

Rebel or Outlaw?

**Shared Leadership in a Filmmaking
Company**

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December 2011



Abstract

How can organizations innovate and break with conventions without losing their legitimacy? Organizing for legitimacy (serving tradition and convention) often contrasts organizing for innovation and is often perceived a choice between two evils. This paper suggests that leaders can reconcile the legitimacy-innovation tension by combining and addressing them as two complimentary processes. An ethnographic case study depicts how shared leadership in a highly successful filmmaking company, confronts the legitimacy-innovation tension and, based on a combination of 'out-of-fashion' and contra-intuitive actions, their search for new solutions makes them balance between being a rebel or an outlaw.

Keywords

Filmmaking, Innovation-legitimation balance, Rebel identity

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Introduction

How can organizations innovate and break with conventions without losing their legitimacy? This paper is concerned with investigating how organizations and their leaders can strike the balance between driving innovations while maintaining legitimacy and performance. Organizations and leaders in search for performance success through innovations and flexibility are confronted by a series of tensions (Lampel, Lant and Shamsie, 2000, 2006; Sanchez-Runde and Pettigrew, 2003) often perceived as opposing imperatives or dilemmas. Organizing for legitimacy has often been perceived as equal to serving tradition and convention and thus in contrast to innovation (Hargadon and Douglas, 2001). Legitimacy has been given a central role in institutional theory as a force that constraints change and pressures organizations to act alike (e.g. DiMaggio and Powell, 1983; Scott, 2008; Greenwood et al. 2008). Concern over legitimacy is also seen to force organizations to adopt managerial practices and organizational forms that other organizations practice (e.g. Tolbert and Zucker, 1983; Suchman, 1995). Such concern over legitimacy thus forces organizations and their leaders to pursue strategies of conformity and imitation and, *not* deviate from existing practices, as they else would fear that they will lack credibility (Sherer and Lee, 2002) and face restricted access to critical resources. As a counterpoint to this line of thought organizing for innovation has often been portrayed as a question of leadership creating a culture of innovation, encouraging risk taking (e.g. O'Connor, 1995) new learning approaches (e.g. Garvin, 1998) knowledge sharing (e.g. Davenport and Prusan, 1998) or constructing meaning to create knowledge and make decisions (e.g. Choo, 1998). Often this

tension (or dilemma), whether to organize for legitimacy or innovation, has been seen as a dichotomy and perceived as a question of choosing between two evils. In this paper it is suggested that the tension between legitimacy and innovation not a priori should be perceived as a question of 'either-or', but rather ought to be addressed as two complimentary processes that potentially could be combined. The argument will be supported by findings from an ethnographic case study of a highly successful and innovative, filmmaking company – Zentropa Productions.

Research Design

Aiming at making a contribution to organization and management theory an ethnographic case study was conducted of a renowned European film director (Lars Von Trier) and his production company (Zentropa), which is recognized for being both innovative and profitable. The reason for