 2017, 2017: 2); or as "linked forms of capital seeking to avoid accountability during processes of pecuniary wealth creation" (Seabrooke & Wigan, 2014: 257). GWCs are the product of a dramatic increase in the mobility of capital and its capacity to change asset identity and jurisdictional site, leading to the separation between the geographical allocations of wealth and its actual original location (Leyshon & Thrift, 1997). The possibility of using GWCs not only increases the competitive position of MNCs, but also determines what country carries the fiscal burden (Seabrooke *et al*, 2014). GWC is the result of an international political economy becoming more and more financialised (Morgan, 2014), representing an on-going discussion on the relationships between states and markets (Seabrooke & Wigan, 2017).

GWCs exist alongside Global Value Chains (GVCs), distinguishing between value and wealth, where value is produced and wealth is optimized and stored (ibid). While GVCs are concentrated on production, GWCs focus on the accumulation of wealth maximized through complex and unclear corporate structures (Krippner, 2005). GWCs structures are very complex because capital can "be" in many places simultaneously (Desai, 2009). This sort of ubiquity is possible thanks to the ability of capital to endure different abstract forms at the same time, such as intellectual property rights (patents, etc.) or R&D (Bryan *et al*, 2017).

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This thesis relies on the conception of GWCs made by Seabrooke and Wigan (2017). Drawing from GVC's three fundamental factors – the complexity of information around transaction, the capacity to code transactions, and the abilities of suppliers to actually fulfil the transaction (Gereffi *et al*, 2005) – they further develop them into factors related with wealth chain governance: the complexity of transactions, the regulatory liability (in transactions and the ease of regulating operations in different countries' jurisdictions), and the ability of suppliers to face challenges related to products and services in wealth chains (Seabrooke & Wigan, 2017).

Similarly, the authors adapt the types of governance in GVCs to wealth chains. Shown in *figure 2*, there are five: market wealth chains, modular wealth chains, relational wealth chains, captive wealth chains, and hierarchy wealth chains.

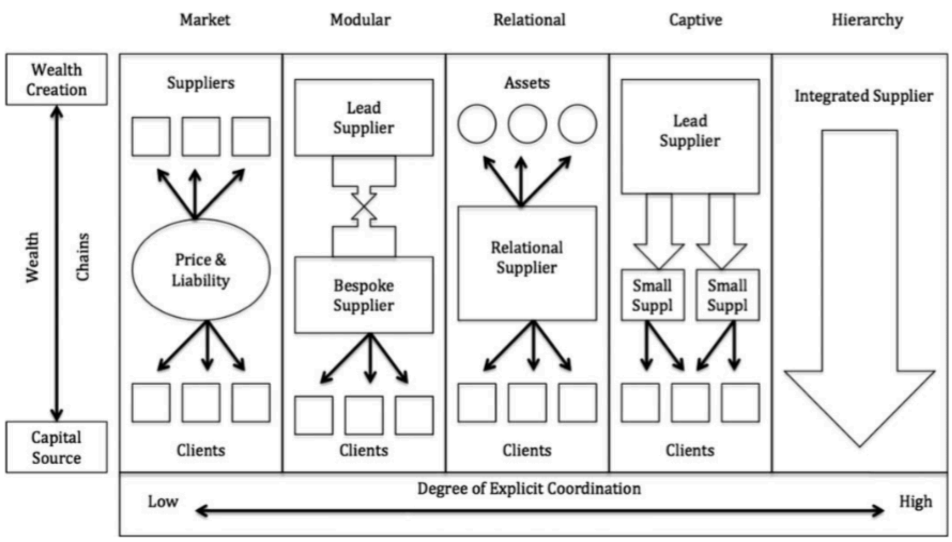

Figure 2. *Five Types of Governance in GWCs (Seabrooke & Wigman, 2017)*

Market networks are characterized by close relationships with a low level of complexity in established legal systems. Products are available to numerous suppliers, who compete on quantity and price. **Modular wealth chains** present bespoke services and products inner to legitimate financial and legal environments, narrowing the elasticity of suppliers and clients. Where bespoke suppliers are often connected with lead suppliers, and products are characterized by complex information that can be traded with no particularly articulated coordination. Differently from the previous one, **relational wealth chains** implicate complex tacit information, and therefore

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necessitate high levels of accurate coordination. These wealth chains involve a high level of trust, which makes switching costs inevitably high. **Captive wealth chains** are characterized by lead suppliers that control smaller suppliers by prevailing the legal system and financial technology. This ties clients' options to what smaller (and, in turn, lead) suppliers are able (or want) to provide. Finally, **Hierarchy wealth chains** are vertically integrated, where clients and suppliers organize around very complex transactions, and where senior management (e.g. CFO) have a big portion of control (Seabrooke & Wigan, 2017).

What said so far is somehow summarized in the *table 1* (*Appendix*). The types of governance in GWCs can in fact be explained through the key factors characterizing wealth chains: complexity of products and services, regulatory liability, capabilities to mitigate uncertainty, and degree of explicit coordination (ibid).

In wealth chains, information plays a fundamental role. A high level of information asymmetry grants innovation and security from regulation (ibid). F*igure 2* presents the types of information asymmetries between suppliers, clients, and regulators in GWCs types of governance.

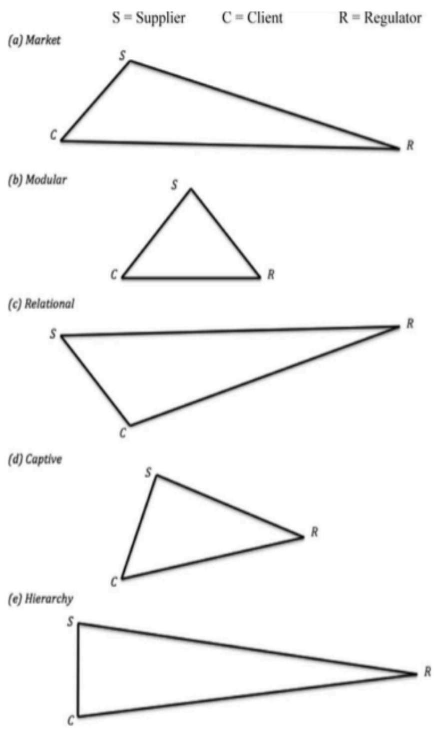

Figure 3. *Information asymmetry in Global Wealth Chains (Seabrooke & Wigman, 2017)*

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The longer the line, the opaquer is the information between two actors. In **market** wealth chains (*figure 3 (a)*), the distance between the supplier and client does not show high levels of information asymmetry, which means both actors have a clear comprehension of what is provided by the product. In this type of governance, the supplier works as a safeguard of the client, which in fact is further from the regulator than the supplier is. In **modular** wealth chains (*figure 3 (b)*), the information asymmetry is more or less the same between all three actors, which means it is a type of governance in an explicit regulated market with anti-money laundering regulations (and therefore it is a consequence of political will rather than power). **Relational** wealth chains (*figure 3 (c)*) look very much like the opposite of market wealth chains. Here there is more information asymmetry between the supplier and regulator, such that if the client is under scrutiny, its wealth is still safe from the regulator. The **captive** structure (*figure 3 (d)*) is somehow in between the modular and the other forms of governance. This depends on the size and scale of the activity associated with the domestic country where regulators are able to properly inspect the case. Finally, **hierarchy** forms of governance (*figure 3 (e)*) present a high level of information asymmetry between the regulator and both the client and supplier, which in turn have a very close relationship between themselves.

In the film industry, Hollywood entertainment conglomerates fall under the type of governance characterized by 'hierarchy' wealth chains, while major Danish and Italian production companies by 'relational' wealth chains. This differentiation mainly depends on the size of the company and therefore on their sphere of action and control, nonetheless on their bargaining power. Hollywood entertainment conglomerates are unquestionably bigger and more powerful than Danish or Italian production companies. In fact, Hollywood (hierarchy) wealth chains are characterized by vertically integrated complex transactions, where senior management have major control over the company decisions. While, Danish or Italian production companies (relational) wealth chains are mainly characterised by complex tacit information and high level of trust. This type of governance underlines the distance between the supplier and client and how production companies are the most exposed.

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3. Research Design

3.1 Chapter Guide

The chapter illustrates the entire research design framework. It starts by introducing the philosophical approach of the research. This is followed by the presentation of the entire research process and methodology choices, giving the reader a broader knowledge of the context in which this thesis is delineated. Finally, this is followed by a deeper examination of the two methods adopted.

3.2 Philosophical Considerations

The philosophical background chosen for this thesis is Abductive reasoning (Abduction). By beginning with an observation, abductive reasoning tries to find the easiest and most plausible conclusion from what was observed (Sober, 2013). Findings and conclusions that follow this type of logical inference have a trace of uncertainty (Walton, 2014). Abductive reasoning is based on the Latin concept *post hoc ergo propter hoc*, meaning that if B occurred after A occurred, then A caused B. Or, for undesirable B: avoiding A keeps B from happening (Lee *et al*, 2011). Following this approach of inferring the best explanation implies that, for a conclusion to be valid, it must be the best available explanation in respect to the observation and the known data (Peirce, 1998). Peirce (Virpiranta, 2011: 9) argues that "facts cannot be explained by a hypothesis more extraordinary than these facts themselves; and of various hypotheses the least extraordinary must be adopted".

3.2.1 Ontology

The research design of this thesis is a descriptive type. This means that the thesis follows naturalistic observations where the subject of the research is observed in its natural environment with no control by the observer (Svensson, 1984). The unit of analysis of this thesis is the film production company.

3.3 Research process

In this study, there are two different case studies that are treated and processed differently. The first and main study of this thesis, based on quantitative analysis, regards the Hollywood

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entertainment conglomerates, the macro level. The second one, based on qualitative analysis, studies film production companies from Denmark and Italy, the micro level.

Considering the type of data gathered per each study, the first case study has a fixed design, as the design of the study was already fixed before data collection. Differently, the second case study has a flexible design, such to overcome errors related to variables that cannot always be perfectly measured (e.g. culture, audience preferences).

This research study has an exploratory nature rather than a confirmation one. Regarding Hollywood entertainment conglomerates, it would be possible to use previous studies on other MNCs corporate structure network analysis. However, to my knowledge, there is no such study regarding in particular the film industry. Even more so, there are no studies comparing production companies between Denmark and Italy. For these reasons, given the impossibility to predict a specific outcome based on previous works, this study has an exploratory research design in line with the philosophical approach chosen.

The process of this study is shown in *figure 4* (*Appendix),* step by step from literature review to conclusions, and briefly depicted hereafter. After thoroughly reviewing possible theories for this thesis, and choosing the two approaches preferred to go on with (GWC theory deriving from TCE and TCE itself), I delineated the issue analysed in this thesis and developed the research question: "When do production companies choose to structure their financing and intellectual property operations across multiple legal jurisdictions?".

The cases selected for this thesis are three entertainment conglomerates from Hollywood (The Walt Disney Company, Comcast, and ViacomCBS) representing the macro level, and the Danish and Italian film industries for the micro one. The necessary data gathered have a quantitative nature for the main study (ownership structures of each conglomerate with related states of incorporation) and qualitative for the second one (interviews to producers from Denmark and Italy). The selection of theoretical and methodological framework preferred for this thesis is delineated below in *Table 2*. The data were processed both through data processing instruments (network analysis for the main study) and through theories existent and analysed in the theoretical framework and literature review (GWC theory for the first study, and TCE theory for the second one). After each study, there is a

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section that presents and discuss the findings. The whole research is concluded with a discussion about the theories and methods used and finally the conclusions on the whole research.

Scale	Case Study	Theory	Research Method
Macro	Hollywood Entertainment Conglomerates	Global Wealth Chains (GWC) in retrospect of TCE	Network Analysis
Micro	Danish and Italian Film Industries	Transaction Costs Economics (TCE)	Interviews

Table 2. *Theoretical and methodological framework*

In *figure 5* (*Appendix)* an illustration of all the overall research design. In the following section, it is discussed the collection and measurement of analysis, nonetheless the methods used to analyse them.

3.3.1 Choice of Approach and Methods

The choice of methods is related to the nature of each study and the related scale. The main study (macro level) has a fixed design, the method preferred is network analysis, such to highlight what is already fixed before data collection and analysis. As the second study (micro level) has a flexible design, interviews were the most suitable method such to overcome errors related to variables that, unfortunately, cannot always be perfectly measured (e.g. culture, bargaining power of producers, audience preferences, etc.).

3.3.2 Single Case Study or Multiple Case Study

Despite that the research question applies to the 'film industry' as a general concept, this thesis investigates both at a macro and micro level. The former through Hollywood entertainment conglomerates, while the latter through both the Danish and Italian film industries. Therefore, one could argue that the first study is characterised by a single case study: Hollywood; and the second one by a multiple case study, meaning that two different industry cases are investigated: the Danish film industry and the Italian film industry. However, one could also argue that as these three industries produce movies that eventually all compete with each other, then the thesis can be narrowed down simply to a single case study: the film industry. However, while it is true that, if

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stretched, they are all part of the film industry, these three industries are very diverse in terms of scale, audience, socio-cultural dimension, or funding system, that they can be hardly compared but for the fact that they all produce movies. Accordingly, this thesis uses a multiple case study, comparing two scales of the same industry: Hollywood entertainment conglomerates on one side, and the Danish and Italian film industries on the other one.

In the first and main study, the three units of choice (Comcast Corporation, ViacomCBS, and The Walt Disney Company) are size-wise similar and they are all leaders of their sector. For what regards the second study, it targets both smaller and more important realities. Both cases have a small-n sample.

The small-n case study (like for this thesis) was criticised for its impossibility to generalize results to establish a certain phenomenon (Yin, 2011). However, this idea is based on the assumption that every research is meant to find general hypotheses (Moses & Knutsen, 2012). On the contrary, a case based study is implemented here not for establishing certain results in the film industry, but for exploring how Global Wealth Chains occur in this industry and if they even occur at all - it is a pretty unexplored field. Moreover, adopting a case based study has the advantage of creating context-dependent knowledge on certain phenomena (Flyvbjerg, 2006), i.e. the film industry.

By analysing both the macro and micro level, this thesis follows a selection strategy called "maximum variation cases", where the units of analysis are very different from each other (ibid): Hollywood way of producing movies is very much different from the European one, and in turn within Europe, the Danish way of producing movies is very different from the Italian one.

3.3.3 A Few Considerations: Art. 73 and PCS. 6

Although the starting idea was to apply the same method to both cases, it was soon obvious how this would have resulted in being statistically useless. Accordingly, the two studies were approached from different research methods, each one of them better reflecting the subject studied: network analysis and interviews. A Network Analysis of the Hollywood entertainment conglomerates' ownership structures is probably the most convenient and explicative approach for the amount of data available. Unfortunately, the scale difference between European production companies and

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the overseas counterparts does not leave the room for applying the same research method. Not only are they way too small but they are also simply not interested in reaching a global audience, differently from their Hollywood peers. A Danish production company mainly produces movies for a Danish audience, produced in Denmark and mainly distributed within the country (if it is successful, it is also distributed elsewhere, which is not guaranteed). And the reason why Danish and Italian production companies mainly produce movies for their own country is not only related to an artistic/cultural choice, but also to the related funding systems. This is analysed more in the specific further in the thesis. For now: "the way of making movies in Denmark is to produce them here, with Danish funding, and for a Danish audience; then if it is successful it will also be distributed abroad, but that should not be the main goal" – Regner Grasten (well-known Danish producer, from one of the interviews made for this thesis).

If this is the premise, Danish or Italian production companies are not able to exploit their corporate structures in order to create and protect wealth. Not because it is strictly forbidden by National or European Laws, but simply because it would be very difficult for them to elude the national legal system in order to exploit GWCs.

In Italy, Article 73 of the DRP 22 December 1986, n. 917 of the Italian tax code affirms that:

> *"companies and entities are considered resident in Italy for tax purposes if at least one of the following conditions are met for a period of time that is greater than half of the tax period: (1) place of incorporation; (2) place of administration of entity; (3) place where the main and substantial activity is carried on. Furthermore, collective investment indentations incorporated in Italy, even if exempted, are always considered to be resident. […] Trusts and similar entities/arrangements are presumed to be resident in Italy if they are incorporated in a non-whitelisted State or Territory and if at least one of the beneficiaries and one of the trustees are resident in Italy."* (oecd.org, n.d.)

Similarly, PCS. 6, Section I of the Danish Corporation Tax Act (Selskabesskatteloven) affirms that:

> *"Companies may be subject to full tax liability either because they are registered in Denmark, or because their place of management is in Denmark."* (oecd.org, n.d.)

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Where the OECD (2001) defines 'the place of effective management' in paragraph no. 24 in the Commentary on Article 4 (included in the 2000 Update to the Model) as:

> *"24. …The place of effective management is the place where key management and commercial decisions that are necessary for the conduct of the enterprise's business are in substance made. The place of effective management will ordinarily be where the most senior person or group of persons (for example a board of directors) makes its decisions, the place where the actions to be taken by the enterprise as a whole are determined; however, no definitive rule can be given and all relevant facts and circumstances must be examined to determine the place of effective management. An enterprise may have more than one place of management, but it can have only one place of effective management at any one time."*

And to clarify the distinction between 'place of effective management' and 'place of management' we can find in "The impact of the communications revolution on the application of "place of effective management" as a tie breaker rule" by the OECD (2001) under the section "Guidance from "place of management", point 27:

> *"In describing the meaning of "place of effective management", Professor Vogel suggests that it is similar to that of "place of management" used under the German domestic law."*

In other terms, Danish and Italian production companies would have difficulties in eluding their country's legal systems to exploit GWCs because of their object (to produce movies in their country for their country's audience), of their legal registration, or of their place of management/administration.

All considered, the second study does not cover the matter directly from a wealth creation point of view. Although GWCs derive from the will of MNCs to reduce transaction costs, it would not suit the scale of the second study. For this reason, the second part of this thesis tries to answer the research question by focusing on the objective of Danish and Italian production companies to reduce transaction costs. And accordingly, the most suitable, qualitative, research method is interviews.

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3.4 Network Analysis

In this thesis, Network Analysis is used to study the corporate networks of three Hollywood entertainment conglomerates. In general, a network is defined as "a set of actors, or nodes, along with a set of specific relations that connect them. Relations in networks interconnect through shared points and thus form paths or pipes that indirectly link actors that would otherwise not be directly related" (Seabrooke & Wigan, 2017:15).

Network Analysis can be also applied to social relations, referred to Social Network Analysis. Although I use Network Analysis in this thesis as a way to map out my data in a more observable way, this study could have also been conducted through Social Network Analysis instead. As a matter of fact, the film industry is heavily based on relations (Ravid, 1999). In this case, instead of looking at the production companies and their ties to tax shelters, the focus would have been on the relations between the actors, also referred as issue professionals, involved in major managerial decisions of the production companies and those actors providing financial services in tax shelters. "Actors create relations", but "in the long run, relations create actors" (Padgett and Powell 2012: 2). However, gathering data for such a study would have been very difficult and probably incomplete.

Interestingly, referring once again to Social Network Analysis, actors should try to take advantage of structural holes created by a low level of balance of information within the network (Burt, 1992). In this way, actors try to control transnational issues through knowledge (Seabrooke, 2014). Similarly, also organizations or, in this case, Hollywood entertainment conglomerates try to exploit this lack of balance of information within their area of transnational governance (ibid).

As already specified, in this thesis network analysis is used to study the corporate networks of three Hollywood major entertainment conglomerates. When studying network analysis, it is necessary to specify what type of data is used. There are three types within this framework: relational data, attribute data, and ideational data (Scott, 2013). This thesis uses relational data to execute network analysis. In turn, relational data is divided in four categories depending on the degree of information given (ibid): binary or valued, undirected or directed. Binary simply shows whether two actors have a relation or not, while valued data distinguishes actors depending on their relational closeness.

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Directed or undirected simply shows the direction of relations between the actors. In this study, I chose to use valued directed data.

However, in order to keep it as simple as possible, the thesis defines the importance of the relations between actors not only through ownership relationships but also through the contextual relevance of an actor in the network. With this it is meant whether a particular subsidiary, company, etc., within the conglomerate contributes to create value, wealth or a mixed of the two. The idea behind this is that if a production company opens a channel subsidiary in Italy (which is not a tax shelter), it does so mainly to create value (for example through increasing the number of subscriptions for that channel in the country). If it opens a company related to financial services in Panama (which is a tax shelter), they do so to create wealth. If it opens a channel subsidiary that will work as the European headquarter in the Netherlands, it is mixed: they are exploiting a tax shelter to create wealth, but they are also doing so to create value (like with the previous example of a channel subsidiary in Italy).

Moreover, I use centrality analysis as a way to study what nodes (companies) have more strategic advantage within the network (Seabrooke et al., 2017). Four different types of indexes related to centrality are taken into considerations: degree of centrality (the amount of direct connections within the network), closeness of centrality (the average length of one node with the others), and the Freeman betweenness centrality (whether an actor is often in between the courses of two actors), and eigenvector centrality (a node's relevance considering the importance of the counterparts) (Freeman, 1979). These measures should be taken as a way to directly understand whether a subsidiary takes advantage of tax shelter to create or protect wealth. On the contrary, they are a way to study further a subsidiary that is already considered a potential wealth chain entity, such to see its role in the network.

Considering the aim of this first study - to figure when production companies choose to structure their financing and intellectual property operations across multiple legal jurisdictions - actors that create "wealth" are valued as more relevant connections within the network, followed by "mixed" and finally by "value" ones.

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The reason behind this choice of not studying the ownership levels (%) within the networks is based on the data gathered. The main source of data is the official website of the US governmental "Security and Exchange Commission" (www.sec.org). This source was selected for two reasons: it is the most updated and presumably also the most reliable one. When searching for the section "Exhibit 21" i.e. all the subsidiaries of a certain company with their incorporation jurisdiction (also referred as to: incorporation state, country/state of organization, or formation state), it is important to consider that the list of subsidiaries is filed under the following condition:

> *"Pursuant to Item 601 (b) (21) (ii) of Regulation S-K, the names of certain other subsidiaries of […] are omitted because, considered in the aggregate as a single subsidiary, they would not constitute a "significant subsidiary" as that term is defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934."* (sec.org, n.d.)

Where "significant subsidiary" is defined as:

> *"a subsidiary (including its subsidiaries) that meets any of the following conditions: (1) The registrant's and its other subsidiaries' investments in and advances to the subsidiary exceed 10 percent of the total assets of the registrant and its subsidiaries consolidated as of the end of the most recently completed fiscal year […]. (2) The registrant's and its other subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the subsidiary exceeds 10 percent of the total assets of the registrants and its subsidiaries consolidated as of the end of the most recently completed fiscal year. (3) The registrant's and its other subsidiaries' equity in the income from continuing operations before income taxes of the subsidiary exclusive of amounts attributable to any noncontrolling interests exceeds 10 percent of such income of the registrant and its subsidiaries consolidated for the most recently completed fiscal year"* (sec.org, n.d.)

Accordingly, this thesis looks at corporate entities considered significant for the US Security and Exchange Commission. I argue that they are significant to create and protect wealth. This choice also defines the boundaries of the analysed network, as I avoid including or excluding irrelevant marginal actors in the study (Scott, 2013).

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The aim of this study with the use of network analysis is to see whether these three conglomerates have many subsidiaries, companies, etc., incorporated in tax shelters and whether they are meant to create wealth, value or a mixed of the two. Unfortunately, whether they create any of these three is mainly inferential, based on an analysis made considering what is the company's object and where the company is incorporated. After all, the whole idea of taking advantage of global wealth chains is based on the complexity of transactions, the regulatory liability, and the ability of suppliers to face challenges related to products and services in wealth chains (Seabrooke & Wigan, 2017). Or, in other terms, successful GWCs are based on complex transactions in offshore countries able to limit financial information with foreign tax authorities.

3.5 Interviews

The second minor study of this thesis is analysed through the use of interviews rather than any other statistical tool. As seen in section *3.2.3 Method selection: Art. 73 and PCS. 6*, Danish and Italian production companies are not able to strategically behave like their overseas counterparts. And since there are not production companies with enough subsidiaries around the globe to be considered statistically significant, and the nature of the industry is relational, the thesis opted towards interviewing professionals from the sector. The interviewees were found through my personal, academic and professional network.

The main object of working with interviews is to gain insights that would not be apparent otherwise (Kvale, 2007). Although the main scope of this study is to explore when production companies choose to structure their financing and intellectual property operations across multiple legal jurisdictions, with the use of interviews it was also possible to explore aspects of the Danish Film industry that were not planned beforehand. This happens because interviews give the possibility to find out about personal and unexplored knowledge (MacLean, 2013). And considering that film industries are very much based on personal relations, interviewing experts from the environment was the most suitable researching tool for this part.

It is important to underline how interviews are not only about what it is asked, but also about how it is asked and by whom. There are different interviewing techniques that can be used depending on the situation, the interviewee and the interviewer. Different techniques give the opportunity to

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gain insights that would have not reached the surface otherwise (Gordon, 1998). For this reason, mixed techniques were adopted during the interviews for this study. First of all, it was used prompts e.g. silent prompts, avoid confirmation bias, and invite the interviewee to elaborate an argument. Moreover, I started with easier questions with shorter answers and then asking questions with more complex answers. The use of easier questions in the beginning helped enhancing the trust and confidence between the interviewer and the interviewee (Leech, 2002). This means that the first questions were thought so that the interviewee would know the answer very easily.

When using interviews, it is important to bear in mind some limitations. Unfortunately, due to the virus SARS-CoV-2, it was not possible to meet the interviewees in person and all interviews were held through digital means e.g. Skype or Zoom. I am aware that this might have biased the interviews, damaging the built of trust and confidence between the interviewee and the interviewer, especially considering that the interviews were all held on a one-to-one basis. Another limitation may occur from selection bias: preconceived judgements by the interviewer might result in a less objective interview. On this aspect, I tried to be as objective as possible. Regarding confirmation biases, – the favouring of knowledge confirming the interviewer's already existing belief - on top of trying to be objective, it was also always asked the interviewee to elaborate their arguments. Finally, It is also important to consider that different people might have different opinions on the same question. With this, it is meant that what the interviewees say should not be considered as an absolute truth but as an opinion from an expert of that industry. Which, of course, is still very valuable.

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4. Analysis

4.1 Chapter guide

The analysis of this thesis is divided in respect of the studies examined. The first part (*4.2. Study 1: Hollywood Entertainment Conglomerates*) regards the main research of this thesis, the macro level. While the second part (*4.3 Study 2: Danish and Italian Film* Industries) concerns the minor research of this thesis, the micro level. After each part, the related findings are presented and discussed.

4.2 Study 1: Hollywood Entertainment Conglomerates

4.2.1 Section Guide

This section starts by introducing the background of the subjects studied. This is followed by the subchapter *4.2.3. Method*, in which it is presented how the data were processed (operationalization of the elements points related to the study). Then the analysis is divided into three major segments, one for each entertainment conglomerate. For each conglomerate, there is a brief introduction to the company and the reason why it was considered valuable for this study. The conglomerate's network of all subsidiaries is presented and analysed from different perspectives. Finally, after having analysed all three entertainment conglomerates, Comcast Corporation, ViacomCBS Inc., and The Walt Disney Company, the study ends by presenting and discussing the findings.

4.2.2 Background

The film industry has always been a business with high costs and low margin of profits (Leaver, 2010). The industry problems certainly did not ameliorate with the birth of television, which posed a remarkable competitive threat to cinemas around the world. It is interesting to ask, "why does any company make a film? Is there any value in a film studio? Why do capital allocators continue to give money to this business?" (Credit Suisse First Boston, 2001: 6). Although these questions go beyond the purpose of this thesis, they highlight the importance of every detail in cinematic productions.

After WWII, production companies started to change their business model, vertically disintegrating their crews and stars (ibid). Although this helped cutting costs in the beginning, it also gave a lot of

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bargaining power to stars, becoming nowadays one of the biggest profitability problems of the industry (ibid). In the years, Hollywood production companies started to diversify their purpose and rely always more on the foreign market, eventually becoming conglomerates of the entertainment industry composed by movies production, television channels, television series, radio programs, advertising, and merchandising (Leaver, 2010). And this expansion became crucial for re-modelling their business model. It did not give them only the opportunity to sell more movies around the globe – so to speak, to generate more value – but also to create and protect wealth through different jurisdictions. Hollywood was able to do so thanks to its huge resources boosted by the large size of the US audience. Consider that in 2017, the number of cinema screens in the USA amounted to 40.393 (Watson, 2020), in comparison to the ca. 39.300 in the whole Europe (Johnson, 2020). Of these 39 thousand, Italy counts for ca. 3500 ones, while Denmark for only 484 (ibid).

4.2.3 Methods

The aim of this thesis is to understand when production companies choose to structure their financing and intellectual property operations across multiple legal jurisdictions. This first section covers the main study of this thesis, the macro level. The method chosen is network analysis, as it can give an idea of the dynamics within the corporate network of the three entertainment conglomerates chosen for this study. The theory preferred is Global Wealth Chain theory, to investigate whether the circumstances for these conglomerates to structure their operations in multiple jurisdictions depend on wealth maximization.

When making a network analysis, it is not enough to simply look at the connections within all entities. In order to have a more precise idea of the role of each single entity within the network, it is necessary to analyse the quality of their connections. In this thesis, with 'quality' it is meant the possibility that a node (a company in this case) could be considered as a wealth chain entity. The term 'potentially' is used here because we cannot know for sure whether any of the entertainment conglomerates successfully create and protect wealth. Tax shelters are meant to be a hidden paradise with high fiscal secrecy from foreign tax authorities (Garcia-Bernanrdo *et al*, 2017).

As specified in the section '*3.3 Network Analysis*' of the Research Design, subsidiaries are categorized depending on their attribute, whether they could potentially contribute to create value

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(V), wealth (W), or a mix (M) between the two. Moreover, some companies are sorted out by non-categorized (N) as it was not clear in what area of business they were, plus they were not in a country considered as a tax shelter. In order to classify a subsidiary as a value, wealth, or mixed chain entity, two methods were adopted.

First of all, and accurate research on every single company's area of business was held. To do so, I used the annual reports, SEC registrations, the website 'Bloomberg', and the website 'OpenCorporates'. This part is very important to understand whether a company could potentially create or protect wealth. It is intuitive to consider a finance company incorporated in a tax shelter as a wealth chain entity. It is less straightforward to consider in the same way a cable television subsidiary incorporated in the state of Delaware (which, from certain aspects, is also considered a tax shelter). I underline this because one thing is to legitimately open a subsidiary of a Television Channel picking a State (or a Region) with favourable taxation within the parent company's country, and one thing is to get a loan with excessive interest rates from a subsidiary incorporated in a tax shelter.

Along with the process of tracking the subsidiaries' areas of business, it was also researched in what State they were incorporated. The State of incorporation is important for this study as it shows the country where a company pays corporate taxes. In order to classify a country as a jurisdiction favourable to wealth maximization, it was used the Financial Secrecy Index (FSI). This index highlights "when there is a refusal to share financial information with legitimate authorities, such as, tax authorities and police services" (FSI.net, 2020). When the secrecy score of a country is equal or higher than 65, I consider the subsidiary incorporated in that country as a potential wealth chain entity. However, the FSI is not enough to consider a country a tax shelter. In fact, Luxembourg is targeted with a score of only 55 while I still consider it as a tax shelter. In this regard, entities were considered as potential wealth chains also following the Offshore Financial Centers (OFC) meter's Sink-OFC and Conduit-OFC by CORPONET research group (University of Amsterdam). The first one is defined as "a jurisdiction in which a disproportionate amount of value disappears from the economic system", and the second one as "a jurisdiction through which a disproportional amount of value moves toward sink-OFCs" (ofcmeter.org, 2020). For what regards the United Kingdom, although it is considered a conduit-OFC, I do not look at it as a tax shelter per se. However,

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whenever a company is incorporated in the United Kingdom, I first take into consideration to what other companies it is connected to before giving an attribute (W, M, V, or N).

The most important country for this study is the State of Delaware. We will see how most of these conglomerates' subsidiaries are in fact all incorporated in Delaware. The reason behind this is that the State of Delaware is de facto a tax shelter, even though the USA are not considered as such: there is no state taxation for income deriving from intangible assets (like property rights, a huge component in the entertainment industry) whenever a company is incorporated in Delaware but does not operate in-state (Delaware.gov, n.d.).

These two methods combined give a clearer idea of whether a company could potentially create and protect wealth. The general idea of having subsidiaries is to keep money within the conglomerate (Feinberg & Gupta, 2009). These companies provide any type of service or good, so that whenever a subsidiary within the network has a need, that can be provided by another one from the same network, keeping capital flows within the conglomerate. This would be advantageous for a big corporation even if all subsidiaries were in countries with regular taxation. If that was the case, they would create only value (value-added). But since most of these subsidiaries are in tax friendly/tax shelter countries, then they do not only create value, but also wealth. Whenever a subsidiary generates value through the area of business and wealth through the state of incorporation, I consider that as a mixed chain entity.

In addition, centrality measures were conducted, specifically the degree of centrality, the closeness of centrality, the betweenness of centrality, and the eigenvector centrality. These measures reflect the role of the entities within the network and highlight the potential of companies to be wealth chain entities. What is valuable in here is whether flows of income have to pass by many other actors before reaching the parent company or it is more direct. Therefore, a centrality measure should be considered as a support to the intuitions formulated on the subsidiaries in the network. The reasoning is that when measures of centrality are higher, it is more likely that a certain subsidiary could directly contribute to create and protect wealth (as long as that company operates in an area potentially related to wealth maximization, and was incorporated in a State considered as a tax

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shelter). With this, it is meant that these measures do not tell directly when a subsidiary is a wealth-chain entity or not, but that they may be of support to what observed.

4.2.4 Network Construction

In order to construct the network, all data was gathered as it is shown in the three documents called "*[Name of the Conglomerate] (Name, State of Incorporation, Area of Business, Type of Chain)*" in attachment to this thesis. The order of the cells and their colour follow the ownership structure of the network of subsidiaries. In this way, considering that the Network graph is very crowded due to the high number of entities, it is easier to visualize the ownership structure of each conglomerate. The structure follows a few simple rules: (1) look first at the colour and then at the order of cells; (2) the ownership structure: red owns light blue, light blue owns orange, orange owns green; (3) yellow is just to divide them in categories; (4) if there are green cells not owned by any orange, light blue, or red, then they are directly owned by the conglomerate. *Figure 6* shows a direct example from the ownership structure of The Walt Disney Company (the rows number do not correspond to the original document).

	A	B	C	D
1	**Company Name**	**State of Incorporation**	**Area of Business**	**Type of Chain**
2	The Walt Disney Company	Delaware	Entertainment Conglomerate	/
3	Disney Parks, Experiences and Products			
4	Disney Consumer Products, Inc.	California	Merchandise	V
5	Disney Consumer Products Latin America, Inc.	California	Merchandise	V
6	Disney Book Group, LLC	Delaware	Publisher	M
7	Imprint, Inc.	Delaware	Publisher	M
8	Walt Disney imagineering Research & Development, Inc.	Massachusetts	R&D	V
9	Disney Destinations, LLC	Florida	Tourism	V
10	Disney Canada, Inc.	Canada	Mass Media	V
11	Club Penguin Entertainment, Inc.	Canada	Online Game	V
12	Walt Disney World Co.	Florida	Tourism	V
13	Walt Disney Travel Co., Inc.	Florida	Tourism	V
14	Walt Disney World Hospitality & Recreation Corporation	Florida	Tourism	V
15	Disney Magic Company Limited	England	Cruise Vessels Leasing	V
16	Magical Cruise Limited	England	Tourism	V
17	Disney Vacation Development, Inc.	Florida	Tourism	V
18	Hong Kong International Theme Parks, Limited	Hong Kong	Amusement Park	M
19	Hong Kong Disneyland Management Limited	Hong Kong	Amusement Park	M
20	Shanghai International Theme Park Company Limited	China	Amusement Park	V
21	Shanghai International Theme Park Associated Facilities	China	Amusement Park	V
22	Euro Disney Investements, Inc.	Delaware	Amusement Park	M
23	Euro Disney Investments S.A.S.	France	Amusement Park	M
24	EDL Holding Company, LLC	Delaware	Investement	M
25	EDL S.N.C. Corporation	Delaware	Investement	M
26	EDL Corporation S.A.S.	France	Investement	V
27	Euro Disney S.C.A.	France	Amusement Park	M

Figure 6. *Example of Ownership Structure from The Walt Disney Company (not from the original document)*

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In this case, 'The Walt Disney Company' (row no. 2) in red is the conglomerate; 'Disney Parks, Experiences and Products' (row no. 3) in yellow is the category, 'Disney Consumer Products, Inc.' (row 4) in light blue owns every cell until 21, but owns directly only the green cells between row no. 5 and 9, 10, 12, 18, and 20; in turn, 10 owns 11; 12 owns between 13 and 17; 18 owns 19; and 20 owns 21. The same reasoning applies to "Euro Disney Investments, Inc." and the cells beneath.

The network analysis was conducted in the program called "UCINET 6". To construct a network analysis, it is necessary to firstly convert all data gathered in a legible way for the program. In order to do so, I created a matrix with 2-modes where the rows are all the subsidiaries and the columns all the parent companies and the States of incorporation. The columns were treated as dummy variables, where if a subsidiary had an ownership connection with any parent company listed in one of the columns, it took the value of 1, otherwise 0; and where if a subsidiary was incorporated in a State listed in one of the columns, it took the value of 1, otherwise 0. *Figure 7* (*Appendix*) illustrates an example from the file of The Walt Disney Company. As you may notice, "American Broadcasting System Inc." should have the value 1 when it crosses the column of "The Walt Disney Company" (the first one from the left) as the latter is the direct owner of the former. However, if that was the case, the program would generate two nodes for the same entity. The issue is raised by the fact that 'American Broadcasting System Inc.' is in turn parent company of other subsidiaries. To overcome this problem, I simply chose to leave the dummy with result 0 and manually add the connection with the parent company directly in the network graph.

In order to visualise the network, the matrix was inserted in "NetDraw" and changed the layout of the network. Considering the high number of connections, this passage was necessary to be able to visualize the network. They were changed to the layout criteria 'Distances + N.R. + Equal Edge Lenghts' and "geodesic distances".

4.2.5 Comcast Corporation

With an annual income of 12.057 billion dollars, Comcast Corporation (here referred simply as Comcast) is the largest cable television operator in the United States and the most profitable conglomerate of the three chosen for this study. It is traded on NASDAQ under the names of CMCSA and CMCSK. Founded in 1963, the company owns major entertainment brands such as

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Xfinity, Sky Group, and NBCUniversal (Universal Pictures). Comcast is probably the biggest Disney's competitor both in terms of resources and interests. The two do not compete only in the film and television industries, but also on theme parks (Universal Studios vs. Disneyland) and other entertainment/amusement/touristic segments.

Founded in 1912, Universal Pictures followed a similar path to Disney, expanding their areas of interest exploiting Film and Television contents. There would be no Disneyland Park without Mickey Mouse and other iconic Disney Movies and Cartoons, as well as there would be no Universal Studios without Jurassic Park and other iconic Movies and Cartoons (through DreamWorks). This is the main reason why Comcast was chosen for this study: it is truly a direct competitor to The Walt Disney Company and, even more so, to ViacomCBS.

4.2.5.1 Comcast Corporation: Network Analysis

Among the three entertainment conglomerates chosen for this study, Comcast is the one with more available data. This was true both in terms of number of subsidiaries and of related information. Comcast Exhibit-21 (2019) counts a total of 1800 subsidiaries. The subsidiaries' areas of interest extend from any type of entertainment (Film, Television, Theatre, Radio, Music, Books, etc.) to investment companies, from telecommunications to amusement parks, from consultancy to real estate. After all, the general idea of having subsidiaries is to keep money within the conglomerate. And since most of these subsidiaries are incorporated in States considered as tax shelters (Delaware, The Netherlands, etc.), then they do not only create value, but also wealth. For this reason, Comcast subsidiaries are very often categorized as mixed chain entities (M), because they do contribute both to maximize value and wealth.

This being said, it was very surprising to see that the parent company, Comcast Corporation, was incorporated in the State of Pennsylvania rather than in Delaware. Pennsylvania does not have the same tax incentives as Delaware, and most Comcast companies are registered in Delaware. This is a very interesting point that opens up to further discussions.

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4.2.5.2 Comcast Corporation: Findings

Running the two-mode matrix constructed in UCINET through NetDraw, it is possible to see the Comcast network graph (*figure 8*). The dots in red are all the companies, the squares in blue are the various parent companies, the squares in green are the countries (or US States), and the square in yellow is Comcast Corporation (here simply referred to as Comcast).

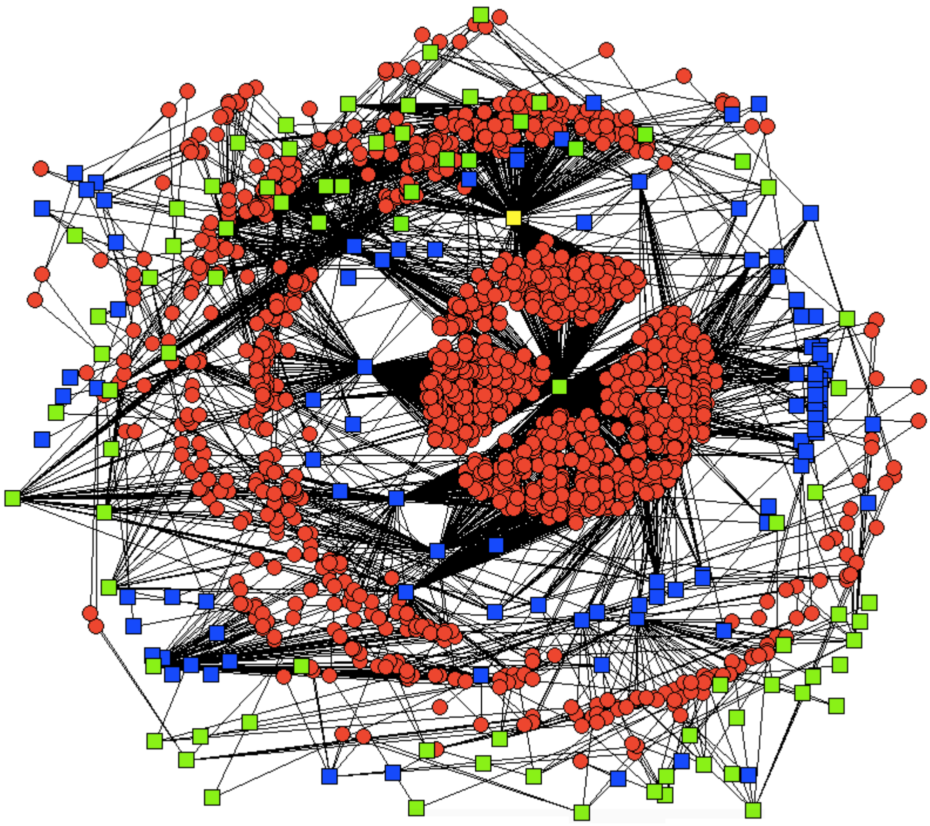

Figure 8. *Comcast Corporation Network of Subsidiaries Without Labels*

Already here it is possible to have an idea of the network and the importance of some companies and States within it. The green square in the centre of the network with around many red dots is the State of Delaware, with no surprise. Among the most connected companies, we find NBCUniversal Media LLC (and its major subsidiaries, e.g. NBC Universal Television and Streaming, NBCU International LLC, NBC Television Group, and Universal City Studios LLC) and Comcast Cable Communication LLC. These groups play a major role within the network, especially considering that Comcast is incorporated in the state of Pennsylvania. It is surprising that most of Comcast subsidiaries are incorporated in the State of Delaware but Comcast Corporation is not.

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Delaware is a tax friendly state as there are no State taxes on intangible assets if a company operates out of the State. Comcast has plenty of subsidiaries incorporated in Delaware, which saves a lot of income that would have disappeared in the form of state taxes. However, Comcast Corporation is not obliged to get all revenues back in Pennsylvania. For this reason, major companies within the Comcast network may play a crucial role in the creation and protection of wealth. To give more precise data, *figure 9* (*Appendix)* represents the same network just from a different perspective. Here, there are shown only the connections Comcast has with countries, where the size of the dot represents how many subsidiaries are incorporated in that State (with the specific number inside for the most relevant ones). All dots in yellow are considered as tax shelters.

With 1047 connections, Delaware represents by far the State of incorporation with the highest number of subsidiaries (the following one, Colorado, has only 136). And being a 'state tax-free' jurisdiction, Delaware plays an important role in the ownership structure of Comcast to create and protect wealth.

Figure 11 and *figure 12* show how many companies are considered wealth (W), mixed (M), or non-categorized (N) per each country considered as tax shelters. In this case: Delaware, Hong Kong, Bahamas, Singapore, The Netherlands, Puerto Rico, Cayman Islands, Switzerland, Bermuda, and United Arab Emirates. While *figure 10* contains all tax shelters over mentioned, *figure 11* does not include the State of Delaware. When attributing the subsidiaries as potential wealth, mixed or value chain entities, a company incorporated in a tax shelter has never been considered as a value chain entity. Moreover, being incorporated in a tax shelter per se is not considered an exhaustive reason to be classified as a wealth chain entity. unless they were within certain areas of business, e.g. finance, investment, funding, loans, rights holder, most corporate entities incorporated in tax shelters were considered as mixed chain entities.

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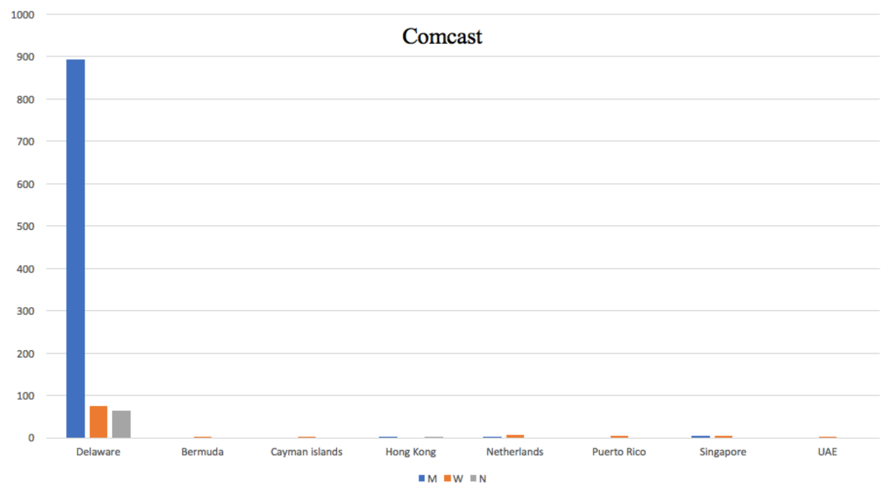

Figure 10. *Comcast Subsidiaries Divided in Wealth, Mixed, or Non-Categorized Chain Entities in Each Country Considered as a Tax Shelter*

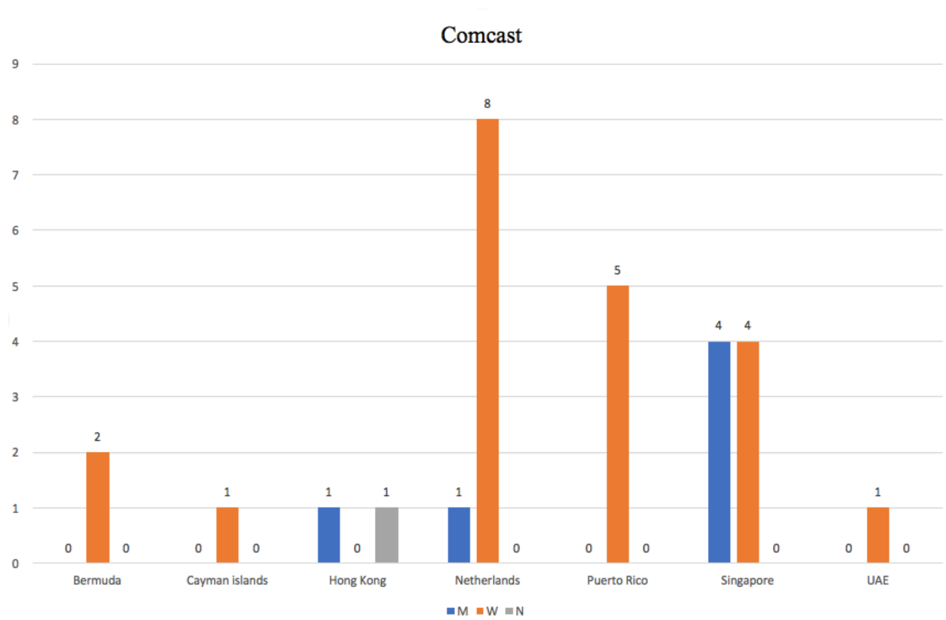

Figure 11. *Comcast Subsidiaries Divided in Wealth, Mixed, or Non-Categorized Chain Entities in Each Country Considered as a Tax Shelter but Delaware*

Although the information that stands out the most from *figure 12* is the very high number of companies treated as potential mixed-wealth chains incorporated in the State of Delaware, it should not go under notice the (still) high number of companies considered as potential wealth chain

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entities (they are around 65). These are mostly finance companies, venture capital companies, loan companies, rights holders, funding issuers, or insurances issuers. Moreover, another factor very interesting for this study that emerges from *figure 13* is that most of the subsidiaries with jurisdiction in any other tax shelter but Delaware are considered as potential wealth chain entities. However, if considering all States of incorporation, Comcast has only 4,6% of its subsidiaries considered as potential wealth chain entities, but 51,6% of them as mixed chain entities.

4.2.5.3 Comcast Corporation: Centrality Measures

In order to support these intuitions, data are further analysed through centrality measures. In particular, four different types of centrality measures: degree of centrality (the amount of direct connections within the network), closeness of centrality (the average length of one node with the others), the betweenness centrality (whether a node is often in between the courses of two actors), and eigenvector centrality (a node's relevance considering the importance of the counterparts). These measures are meant to help the research in understanding the role of the subsidiaries within the network. They do not directly tell whether a subsidiary may potentially create wealth, but they could give more information about subsidiaries that are already potential wealth chain entities. To create these measures, I ran the same 2-mode matrix used in NetDraw through a 2-mode centrality measure. This was necessary due to the unsquared characteristic of the matrix. In this way, the measures are divided by columns and rows of the matrix. The columns contain all parent companies and States of incorporation. Rows contain every subsidiary.

Here these measures can be seen from two different perspectives: (1) to see the role of the main parent companies (NBCUNiversal Media LLC with its subsidiaries, and Comcast Cable Communications LLC with its subsidiaries); (2) and to see how directly connected potential wealth chains are to the rest of the network.

As you can see in the related document '*Comcast Centrality Columns*', there are highlighted in blue the parent companies with higher centrality values, and in green the countries with more relevance in the network (those with more connections). They are those parent companies with a score of centrality degree equal to or higher than 0.015. As expected, NBC Universal Media with its

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subsidiaries and Comcast Cable Communications with its subsidiaries play a major role within the network.

For what regards the rows (*'Comcast Centrality Rows'*), I do not notice a relevant variation among the centrality scores of all subsidiaries, whether they are wealth, value or mixed chain entities. This may be due to the very high number of subsidiaries included in the study, where no entity can really manage to stand out in relevance as it would still be statistically insignificant compared to the whole group.

4.2.5.4 Comcast Corporation: Conclusions

To conclude, Comcast has two major subsidiaries that control a great part of their counterparts: Comcast Cable Communications LLC and NBCUniversal Media LLC. Those two, together with all their subsidiaries incorporated in the State of Delaware, maximize wealth by avoiding state tax regimes. This is particularly true considering that Comcast Corporation is incorporated in the State of Pennsylvania, where the State tax rate is 9,99% (Pennsylvania Department of Revenue, n.d.). Moreover, Comcast has a series of both direct and indirect connections with finance, loan, insurance, or rights holder subsidiaries with jurisdiction in several tax shelters around the world. Considering the Federal taxes of the USA, these flows of revenues coming from international tax shelters do not necessarily go back to the respective US parent companies. However, considering the US Tax Convention with The Netherlands – which exempts companies to pay double corporate taxation on profits (irs.gov, 1994) – The Netherlands may function as a hub from where bringing flows of income back to the USA. Without including Delaware, other tax shelters within Comcast corporate structure are Hong Kong, Bahamas, Singapore, The Netherlands, Puerto Rico, Cayman Islands, Switzerland, Bermuda, and United Arab Emirates. Unfortunately, as already mentioned, very little information can be found on these companies, which does not permit a more precise judgement of their type of chain. Jurisdictions with a high Financial Secrecy Index do not share firms' financial data very easily (Garcia-Bernardo *et al*, 2017). A more detailed discussion about this follows in the section *4.2.8 Findings and Discussion* at the end of the first study.

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4.2.6 ViacomCBS Inc.

ViacomCBS Inc., referred here simply as ViacomCBS, is the result of the recent (2019) reunification between two (already) huge entertainment conglomerates: Viacom and CBS Corporation. 'Reunification' as the two media networks were already together until 2006, simply under the name of Viacom Inc. (Visual & Audio Communications) (New York Times, 2019). With a net income of 3.27 Billion dollars, the company trades its own shares on NASDAQ under the names of VIAC and VIACA (NASDAQ, 2020). ViacomCBS is home of many international brands, such as all CBS channels, MTV, Comedy Central, Simon & Schuster, and most importantly for this study, Paramount Pictures and its branches. Paramount Pictures (founded in 1914) - one of the most important production companies in Hollywood and producer of iconic movies like *Titanic*, *Forrest Gump*, or *Indiana Jones*, just to name a few (Paramount.com, 2020) – was acquired by Viacom in 1994.

Hollywood big five – the five major production companies – include Universal Pictures, Paramount Pictures, Warner Bros Pictures (together with New Line Cinema), Walt Disney Pictures (with 20th Century Studios), and Columbia Pictures (with TriStar Pictures). These production companies are respectively owned by NBCUniversal (Comcast), ViacomCBS, WarnerMedia (AT&T), Walt Diseny Studios (The Walt Disney Company), and Sony Pictures (Sony) (Glyn *et al*, 2015). Of these five entertainment conglomerates, AT&T and Sony are not completely in the Media Network industry. AT&T is a MNC with a big share of both mobile and fixed telephone industry (Business.att, n.d.), while Sony is a MNC with interests much wider than the film and television entertainment (Sony, n.d.). For this reason, both conglomerates were avoided in order to keep the study focused on the film and television entertainment. Therefore, the final three choices were ViacomCBS, Comcast, and The Walt Disney Company.

4.2.6.1 ViacomCBS Inc: Network Analysis

ViacomCBS is the conglomerate I had the most difficulties in building the ownership structure. There were not many data available, definitely less than for Comcast. The reason behind this might be that the conglomerate only recently merged together, changing the ownership structure of both CBS and Viacom. This little time between the reunification and this thesis did not give the chance for many articles or corporate websites to catch up. As a matter of fact, corporate websites - like

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OpenCorporates – also operate through their users' contributions (with an approval check). This resulted in having an ownership structure with many subsidiaries directly connected to ViacomCBS.

ViacomCBS Exhibit-21 (2019) counted a total of 1105 subsidiaries. Similar to Comcast, ViacomCBS network covers many different areas of interest. Although it follows a diversification strategy as its close competitors, ViacomCBS is probably the conglomerate with slightly less competitive power of the three chosen for this study. Regarding the film industry, Paramount Pictures did not keep the pace of Disney Pictures and Universal Pictures. Although catching up, ViacomCBS still does not own any theme park, and it does not produce as many animation movies as their counterparts (Forbes, 2020).

ViacomCBS network of subsidiaries does not expand within the USA as much as Comcast, but it does so more abroad. ViacomCBS counts 45 companies in The Netherlands, 58 in the UK, 26 in Canada, 27 in Australia, and 17 in the Cayman Islands, to say a few. ViacomCBS does not only differentiate its range of interests, but also its physical presence around the World. Not surprisingly, most of the subsidiaries from the USA are incorporated in the State of Delaware, which is also the jurisdiction of ViacomCBS itself. In this way, all incomes coming from that jurisdiction can go back to the parent company without worrying about state taxes.

4.2.6.2 ViacomCBS Inc: Findings

Running the 2-mode matrix in UCINET through NetDraw, it is possible to visualize ViacomCBS network of subsidiaries (*Figure 12*). As with Comcast, the yellow square represents ViacomCBS Inc., the red dots are all subsidiaries, the blue squares are their parent companies, and the green squares are all their States of incorporation.

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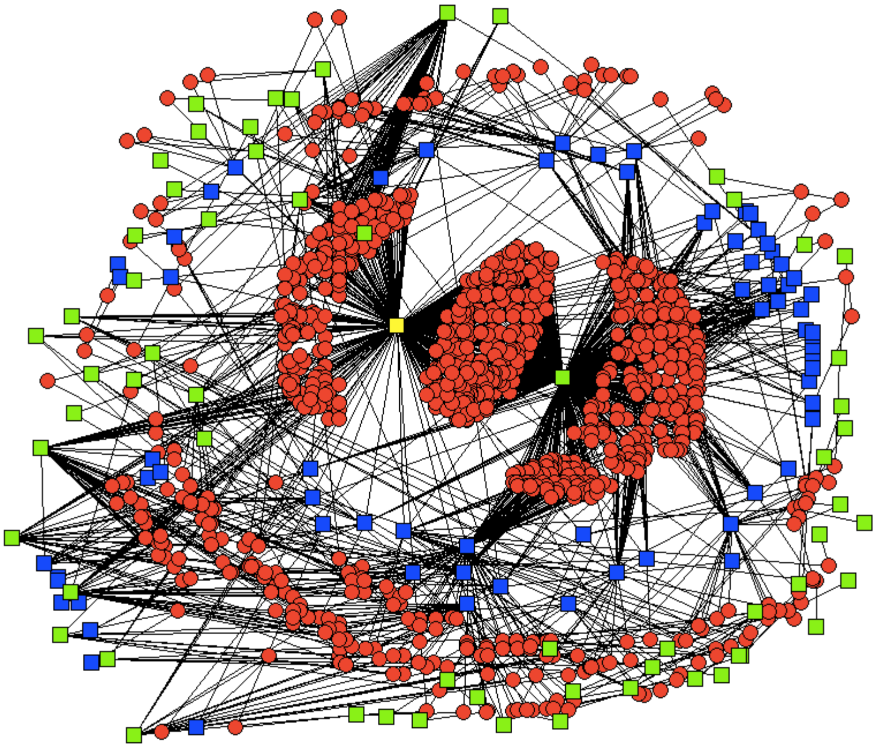

Figure 12. *Network Graph of ViacomCBS Without Labels*

From the figure, it is already possible to give some conclusions regarding the network. The green square at the centre with many red dots around is the State of Delaware, central in the ownership structure of ViacomCBS.

It was not easy to find related data, which resulted in having many subsidiaries (both major and not) directly connected with the conglomerate. In fact, in comparison to the network graph of Comcast, ViacomCBS (the yellow square) is more often connected both with blue squares (major subsidiaries) and red dots (minor subsidiaries). This being said, there are a few subsidiaries that are likely more central in the network (and hopefully it is confirmed with centrality measures). These are VNM Inc. with its subsidiaries, CBS Television Stations Inc. with subsidiaries, and Paramount Pictures Corporation with subsidiaries.

Although most of their jurisdictions are all grouped in the State of Delaware, some of them do have foreign jurisdictions, including some countries considered tax shelters. Differently from Universal Pictures (Comcast), Paramount Pictures Corporation does have many connections with the Netherlands, in particular two financial holdings (PPG Holding 5 B.V. and PPG Holding 95 B.V.)

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which are considered wealth chain entities. Moreover, the conglomerate owns subsidiaries like CBS Luxembourg S.a.r.l. (Luxembourg), Viacom Finance B.V. (The Netherlands), Bahamas Underwriters Services Limited (Bahamas), Woburn Insurance Ltd (Bermuda), and many others.

Figure 13 (Appendix) shows the same ViacomCBS network, this time highlighting the connection of the conglomerate with its subsidiaries in each country of incorporation. All dots in yellow are countries considered as tax shelters.

With 617, Delaware is the main jurisdiction of ViacomCBS subsidiaries, followed again by the State of California (87) (which makes sense considering it operates mainly in the entertainment industry) and, surprisingly, by The Netherlands (47). Then New York (30), Australia (26), Canada (26), Louisiana (19), Cayman Islands (17), Germany (9), Bahamas (7), and so on.

Figure 14 and *figure 15* illustrate how many subsidiaries are considered potential wealth, mixed, or non-categorized chain entities within the jurisdiction considered as tax shelters. Possible value chain entities are left out as there are taken into consideration only tax shelter countries. These are: Delaware, Singapore, Cayman Islands, The Netherlands, Hong Kong, Taiwan, Netherlands Antilles, Jersey, Panama, Puerto Rico, Bermuda, Switzerland, Bahamas, Mauritius, Barbados, Luxembourg, and United Arab Emirates.

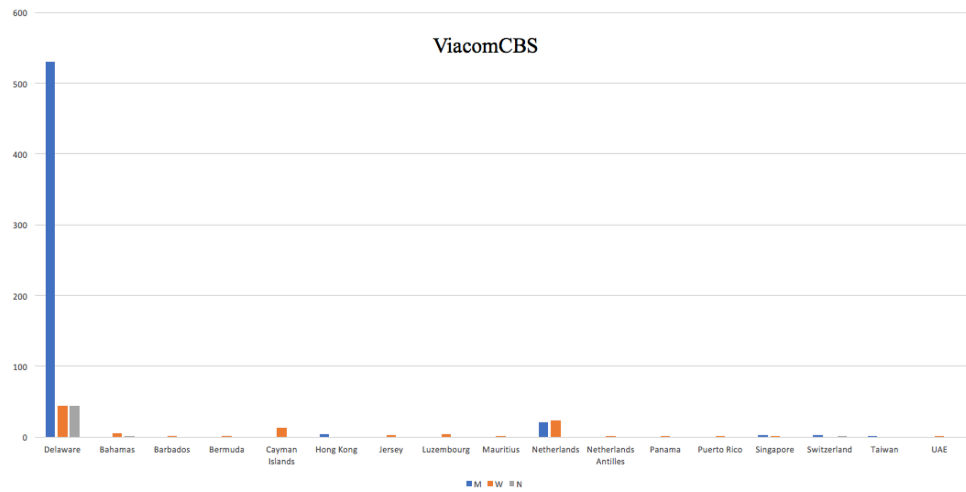

Figure 14. *ViacomCBS Subsidiaries Divided in Wealth, Mixed, or Non-Categorized Chain Entities in Each Country Considered as a Tax Shelter*

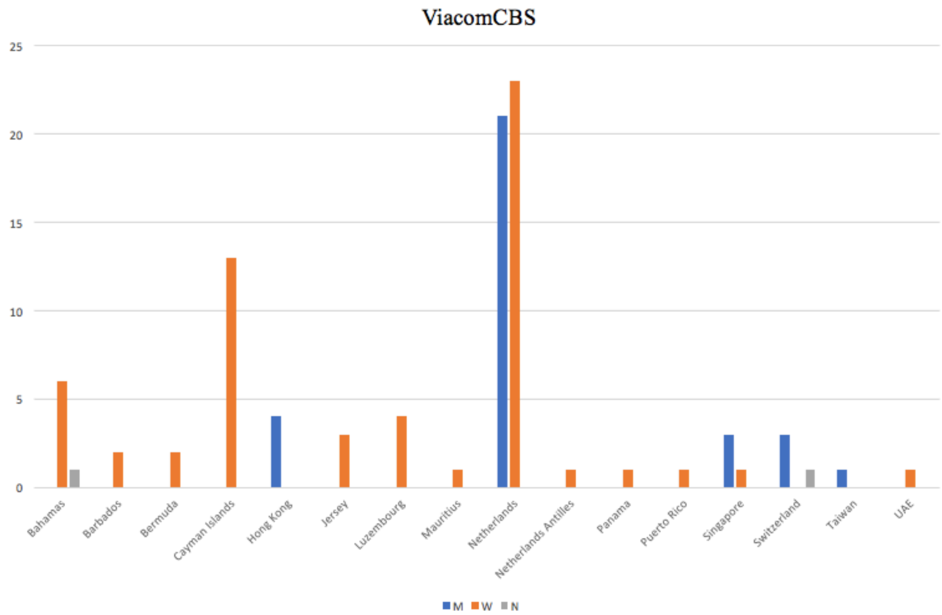

Figure 15. *ViacomCBS Subsidiaries Divided in Wealth, Mixed, or Non-Categorized Chain Entities in Each Country Considered as a Tax Shelter but Delaware*

Delaware has most of ViacomCBS subsidiaries considered as mixed chain entities, with a similar ratio of mixed and wealth chain entities to its counterpart Comcast. With its 45 subsidiaries, The Netherlands stands out among the other countries considered as tax shelters. Here, it is not surprising to see companies to be half mixed and half wealth chain entities. There could not be 45 wealth chain entities only in The Netherlands. The idea of tax shelters is to hide financial information without drawing attention. Having half of their Dutch companies working in the entertainment industries lowers suspects on the company. Moreover, considering that ViacomCBS has an international presence, with holdings companies in The Netherlands in charge of foreign incomes could already be considered as a successful attempt to maximize wealth, as in The Netherlands there are no corporate taxes on profits coming from abroad (Langerock & Hietland, 2019).

Aside from Netherlands, most of the other subsidiaries resident in tax shelters are wealth chain entities, especially if considering the Cayman Islands and Bahamas. Interestingly, ViacomCBS owns several oil companies, stepping up the differentiation strategy from its counterparts Comcast and The Walt Disney Company. These oil companies (or their subsidiaries) are often incorporated in tax shelters, which may not directly affect ViacomCBS process of wealth maximization, but that

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definitely contributes to it. Among the others, I am referring to 'Antilles Oil Company, Inc.', 'Charter Oil (Bahamas) Limited', 'Charter Oil Specialties Limited', and 'Grand Bahama Petroleum Company Limited'. Moreover, ViacomCBS has 9,7% of its subsidiaries considered as potential wealth chains (it is the conglomerate with the highest ration), and 51,1% of them as mixed chain entities.

4.2.6.3 ViacomCBS Inc: Centrality Measures

To support these intuitions, the network is analysed through centrality measures. Like for Comcast, there are four different types of centrality measures: degree, closeness, betweenness, and eigenvector centrality. Also in this case, these measures should not be considered as a direct answer to whether ViacomCBS subsidiaries create and protect wealth, but as an answer to the question: if a subsidiary is considered a wealth chain entity, what is its role within the network? Or, in other terms, how directly connected is it to other subsidiaries and to the conglomerate? In fact, if a company suspected of wealth creation and protection is more connected to the network, potentially it could be more exploited than if it was less connected. This is true considering that flows of income deriving from wealth creation and protection are more exploitable when they can be transferred from the wealth chain entity to other companies within the network.

For the measures, I ran the ViacomCBS 2-mode matrix through a 2-mode centrality measure (it is an unsquared matrix), where results are divided as in the matrix: columns (major susbsidiaries and States of incorporation) and rows (all subsidiaries). The first one studies the role of major parent companies, while the second one looks at the role of potential wealth chain entities within the network. Unfortunately, considering the high number of subsidiaries (rows), I do not expect a big variation of centrality among them, as was also the case with Comcast.

As it is possible to see in the related document '*ViacomCBS Centrality Columns*', there are almost no entities standing out among the others. This may be due to the little amount of data available on the subsidiaries' ownership structure, as ViacomCBS was only recently merged. Unfortunately, for ViacomCBS none of the centrality measures are really relevant for the study. This is true for both columns and rows.

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4.2.6.4 ViacomCBS Inc: Conclusions

To conclude, ViacomCBS has more than half of its subsidiaries incorporated in the State of Delaware, creating and protecting wealth domestically through avoiding the payment of state taxes. Moreover, the entertainment conglomerate has a quite wide range of subsidiaries incorporated abroad in countries considered as tax shelters. With 45 incorporated subsidiaries in The Netherlands, 17 in the Cayman Islands, 7 in Bahamas, and a few more in Singapore, Hong Kong, Taiwan, Netherlands Antilles, Jersey, Panama, Puerto Rico, Switzerland, Bermuda, Barbados, United Arab Emirates, Mauritius and Luxembourg, ViacomCBS is the conglomerate with the highest number of subsidiaries in tax shelters of this study. These companies have areas of business ranging from entertainment to oil, finance, insurance, rights holding, and investment companies. Considering the US Federal corporate taxes (with some exemption, e.g. The Netherlands), flows of income coming from international tax shelters may not reach the US counterparts. However, as ViacomCBS has an established international presence, it may well maximize wealth abroad without ever reaching back the USA. As for Comcast, there are very little information available on these companies, compromising a final judgement of their type of chain. The discussion goes further on in the section '*4.2.8 Findings and Discussion'* at the end of the first study.

4.2.7 The Walt Disney Company

Founded in the 1923, the Walt Disney Company is among the biggest entertainment conglomerates in the World, operating in 133 countries with a physical presence in 30 of them, 223.000 employees and a net income of 11.05 billion US dollars (thewaltdisneycompany.com, n.d.). Disney divides its sources of revenues within four different segments: Parks, Experiences and Products (37%); Media networks (35%); Studio Entertainment (16%); and Direct-to-Consumer & International (13%). After the recent acquisitions of Pixar, Marvel, Lucasfilm, 20th Century Fox and ESPN, Disney furtherly expanded both its content and intellectual property.

The Walt Disney Company (TWDC) is by far the most interesting subject of this study. As a matter of fact, it is the only conglomerate that was born as a studio and kept operating as such without getting merged by larger and stronger counterparts. As a matter of fact, neither Comcast nor ViacomCBS are truly film production companies. They are entertainment conglomerates that in the

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years chose to acquire two of the most important Hollywood production companies: respectively Universal Pictures and Paramount Pictures. Disney is probably the only production company that "survived" alone, slowly becoming one of the most influential entertainment conglomerates existing nowadays.

4.2.7.1 The Walt Disney Company: Network Analysis

Regarding data, TWDC was a particular subject to study upon. In the official SEC registration, Exhibit-21 (2019), it is categorized differently from the other two conglomerates studied in this research. While Comcast or ViacomCBS list every single branch of their subsidiaries, TWDC simply gathers them under their parent subsidiaries. For example, they did not list every branch of ESPN (ESPN+, ESPN2, ESPNews, etc.) but only ESPN Inc. and a few other subsidiaries (ESPN Global Limited, ESPN Enterprises, etc.). This resulted in a list of "only" 127 subsidiaries. This was the case for Exhibits-21 from previous years. And although it would have been relatively easier to find more subsidiaries within the entertainment industry, it was not as easy to find more subsidiaries within the area of loans, investments, insurances, or rights holdings. For this reason, I opted for not including any of them and stick to the official Exhibit-21 published by The Walt Disney Company through SEC Registration. This was a way to avoid possible biases towards value or mixed chain entities.

The Walt Disney Company is the conglomerate that better managed to exploit its film and television content in comparison to its competitors Comcast (through Universal Pictures and Dreamworks) and ViacomCBS (through Paramount Pictures and Nickelodeon). However, at least considering the available data, it seems like TWDC is the conglomerate that differentiates the least in terms of areas of business. They mainly operate in the entertainment and tourism/hospitality industries, with a few finance, investment, or venture capital companies. In this respect, it stands out immediately the company 'Disney CIS Holdings S.a.r.l. (Luxembourg); or the company 'Wedco International Holdings, Inc.' (Delaware) and its subsidiaries incorporated in Luxembourg, The Netherlands and Delaware. There is absolutely no financial information about these companies, if not articles referring to them as wealth chain entities giving out loans to other TWDC companies with very high interest rates (Kodjak & Guevara, 2014).

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For what regards the domestic country (USA), TWDC has most of its subsidiaries incorporated in the State of Delaware, which is also the jurisdiction of the conglomerate itself. In this way, like its competitor ViacomCBS, TWDC keeps its domestic flows of income within the State of Delaware, avoiding the payment of state taxes. And considering that 'Wedco International Holdings, Inc.' has the main hub in Delaware, it may well get flows of income deriving from wealth maximization operations of Wedco branches in Luxembourg and especially The Netherlands.

4.2.7.2 The Walt Disney Company: Findings

After running the TWDC 2-mode matrix in UCINET through NetDraw, it can be visualized the conglomerate's network of subsidiaries. *Figure 16* shows the network graph. A lower number of subsidiaries available permits a more understandable network. As with the other two conglomerates, the yellow square represents The Walt Disney Company, the red dots all subsidiaries, the blue squares their parent companies (the major subsidiaries), and the green squares are all their States of incorporation.

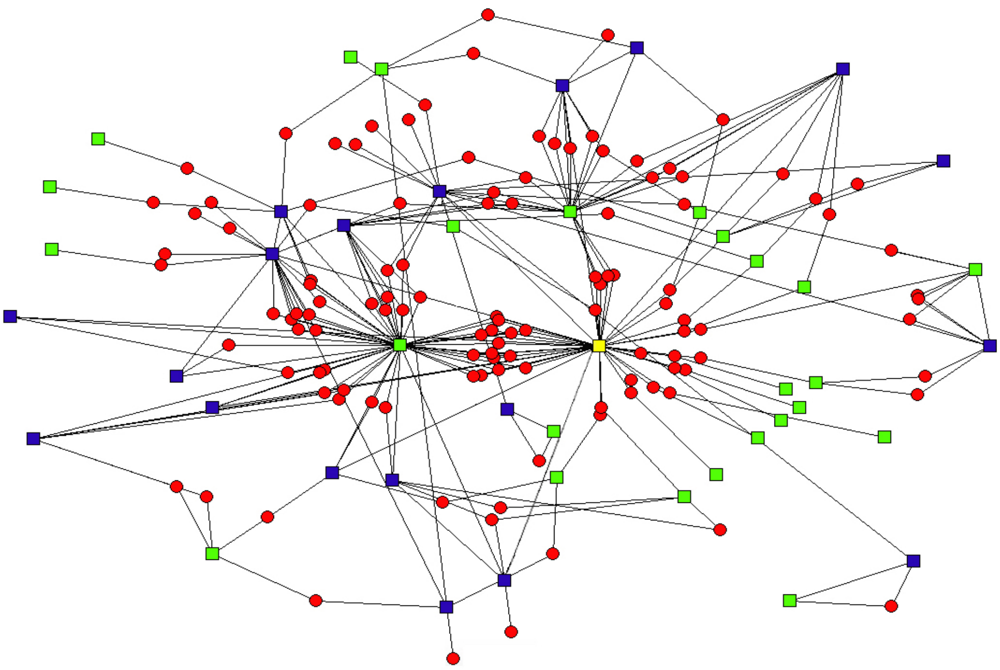

Figure 16. *Network Graph of The Walt Disney Company Without Labels*

There are three major subsidiaries more central in TWDC network: 'Disney/ABC International Television, Inc.' (Delaware) with its subsidiaries, and 'Disney Consumer Products, Inc.' with

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subsidiaries (California). While the first one has stronger connections with the State of Delaware, Disney Consumer Products is more related to the States of Florida and California. After all, the company operates in fields (tourism, hospitality, amusement parks, etc.) where revenues occur in a specific place. This means that taxes are also paid in that specific place. If TWDC owns an amusement park in Florida - Walt Disney World Co. – and generates profits in Florida, then state taxes are paid in-state (floridarevenue.com, n.d.). Having the parent company incorporated somewhere else would not help reducing taxes, if not increasing them slightly. See *figure 17* (Appendix*)* for the connections with each incorporation State.

As for the other two conglomerates, Delaware is the jurisdiction with the most subsidiaries incorporated (50). Followed by California with 27, Florida with 7, The Netherlands and France with 4, and Singapore and Luxembourg with 3.

The countries considered as tax shelters part of TWDC network of subsidiaries are Delaware, the Netherlands, Ireland, Singapore, Hong Kong, Luxembourg, Bermuda, and Cayman Islands. *Figure 18* illustrates how many subsidiaries within these countries are considered potential wealth, mixed, or non-categorized chain entities. As with Comcast and ViacomCBS, value chain entities are left out as the focus is only on tax shelters.

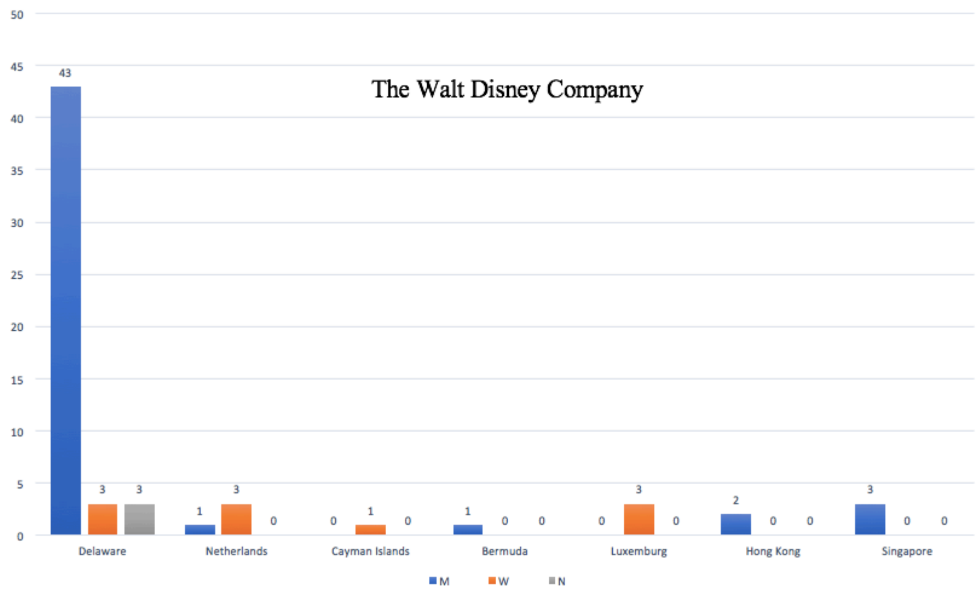

Figure 18. *The Walt Disney Company Subsidiaries Divided in Wealth, Mixed, or Non-Categorized Chain Entities in Each Country Considered as a Tax Shelter*

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Overall, TWDC does not have as many potential wealth chain entities as its competitors Comcast and ViacomCBS. This does not necessarily mean that TWDC does not make operations of wealth maximization. In fact, in proportion to the total number of subsidiaries, the number of wealth chain entities of TWDC (8,7%) is even higher than Comcast's (4,6%). Among these few wealth chain entities, we can find 'Marvel Characters B.V.' and 'Marvel Characters Inc.' respectively incorporated in the Netherlands and Delaware. They are the intellectual property rights holders of all marvel characters. As for 'Marvel Characters', TWDC has different companies incorporated in a tax shelter with a counterpart back in the USA (precisely, the State of Delaware). One could see this as an attempt to transfer flows of income from tax shelters to the jurisdiction of TWDC. Moreover, TWDC has 8,7% of its subsidiaries considered as potential wealth chains, while only 44,4% of them as mixed chain entities (it is the conglomerate with the lower ratio).

4.2.7.3 The Walt Disney Company: Centrality Measures

To support these intuitions, the network is analysed through centrality measures. Like for Comcast and ViacomCBS, there are four different types of centrality measures: degree of centrality, closeness of centrality, betweenness of centrality, and eigenvector centrality. The TWDC 2-mode matrix is ran through a 2-mode centrality measure (it is an unsquared matrix), where results are differentiated in columns (major subsidiaries and States of incorporation) and rows (all subsidiaries). Results are in the document '*The Walt Disney Company Centrality Measures (Columns and Rows)'.* Considering the low amount of information regarding TWDC network of subsidiaries, I expect centrality measures to be biased, with mixed results.

Looking at the centrality scores of major subsidiaries, there are different companies with a higher degree of centrality. However, some of them are not truly relevant within the network. The degree of centrality depicts how many direct connections a company has within the network. Companies like Marvel Entertainment LLC, Walt Disney World Co., Buena Vista Int., ESPN Inc., or Lucasfilm Ltd, all have higher degrees of centrality in respect to other subsidiaries. However, they all have closeness, betweenness and eigenvector centrality scores in the average or even lower than the average, which makes them quite irrelevant in terms of centrality. This bias may be due to the way the matrix is built representing the ownership structure of the conglomerate. Following this

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reasoning, it is already possible to see how the subsidiaries with "real" high number of centrality are those with not only a high degree of centrality, but also high scores of closeness, betweenness, and eigenvector centrality. These are Disney/ABC International Television Inc. and Disney Consumer Products Inc., confirming what was inferred before in section '*4.2.7.2 The Walt Disney Company: Findings*'.

Regarding the centrality measures of all other subsidiaries (rows), it does not seem like there is any variation relevant for this study, as expected.

4.2.7.4 The Walt Disney Company: Conclusions

To conclude, The Walt Disney Company has many subsidiaries incorporated in the State of Delaware, which is the jurisdiction of TWDC itself too. This allows the conglomerate to keep incomes within the State of Delaware, avoiding the payment of state taxes. Moreover, TWDC has a few subsidiaries within the areas of finance and intellectual property rights which have branches incorporated both in The Netherlands and in Delaware. And considering the US Tax Convention with The Netherlands (1994), it is very likely that TWDC exploits the country to relocate to the USA (through Delaware) profits exempted from a double taxation. Unfortunately, centrality measures were not very relevant for this conglomerate, giving mixed and misleading results. This may be due to the incomplete ownership structure of TWDC.

4.2.8 Study 1: Findings and Discussion

In this first study, the research question was analysed from the macro perspective of three major Hollywood entertainment conglomerates: The Walt Disney Company (TWDC), Comcast Corporation, and ViacomCBS Inc. With their worldwide presence and a wide range of businesses, these conglomerates are among the most competitive companies in the entertainment industry. Respectively owners of Walt Disney Pictures, Paramount Pictures, and Universal Pictures (together with DreamWorks), they are able to dominate the film industry through successful differentiation strategies. "The majority of Hollywood majors are part of larger conglomerates listed either directly or indirectly on the New York Stock Exchange (NYSE)" (Leaver, 2010: 459). And maybe, this is the only reason why they survived.

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This first study was centred around a network analysis of the conglomerates' ownership structures. The study was conducted through the theory of Global Wealth Chains, and therefore with the scope of understanding whether the circumstances for these conglomerates to structure their financing and intellectual property operations across multiple jurisdictions are related to wealth maximization and, from a broader perspective, to lower their transaction costs. Comparing the three conglomerates, findings were quite in line. All of them have the majority of their subsidiaries incorporated in the State of Delaware, USA. Known to be a tax shelter, the State of Delaware does not impose any state taxes on income deriving from intangible assets when a company operates out of the State. Considering the intangible assets, it seems to be a rule almost tailored to the entertainment industry, which is based on intellectual property rights. Although this is probably not true, it is definitely true that these three conglomerates maximize wealth "domestically" through incorporating most of their subsidiaries in the State of Delaware. For both TWDC and ViacomCBS, the State of Delaware is the jurisdiction of the conglomerates themselves, differently from Comcast. Once more, I have to underline how I did not expect Comcast to be incorporated somewhere else than Delaware. However, Comcast Cable Communications LLC and NBCUniversal Media LLC are major Comcast companies in control of most the subsidiaries, and they are both incorporated in the State of Delaware.

Abroad, these conglomerates operate across many different jurisdictions, with the scope of creating both value and wealth. They create value through enlarging their audience and clients around the World. And they maximize wealth through companies registered in jurisdictions considered as tax shelters. Comcast has companies operating in Hong Kong, Bahamas, Singapore, The Netherlands, Puerto Rico, Cayman Islands, Switzerland, Bermuda, and United Arab Emirates. ViacomCBS operates in The Netherlands, Cayman Islands, Bahamas, Singapore, Hong Kong, Taiwan, Netherlands Antilles, Jersey, Panama, Puerto Rico, Switzerland, Bermuda, Barbados, United Arab Emirates, Mauritius and Luxembourg. And TWDC owns companies in The Netherlands, Luxembourg, Bermuda, Hong Kong, Cayman Islands, Ireland, and Singapore.

Figure 19 shows in percentage how many subsidiaries of each conglomerate are considered as potential wealth and mixed chains.

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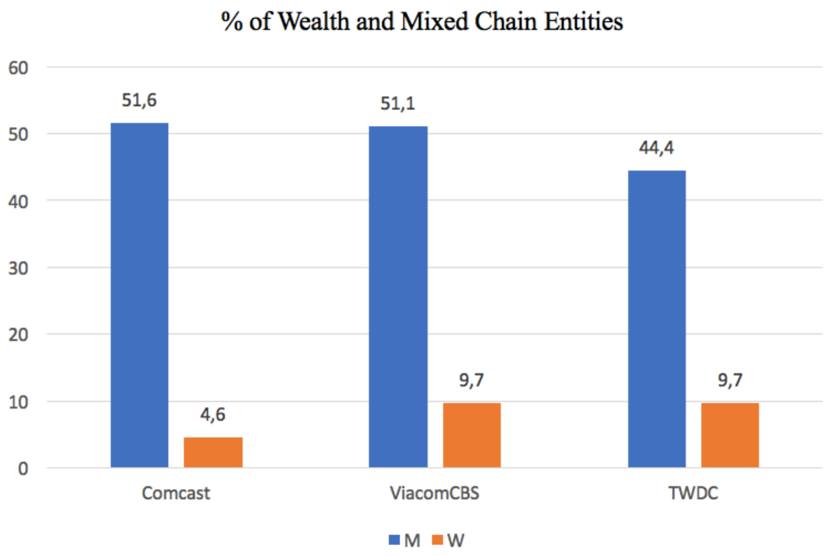

Figure 19. *% of Wealth and Mixed Chain Entities for Each Entertainment Conglomerate*

Findings show how ViacomCBS and TWDC seemingly create and protect wealth through global wealth chains more than their counterpart Comcast. Not only have they more physical presence internationally, but they do so through finance, loan, insurance, investment or rights holder companies. This being said, there are some considerations to do.

First of all, one could argue that the attributes given to the subsidiaries of each conglomerate – whether they are potential value, wealth, mixed or non-categorized chain entities – is not precise without considering the ownership ratios that the conglomerates have with their subsidiaries. However, for standards required by the US Security and Exchange Commission (SEC), these conglomerates must list their subsidiaries under Exhibit-21 only if they can be considered a *significant subsidiary*. This means that, to keep things simple, the conglomerates effectively own at least a 10% stake of their subsidiaries. Therefore, if a conglomerate owns subsidiary A, which in turn owns subsidiary B, there must be an ownership ratio between the three entities such that, at worst, either the conglomerate owns 100% of A which in turn owns 10% of B, or vice versa. In other words, every company listed in Exhibit-21 is significant independently from the ownership structure.

Second of all, always considering the accuracy of the attributes given to each subsidiary, one could argue that this study could have used a 'number of employees over annual income' measure. The idea is that if a company has an excessive annual income in comparison to the number of employees

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(and it resides in a tax shelter), it is more likely that the company is doing operations with the aim of maximizing wealth. However, this method is not universally precise considering that financial and intellectual property activities do not require many people. Instead of looking at this ratio, which could potentially be misleading, it would be much more useful to research the types of services these companies provide and to whom. But this is almost impossible. And it leads to my next point: unavailability of data.

This unavailability of data was the main issue for this first study. As a matter of fact, tax shelters are meant to hide financial and legal information of their "protected" companies. Where for data means data available on the World Wide Web. This lack of data led to not completely accurate ownership structures. This was true especially for ViacomCBS (a recent merge between Viacom and CBS) and TWDC.

All considered, even if these conglomerates did not maximize wealth through specific operations (e.g. loans with very high interest rates given within the same network), they still have many subsidiaries in domestic and international tax shelters. And they are able to do so especially considering they mostly conduct intellectual property operations. In fact, most of the companies are sorted under the attribute of 'mixed wealth chains', because even though they do not do specific wealth creation and protection operations, they still maximize wealth by structuring their operations in a way to avoid taxes and, in a more general perspective, to reduce transaction costs.

4.3 Study 2: Danish and Italian Production Companies

4.3.1 Section Guide

This section starts by introducing the background on the scale of both Danish and Italian film industries. This is followed by a brief application of TCE to the film industry, as to provide the reader with a better knowledge of the theory chosen for this study. The analysis proceeds divided in two parts, one for each country, and it concludes with a presentation and discussion of the findings from both industries.

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4.3.2 Background

Danish and Italian production companies operate on a different scale (micro) from their Hollywood counterparts (macro). They simply do not have the same scale of audience nor of resources. This does not mean that their film industries are not characterized by the same thing: very high costs and low margin of profits. To survive, European film production companies highly rely on government or regional incentives for the production of movies. These can be of many different kinds: tax incentives (e.g. tax rebate on production costs, tax credit, etc.); any type of funding (e.g. for the production, for the post-production, etc.); and any type of support (e.g. production support, transportation, etc.).

In the document "*Tax incentives for the Film Industry by Country*" in attachment to this thesis, I gathered data regarding tax incentives in the most relevant countries in Europe and the rest of the world (USA not included). The countries are: Australia, Austria, Belgium, Canada, China, Colombia, Czech Republic, Dominican Republic, France, Germany, Hungary, Ireland, Iceland, Italy, Netherlands, Norway, Panama, Poland, Spain, Sweden, and the United Kingdom. The document contains both the tax incentives from each of the countries listed above and the related conditions required to get access to these incentives. The possible tax incentives selected are: tax rebate, tax credit, grant, cash rebate, refund, non-repayable grant, tax rebate in form of cash rebate, subsidy. And the possible conditions are: whether they require a Min and /or Max budget to fulfil the requirements; there is a cultural test to pass; it is required a co-production or collaboration with a domestic production company; and whether sthere are available funds that can be added to the tax incentives.

Looking at these data, it can be noticed that Denmark is not included. The reason relies on the fact that Denmark does not have any type of tax incentive for the film industry. Italy, on the contrary, has a 30% tax credit on the production, post-production, digital effects, visual effects, and expenses related to goods and services. By looking at these data related to tax incentives for the Danish and Italian film industries, one could already infer that Danish production companies tend to produce abroad to get better tax incentives more than their Italian counterparts. However, the real question here is not whether they produce in collaboration with foreign countries, as both do, but under

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what circumstances they do so. Although there are many other considerations to make, both of cultural and financial kind, this study researches the issue from a TCE perspective.

4.3.3 From a Macro to a Micro Scale

The difference of scale between Hollywood and the Danish/Italian audience determines the scale of each industry, respectively macro and micro. The difference of scale inevitably induces Danish and Italian production companies to organize around much smaller and domestic corporate structures, impeding them from taking advantage of GVCs and GWCs. Although there are a few examples that could be studied from a GWC point of view (and a network analysis) they would be isolated cases not representing the majority of film production companies. In Italy, the case of 'Mediaset Group', an entertainment conglomerate owner of 'Medusa Film', one of the most important production and distribution companies in Italy. Mediaset would have been a good case for this type of study (network analysis) and theory (GWC), as their ownership structures expand in different European countries with the legal headquarter in The Netherlands. For Denmark, the entertainment conglomerate 'Egmont', owner of 'Nordisk Biograf', one of the largest production companies in Denmark and Scandinavia, which has a quite wide network of subsidiaries in different entertainment fields and countries. However, these two examples should be considered more as a needle in a haystack rather than the mirror of reality.

Considering the circumstances, this thesis adopted a different approach. Instead of looking at the issue from GWC theory (in retrospect of TCE), the research question is analysed here directly from a TCE point of view, highlighting the importance of culture and the institutions. Therefore, the research question remained the same, but the observational environment drastically changed. We are not dealing anymore with huge entertainment conglomerates able to differentiate both their range of interests and their physical presence around the World. The Danish and Italian film industries, however respectable, are much smaller realities. Accordingly, the chosen methodology for this second study is the qualitative method, interviews, reflecting the industry nature based on personal relationships (Ravid, 1999).

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4.3.4 TCE in The Film Industry

The study was conducted through the theory of Transaction Cost Economics (TCE). Transaction costs are defined as all those indirect costs contracted in producing a good or service (Young, 2013). These can be search costs, selection costs, bargaining costs, enforcement costs, costs of management or intermediary costs. This second study is carried out examining the three dimensions of transaction costs: (1) uncertainty (environmental and behavioural), (2) asset specificity, and (3) frequency. In the film industry, (1) environmental uncertainty could derive from adaptation problems with a new industry, like when a production company tries to distribute a movie in a new country without having any contact with local distributors or cinemas. Behavioural uncertainty is mainly related to communication and behavioural issues; for example, if a production company makes a co-production and has working issues raising from different ways of working (or cultural differences if it is an international co-production). (2) Asset specificity relates to the specificity of an investment, and a very easy example in the film industry is a camera. If a production company invests in a new camera, once it becomes outdated, the camera cannot be used for other purposes than filming. This means that a camera has a high level of asset specificity. However, European production companies rarely buy their own equipment as, in fact, a way to overcome these types of problems (F. Balsamo). Yet, this does not really apply to the research question. An example that could apply is the opening of a production studio right next to a production designer company. This proximity would benefit both companies, as the production company would have cheaper scenographies for its studio (no transportation costs, probably lower prices to encourage the collaboration), and the production designer company would get a regular customer. In theory, this tends to generate dependency (unilateral or bilateral) between the two exchanging parties and would suffer if this relationship was to finish. However, this type of asset specificity may not be very relevant in the film industry, which does not require any specific physical presence anywhere, and having a studio would probably always benefit the production company no matter what (in the worst-case scenario it can be rented out to other production companies). Nevertheless, asset specificity could also be considered from an intangible point of view. But still, in modern production companies it does not apply very much. A further discussion on the matter is elaborated in the section *Study 2: Findings and Discussion*. (3) Finally, frequency is related to the number of transactions between two parties

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which, in this thesis, are a production company and a country. In other words, how often a production company co-produces with a counterpart from another country, or how often a production company distributes a movie in another country.

On top of these three dimensions of transaction costs, there is a fourth element that plays an important role especially for smaller realities: (4) information asymmetry. The production of a movie is a team work, where the object of every person involved is to make the movie as successful as possible. Therefore, the information asymmetry considered here is the not the one in between parties of the same production. Rather, it could be an issue between the production company and the distributor, where the former entrusts a project to the latter thinking that the movie will be distributed with the best intents, but then the distributor prefers to boost another movie instead. This happens when major distributors tend to accept as many films as possible to increase their catalogue, ending up promoting one movie over another when considered more appealing for cinemas and audience. This type of information asymmetry is not very frequent between a big production company and a big distributor, as they both have the best intent to keep working together in the future. However, smaller production companies may come across these types of problems, as they do not have yet a strong relationship with distributors, ending up in information asymmetry about the distributors' actions.

When dealing with transactions, a company has to choose between the market or the firm. Choosing the market over the firm means to outsource a certain operation to another company. On the contrary, choosing the firm over the market means to internalize that operation within the firm itself, which therefore has to do with hierarchy. In the film industry, for example, opening a distribution branch of the company is an example of choosing the firm, while hiring a distribution or intermediary company to distribute the movie abroad are examples of choosing the market. The key for this research is to study when a production company chooses the market over the firm considering transaction costs deriving from environmental and behavioural uncertainty, frequency, or asset specificity. And which of these transaction cost dimensions count the most when it comes to structuring financing and intellectual property operations across multiple legal jurisdictions.

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4.3.5 Study Delineation

The study consists in interviewing producers from both the Danish and the Italian film industries. In order to cover and have insights from both bigger and smaller realities, two producers were interviewed from each country, one from a bigger production company and one from a smaller one. All interviewers were found through my personal and academic network. The interviews were held in a slightly different way depending on the country. Different countries have different manners.

For Denmark, I had the pleasure to interview the producers Regner Grasten from 'Regner Grasten Filmproduktion' (regnergrastenfilm.dk, n.d.), and Kristian Kjær Pugholm currently studying at the National Film School 'Den Danske Filmskole' (.

For Italy, I had the pleasure to interview the two producers Francesco Pamphili from 'Film Kairòs' and 'Manigoldo Film' (filmitalia.org, n.d.), and Fabiana Balsamo from 'Quasar Multimedia' (quasarmultimediait, n.d.). *Table 3* summarizes the interviewees information and the scale of their work in the industries.

Name	Country	Current Production Company	Scale
Regner Grasten	Denmark	Regner Grasten Film	Large
Kristian Kjær Pugholm	Denmark	(Den Danske Filmskole)	Small-Medium
Francesco Pamphili	Italy	Film Kairos	Medium-Large
Fabiana Balsamo	Italy	Quasar Multimedia	Small-Medium

Table 3. *Interviewees Information*

4.3.6 The Italian Film Industry

Francesco Pamphili, from 'Kairos Film' and 'Manigoldo Film' (France) is an Italian producer from Rome. Among the others, he produced the movie *Hello, Goodbye* with Gerard Depardieu, and co-produced with 'Medusa Film' the movie *The Unknown Woman* (La Sconosciuta) by Giuseppe Tornatore and original music by Ennio Morricone (filmitalia.org, n.d.). In light of all his international co-productions, he was of great contribution for this thesis.

Fabiana Balsamo, from 'Quasar Multimedia', is responsible for the general organization of the company, for the related funding, and for the contacts with national and international partners.

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Quasar Multimedia is an Italian production company operating in the Italian Region Friuli-Venezia Giulia, a so-called 'special Region' for its history with the Austro-Hungarian Empire and its closeness to the Balkan area, confining with Slovenia. This gives the opportunity to Quasar Multimedia to often collaborate with their neighbour Slovenian production companies.

As F. Balsamo explains, "the Italian film industry has very good government incentives for the development, production and distribution of movies, documentaries, TV and web series". There is a 30% tax credit for both the development and the production of movies, including international co-productions where the product must be recognized as Italian through a cultural test (where the credit is recognized and guaranteed during the production month by month) (MiBACT, 2020). And a 30% tax credit for international productions that are partially filmed in Italy (available only at the end of the production) (ibid). This makes Italy a very competitive environment for the production of any audio-visual product. As a consequence, it is difficult to see Italian production companies opening subsidiaries abroad. As a matter of fact, Italy is a country where "many international productions come to take advantage of tax benefits and VAT exemptions" (F. Pamphili).

Moreover, F. Balsamo explains in detail how Ministerial and Regional funding systems work in Italy, where "it is not necessary to give them back once you earn from a movie", which makes Italy even more attractive (just to give an example, in Denmark most of the funds are given on a returnable way based on revenues). However, these funds are "only partially given beforehand the first day of filming" (F. Pamphili) and "the entire bureaucratic process is quite a mess (F. Balsamo).

Both F. Balsamo and F. Pamphili often work with international co-productions. The first one through Quasar Multimedia, which often collaborates with Slovenian counterparts (both in terms of production and production service companies). "This - F. Balsam explains - is due to the proximity of Friuli-Venezia Giulia (the Region of Quasar Multimedia) and Slovenia", where both sides want to take advantage of the other country's incentives. Similarly, F. Pamphili often collaborates with France, at the point to open a production company based in Paris, 'Manigoldo Film'.

From both F. Pamphili and F. Balsamo experiences, it emerges how they both tend to collaborate with international realities with a potential long-lasting relationship. Quasar Multimedia often works together with Slovenia more than other countries surely for economic reasons, but also for a matter

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of behavioural and environmental uncertainty. The higher is the frequency of operating in a certain country with a certain culture, the lower is the related uncertainty. The same emerges from F. Pamphili experience and his lasting relationship with France.

This being said, I argue that production companies tend to structure their operations across different legal jurisdictions when the levels of behavioural and environmental uncertainty are lower and/or when they collaborate with a country (or an entity from that country) with a high frequency.

For what regards the choice of the firm or the market, whether a production company internalizes or delegates to external resources, it depends on the type of collaboration in held. If a production company collaborates with a production service company (editing, colour grading, film gears, transportation, etc.) or a distribution company, I consider the operation as a market choice. If the production company internalizes these types of operations, then it is a firm choice. I argue that somewhere in between these two extremes (the market or the firm) there are co-productions. These ones are considered a firm choice because of the partial ownership, but they are also considered a market choice because of their reciprocal need to make a co-production. However, at least in principle, co-productions should be considered as a market choice, and so does this thesis.

"Co-productions are probably the main reason for an Italian production company to structure their operations abroad" (F. Pamphili). The film industry is characterised by incredibly high costs and incredibly low margin of profits, and co-productions are not only meant to divide the cost of a movie, or to exploit each other's resources, "but specially to get advantage of the other country's incentives and funding" (F. Pamphili). And to do so, F. Pamphili specifies how "it is necessary that the movie is recognized as a national product in both countries", which is not always an easy job. This does not encourage the realization of international co-productions, mostly related to a problem of language. As F. balsam says, "production companies tend to make a movie in the language of the country from where the funding comes from, even though from a commercial point of view it would be much better to make a movie in English". As a matter of fact, in light of their collaborations with Slovenia and Croatia, Quasar Multimedia often makes products which are not in Italian. However, the language also "depends on the movie plot as not to lose credibility, a very important aspect of a movie to be successful nowadays". (F. Pamphili). This need for credibility is more or less

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the same story all over Europe (and probably the World but Hollywood), which somehow limits production companies to make movies for their own country only, in their own language, with a plot that "would not be perceived in the same way abroad" (F. Balsamo).

4.3.6.1 Italian Film Industry: Conclusions

From these interviews, it appears that Italian production companies work at an international level mostly for necessity. The Italian film industry has many Government or Regional incentives and funding, which overall makes Italy a good country to produce audio-visual products. If also considered the need for credibility and national conformity, there are not many (if not at all) Italian production companies with subsidiaries abroad. But they do collaborate with geographically and culturally closer countries mostly through co-productions. From a TCE perspective, they definitely tend to work with geographically and culturally closer environments because of lower environmental and behavioural uncertainty, lower information asymmetry, and higher frequency. Asset specificity does not play a major role in the film industry considering the research question of this thesis, as the interviews confirmed. However, if it applied, then the higher the asset specificity of a production company in another jurisdiction, the more that production company is incentivized to keep working in that country.

To conclude, Italian production companies tend to collaborate within certain international contexts rather than others when transaction costs are lower. For what regards the choice of the market over the firm, or vice versa, unless a production company opens a subsidiary or acquires another production company abroad, it does always choose the market over the firm.

4.3.7 The Danish Film Industry

In his incredible career, Regner Grasten is the owner, together with Tove Grasten, of 'Regner Grasten Film', considered today one of the largest production companies in Denmark for tickets sold (regnergrastenfilm.dk, n.d.). With his production company, he produced successful movies for the Danish market such as *Krummerne*, *Anja og Viktor*, or *Rich Kids* (ibid).

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Kristian Kjår Pugholm is a talented student of the Danish National Film School 'Den Danske Filmskole'. In his career, he produced the documentary *Et år for evigt*, and had jobs as producer assistant on the TV series *Perfekte Steder*, and the movie *Mugge & Vejfesten* (dfi.dk, n.d.).

In light of a very small scale of audience and only 169 cinemas in the entire country (dfi.dk, n.d.), it comes spontaneously to wonder how Denmark can manage to overcome the problem of high costs and low margin of profits. Especially considering that the Danish government does not provide any tax incentives for the film industry. R. Grasten answered this issue by saying that: "we do not waste time, and we do not need 10 assistants per person on set: we are Danish, we are very efficient". This is also very similar to the answer K. Pugholm gave to the same question: "the Danish film industry is very efficient, productions usually occur with a small set crew made of extremely high skilled workers".

Even the Italian producer F. Pamphili spent very enthusiastic words about the Danish film industry, describing it as "a very interesting place where to produce movies, a country able – in his opinion – to become famous for its art films". Which is very in line with R. Grasten's comment: "a Danish movie produced in English would not be successful, because people expect and want the authentic experience from Denmark, in Danish".

Denmark is therefore a very appealing country for the production of movies or any other audio-visual products. "We have a very good funding system", R. Ragner adds. The best part of the Danish funding system that makes it different from other realities (like Italy), is related to the way funds are given. While in Italy, or in other European countries, funds are mostly given during or even after the movie is completed, "in Denmark you can manage to get up to 80% of funding before the first day of shooting" (R. Grasten). And even though the funding system is based on a repayable method (where production companies must give the money back after a certain threshold of revenues), Danish funding is still very desirable. For this reason, "a lot of foreign production companies buy Danish counterparts (or their majority) to get Danish funding" (R. Grasten).

K. Pugholm points out how "shooting in Denmark is – still – very expensive", alluding to the fact that the Danish funding system is advantageous only for a few. For this reason, "most of Danish production companies are forced to shoot in other countries, especially Hungary and Czech

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Republic" (K. Pugholm). This choice is certainly made because "it is cheaper" (R. Grasten), or because of "the similar architecture between Hungary, Czech Republic and Denmark, the lack of unions which permits a working day of 12h, and on the often-available tax rebate regimes" (K. Pugholm) - Hungary, for example, has a 25% tax rebate. However, K. Pugholm also underlines "the historic collaboration between the Danish film industry with both Hungary and Czech Republic", giving the example of the Czech production company "Sirena Film" which is specialized in working with Danish productions, highlighting the will of facilitating the co-production process and lowering the related transaction costs.

4.3.7.1 The Danish Film Industry: Conclusions

Also in this case, it seems like Danish production companies operate in different jurisdictions when there is low environmental and/or behavioural uncertainty, low information asymmetry, and when there is high frequency of transaction (For example, with Hungary and Czech Republic). As both R. Grasten and K. Pugholm point out, Denmark is a very efficient country, hinting that the Danish film industry has very low transaction costs in general. However, as Denmark has very high costs of production, Danish production companies are often forced to shoot part of their movies abroad. This being considered, they choose to co-produce with production companies from jurisdictions not only beneficial from a financial point of view, but especially from a transaction costs perspective.

This being said, K. Pugholm adds that "If it was financially possible to shoot a movie entirely in Denmark with Danish workers, it would be the best solution to make a good movie", referring again at the very highly skilled workers of the Danish film industry.

For what concerns the choice of the market or the firm, also for the Danish film industry, unless a production company opens a subsidiary or acquires another production company abroad, it does always choose the market over the firm.

4.3.8 Study 2: Findings and Discussion

From the second study, it emerged how transaction costs play a major role in the decisions of production companies to structure their operations across different jurisdictions. It came out that they do so when the levels of both environmental and behavioural uncertainty are low, when

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information asymmetry is low, and when frequency is high. Moreover, as they mostly do so by collaborating with other production companies, service production companies, or distributors, they mostly choose the market over the firm.

The method of using interviews seemed to be very efficient for the type of research. The film industry is based on relationships, and interviews were the best method to interact with people from this industry and therefore extrapolate an amount of information that would have probably been more difficult to find otherwise.

Both tangible and intangible assets specificity do not really apply to the film industry. The first one because the film industry does not require any specific physical presence anywhere, and European production companies usually rent all equipment (F. Balsamo). The second one because production companies do not employ many figures if not those indispensable for the day-to-day work. Differently from their Hollywood counterparts – that used to have everyone on the pay check – European production companies do not often employ actors, cinematographers, or directors. They work together mostly on a project base. For this reason, (intangible) asset specificity does not really apply nor for the film industry and much less for the research question of this thesis.

It would have been very interesting and constructive for this thesis to interview someone from both 'Mediaset Group' and 'Egmont', the two entertainment conglomerates respectively from Italy and Denmark. This would have enriched the study by indirectly analysing the research question not only from a TCE perspective, but at the same time from a GWCs point of view, especially when it comes to Mediaset Group, as it has the legal headquarter in The Netherlands even though it is a fully Italian Production company (owned by Silvio Berlusconi). Unfortunately, as they are bigger conglomerates, I did not have luck in finding anyone available for an interview. This would have probably been the same issue with the major Hollywood entertainment conglomerates analysed in the first study of this thesis.

Finally, it could be discussed whether only a few qualitative interviews are a thorough representation of the dynamics of the Danish film industry. Here, a few considerations should be made. This study represents only a secondary part of this thesis, where the main research is focused on the macro level instead. Accordingly, the time and space dedicated to this part is not adequate for a more

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statistically relevant number of interviews. Moreover, in line with the philosophical approach of this thesis, the aim of this study was not to prove a certain internationalization path always valid for every Danish production companies. Rather, it aimed at having a thorough and in-depth perspective of a few leading figures from the industry. All considered, it was preferred to interview a few number of producers in a longer and deeper way, leaving space to the conversation to develop in the most possible profitable way given the circumstances.

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5. Discussion

5.1 Chapter Guide

The chapter begins by stating the aim and relevance of this thesis. This section is followed by a thorough discussion on each theory and method used for this research. Finally, the discussion concludes by introducing other possible case studies for future research on the same matter.

5.2 Aim and Relevance of the Thesis

The stated aim of this thesis is to study when production companies choose to structure their financing and intellectual property operations across multiple legal jurisdictions. This was carried out through analysing two studies, each representing different scales of the same field (macro and micro). Both investigations were executed through distinct theories and most suitable research methodologies: GWC theory and network analysis; TCE and interviews. This choice of breaking down the thesis into two parts highlights the aim of studying the research question from an extensive perspective, rather than focalizing on an individual case in detail. Through this approach, the thesis managed to underline the gap between the two scales: Hollywood (macro) and the European counterparts Danish and Italian film industries (micro).

This thesis covers a field that, to my knowledge, has not been studied through GWC theory or TCE before. And although TCE seems to be a more suitable theory for the film industry, this may not be the case for GWC theory. By starting a conversation upon creation and protection of wealth in the film industry, this study aims to initiate and encourage the future research on the same matter.

5.3 Methodological Considerations

The thesis was initially conceived based on the theory of Global Wealth Chains (GWC) and the research method of Network Analysis. Reflecting the possibility of production companies to take advantage of global wealth chains to maximize wealth, GWC perfectly suits the first and main study of this thesis: US entertainment conglomerates and indirectly Hollywood major production companies. This was not the case for the Danish and Italian film industries. Both GWC theory and network analysis were not enough representative of the two industries. In light of this, the thesis

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opted for a division of studies depending on the scale of the industry, highlighting the issue on whether the answer to the research question is a question of scale. In other terms, whether the circumstances for which production companies structure their operations in multiple jurisdictions depend on the scale of their industry.

This thesis was carried out in a way such that the reader could get insights into two scales: macro (Hollywood entertainment conglomerates), and micro (Danish and Italian film industries). The research process and findings would have benefitted by narrowing down the thesis to a single case study. On one hand, this could have been on Hollywood alone, or even on one single entertainment conglomerate. On the other hand, singularly the Danish or Italian film industry. This would have given the opportunity and space for deepening the research question both for what regards the methodology and the industry itself. However, if this was the case, the thesis would not be able to deliver a wider perspective on both scales and all three industries, which was the most important thing for this study, to evidence the gap between two different sides of the same coin: the film industry. Hereby some considerations for each theory and method adopted in this research.

5.3.1 Global Wealth Chain Theory

The choice of GWC theory resides on the hypothesis that major US entertainment conglomerates take advantage of their corporate structures for operations of wealth maximization. However, GWC should be seen in respect to Global Value Chain and Transaction Cost Economics. Especially in the film industry, GVC helped clarifying some aspects of the conglomerates ownership structures. The first study concentrated in understanding which parts of the conglomerates' corporate structures could potentially be wealth chain entities. Although GVC was not the theory chosen to process the first study, it still played an indirect role. This was true when attributing each subsidiary as wealth, mixed, or value chain entities, giving in particular a thorough understanding especially of the mixed chain entities, as they mirror the interdependency between GVCs and GWCs by maximizing both value and wealth at the same time.

Between the two theories, GWC and GVC, the first one resulted to be more suitable for this type of study. This is true if considered the nature of the film industry: intellectual property operations. Tax shelters are particularly exploitable by operations related to intangible assets, and intellectual

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property operations perfectly fit in this context. This is enhanced by the possibility of entertainment conglomerates to produce products intended for a worldwide audience, creating the favourable circumstances to get incorporated in multiple legal jurisdiction. For these reasons, GWC theory appeared more insightful and suited to thoroughly analyse the research question.

5.3.2 Network Analysis

The research method adopted for the first study is network analysis. This choice relied on the will to study the dynamics within the conglomerates' corporate structures. Network analysis provides insights of the conglomerates' ownership networks, highlighting the importance of certain companies and depicting the connections of wealth and mixed chain entities to the rest of the network.

The study could have also been carried out through a qualitative method instead. Documentary research and interviews could have played an important role in this research. While network analysis uncovered the surface of GWCs related to the three conglomerates in question, further research through qualitative methods would have probably increased the attendance of the reliability of the findings. However beneficial, this would have taken a lot of space and time. Nonetheless, the three conglomerates taken into examination are among the most important entertainment conglomerates in the World. Consequently, interviewing high ranked figures from these billions-worth conglomerates seemed to be very unreliable if not impossible. All considered, network analysis appeared to be the most suitable research method for this first study.

5.3.3 Transaction Costs Economics

The film industry is characterised by high costs and low margin of profits. This consideration may lead to argue that, in such an industry, it is more fruitful to look at production costs rather than transaction ones. Or, in other terms, that transaction costs are not as relevant. However, taking as a cue what the Italian producer F. Balsamo said: "when a production company gets public funds, it spends more". And if a production company wants to make it cheaper, it cannot do anything but "exploiting who works on the movie" (F. Balsamo). This means that, depending also on genre and

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scale of audience, the cost of a movie is kind of fixed. Accordingly, this thesis focuses on transaction costs as they are more manageable ad able to shape production companies' decisions.

5.3.4 Interviews

The choice of interviews over other qualitative research methods mainly depends on two factors: firstly, on the relational nature of the film industry; secondly, and most importantly, on the theory choice. TCE illustrates how transaction costs mostly emerge from human behaviour and the surrounding environment. This underlines the need of a personal source of information deriving from experience. For this reason, interviews were the research method preferred for this study, such to get personal information that it would have been difficult to obtain otherwise.

5.4 Other Applications

This thesis highlights the importance of the industry scale to understand under what circumstances production companies choose to structure their operations in multiple jurisdictions. The cases analysed were both from western countries, respectively from the USA and from Europe. It would be interesting to apply the same research question to additional film industries, in particular to the Chinese and Indian ones. Hereby a brief introduction to both industries.

5.4.1 Chinese Film Industry

Considering its potential scale of audience (ca. 1.4 billion people), China represents the wonderland for many foreign production companies. Unfortunately, for government reasons, the Chinese film industry is a closed and established film industry (Moon & Yin, 2020) that accepts only 35 foreign movies per year with a box office share, and other 30-40 whose rights are acquired and then distributed in the country independently by the production company. Most of the production companies counting a considerable share of the film industry are state-owned (e.g. China Film Group Corporation, or Polybona Films), which underlines the strong presence of the government in the industry (Yeh & Davis, 2014)

Similar to Hollywood, major Chinese production companies are owned by bigger entertainment conglomerates (e.g. Polybona Films by China Poly Group, or Alibaba Pictures Group by Alibaba)

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which in turn expand over domestic and international corporate structures (Kong, 2008). This suggests a similar path to the Hollywood counterparts in terms of GVCs and GWCs. However, Chinese institutions are very much present in the industry, playing an important role when answering the research question.

5.4.2 Indian Film Industry

The Indian film industry is the world largest industry by number of movies produced per year (Statista.com, 2019). Bollywood, or the Hindi language film industry from Mumbai, plays a major role in the industry, also being the most known abroad. Although Indian film industry is the first movies producers in the world, the Indian government supports to the film industry are minimal (Shashidhar, 2018). Where "the Government-owned film body needs to learn several lessons of public-private partnerships from other markets to really be able to make an impact on the film industry" (ibid). From the institutional point of view, Indian film industry is probably characterized by high transaction costs.

Being such an extended market with a potential audience scale of ca. 1.3 billion people, Indian production companies are also often owned by bigger entertainment conglomerates which may differentiate their areas of business to take advantage of GVCs and GWCs. Interestingly, some of these production companies, e.g. UTV Motion Pictures, Eros India, or Viacom 18 Studios, are major Bollywood production companies directly or indirectly owned by Hollywood entertainment conglomerates (UTV Motion Pictures by The Walt Disney Company, or Viacom 18 Studios partially by ViacomCBS Inc.) (D'Alessandro, 2009).

6. Concluding Remarks

Through the investigation of the film industry at a macro and micro level, this thesis aimed to answer the research question: when do production companies choose to structure their financing and intellectual property operations across multiple legal jurisdictions?

From the analysis of two case studies - Hollywood entertainment conglomerate (macro), Danish and Italian film industries (micro) – within the theoretical framework of TCE and GWC, this thesis advances a few conclusions.

The first factor determining the circumstances for which production companies structure their operations in multiple legal jurisdictions is the scale of the industry. A larger audience naturally enables production companies to market their products with a larger scope, giving them the opportunity to develop domestically before anything else. This suggests that the pre-given condition for the economic development of production companies – and of a film industry in general - can be partly considered demographic.

Another relevant factor is the direct or indirect involvement of domestic and foreign institutions. They are directly involved by embodying favourable and attractive tax regimes, which is what countries considered as tax shelters do, or by making available the incentives and funding systems to reduce production and especially transaction costs, e.g. Denmark and Italy. And indirectly involved by allowing incredibly favourable tax regimes in a particular area of the country, like the USA with the State of Delaware, or by not encouraging an international standardization of tax regimes.

In this context, Hollywood entertainment conglomerates take advantage of their intellectual property operations to exploit both an economic and cultural dimension of transaction costs. They take advantage of GVCs to create cultural significant 'value added' and navigate it through GWCs to maximize wealth. Similarly, but to a much lower level, production companies from both the Danish and Italian film industries structure their operations in countries allowing a reduction of transaction costs deriving from uncertainty, frequency, and information asymmetry.

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These considerations highlight the importance of scale in the film industry to truly being able to assess the research question, raising the question on whether the answer to the research question is, in fact, a question of scale.

Going back to the fable of Pinocchio and to the *Field of Miracles*, it should be underlined the incredible development of film production companies and their constant quest to consolidate and increase their business in an industry characterised by incredible high costs and low margin of profits. Where the most interesting aspects are the ability of production companies to lower transaction costs independently by the scale of their industry, tailored *Fields of Miracles* made of economic, social and cultural dimensions that become the most fruitful soil to grow hundreds of *golden coins*.

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Appendix

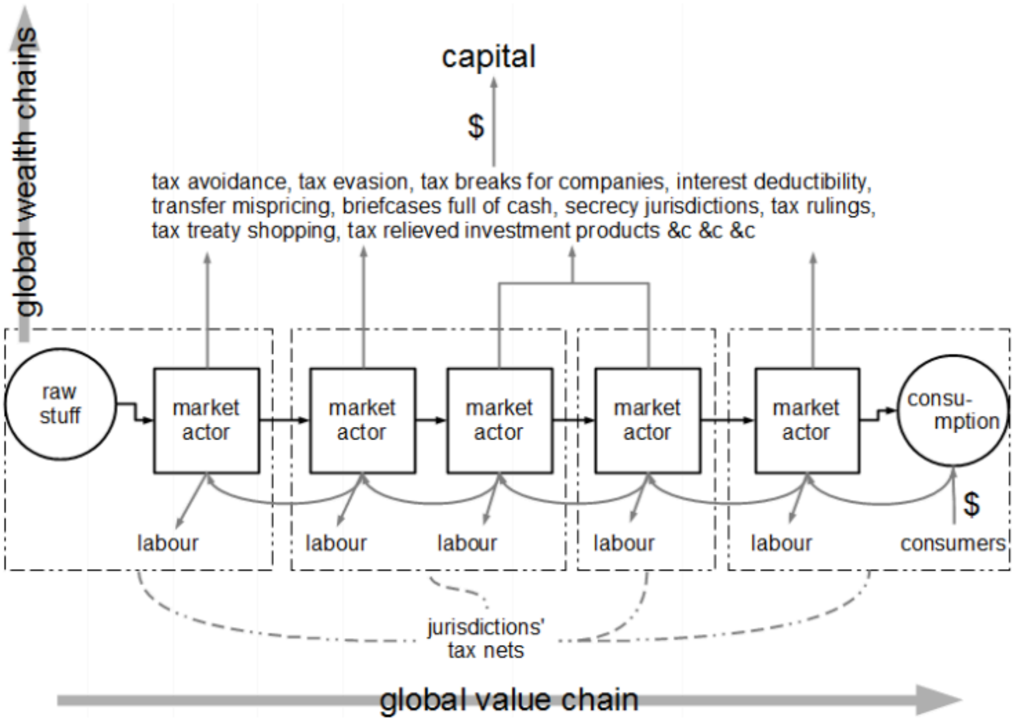

Figure 1. *Interdependency of GVCs and GWCs (Quentin & Campling, 2017)*

Governance type	Complexity of products and services	Regulatory liability	Capabilities to mitigate uncertainty	Degree of explicit coordination
Market	Low	Low	High	Low
Modular	Low	High	Low	↑
Relational	High	Low	High	
Captive	High	High	High	↓
Hierarchy	High	Low	High	High

Table 1. *Key factors of Global Wealth Chains (Seabrooke & Wigman, 2017)*

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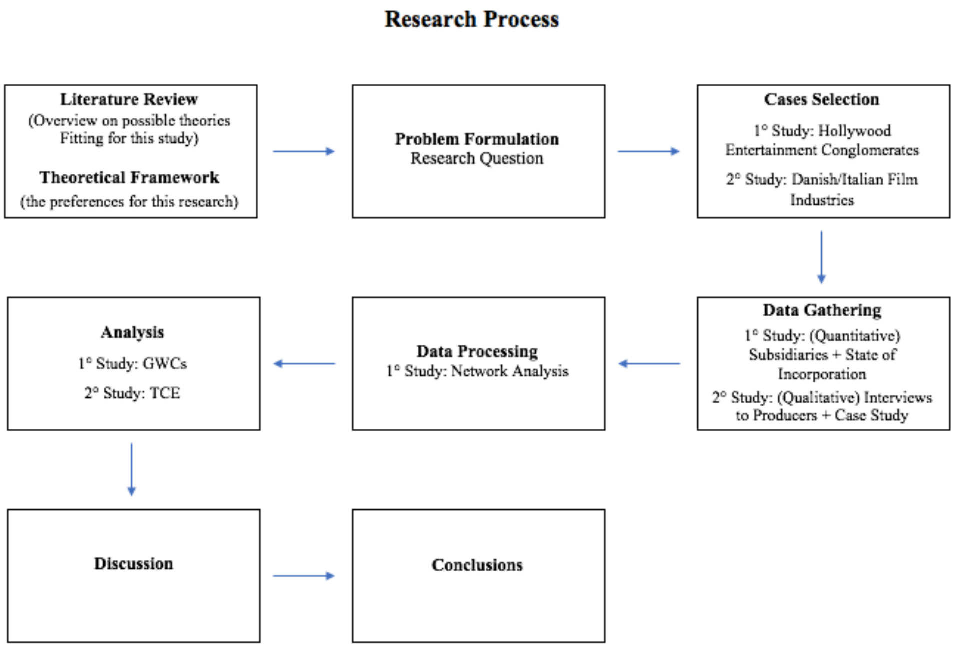

***Figure 4**. Research Process Delineated*

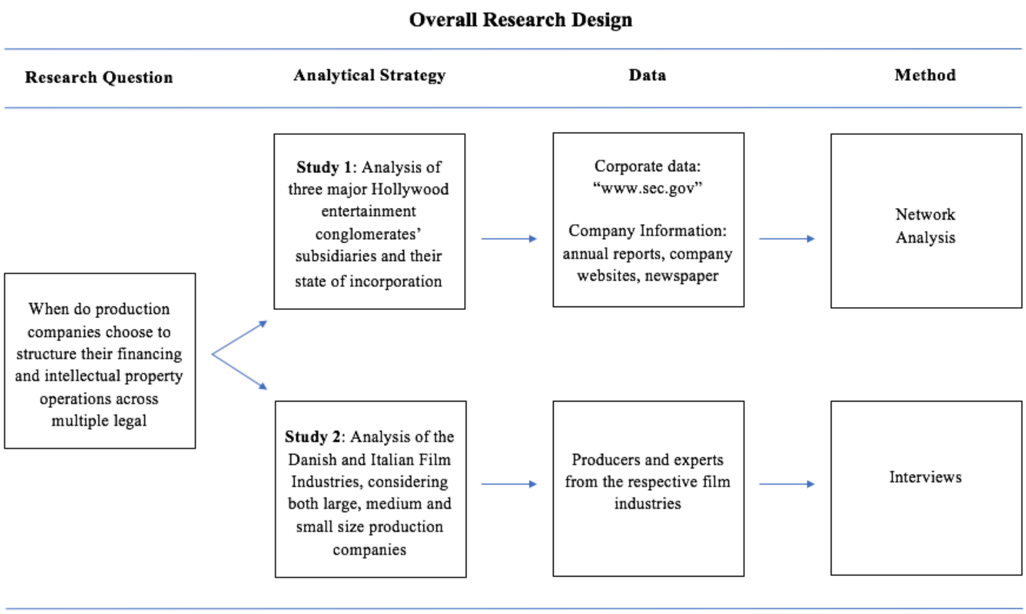

***Figure 5**. Overall Research Design*

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
19th Holdings Corporation	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0
21st Century Fox America, Inc.	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0
3067488 Canada Inc.	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0
ABC Cable Networks Group	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0
ABC Enterprises, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0
ABC Family Worldwide, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0
ABC Holding Company Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0
ABC Kids Europe Holdings, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0
ABC Kids SPCO, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0
ABC, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0
ABC Signature Studios, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0
American Broadcasting Companies, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0

Figure 7. *Example of Matrix from 'The Walt Disney Company'*

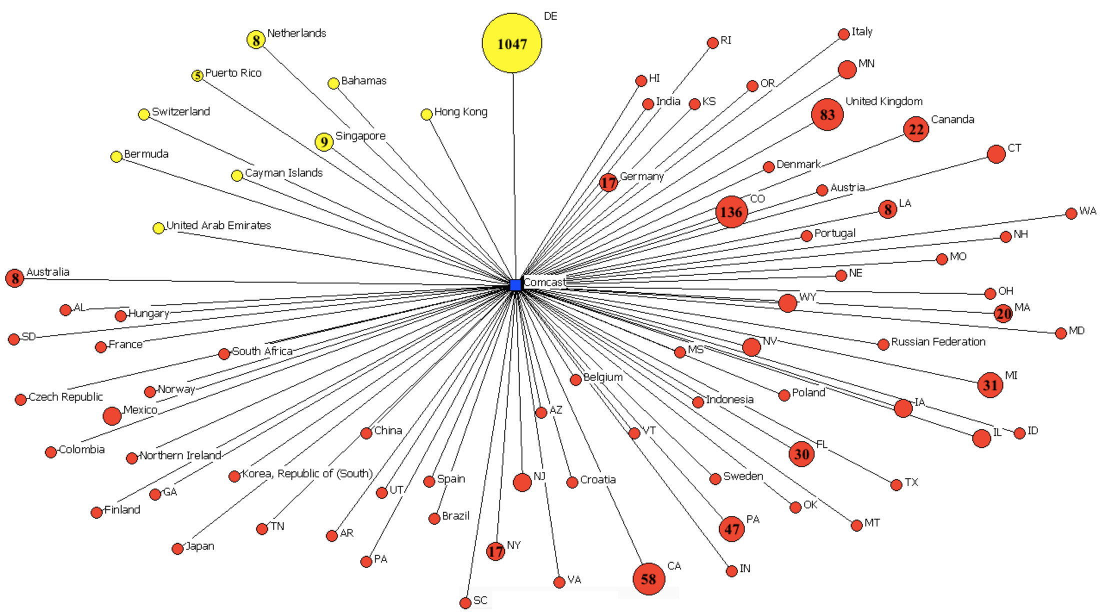

Figure 9. *Alternative Comcast Network Graph*

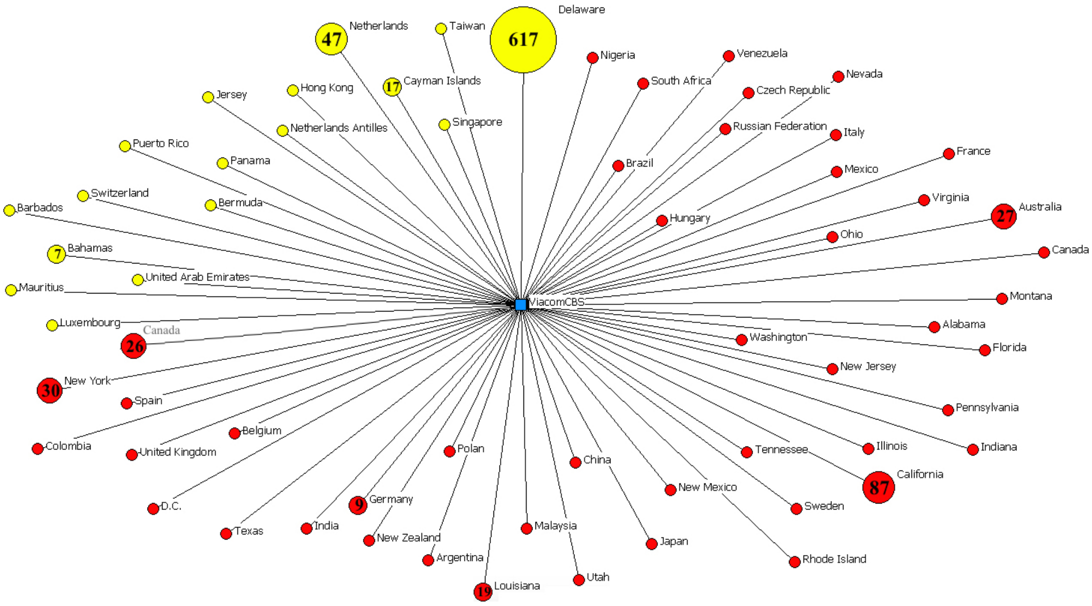

Figure 13. *Alternative Network Graph of ViacomCBS*

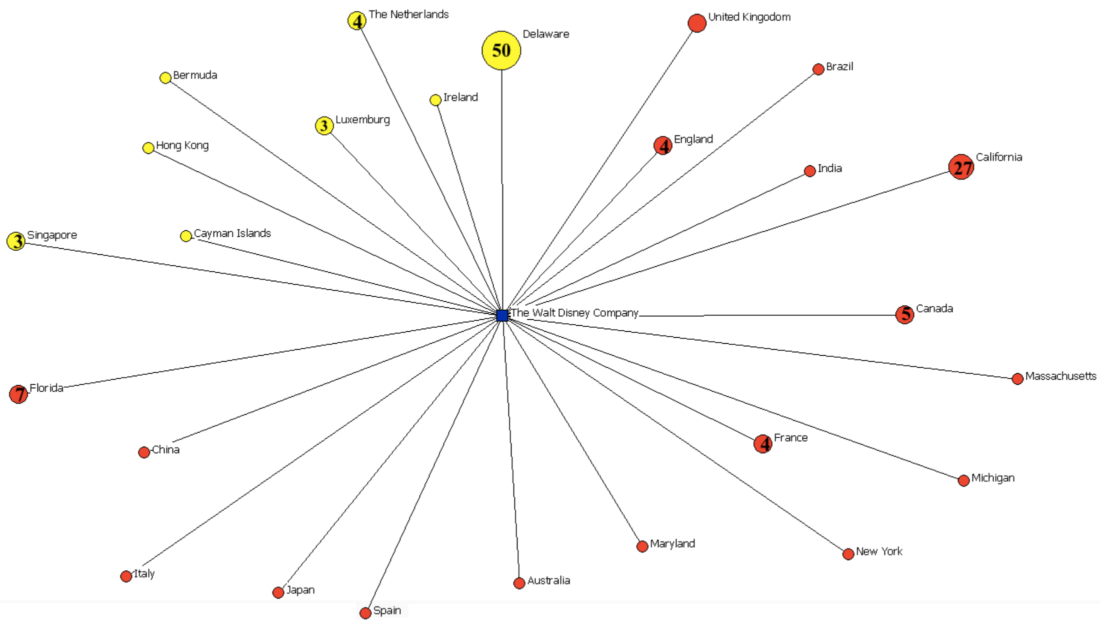

Figure 17. *Alternative Network Graph of The Walt Disney Company'*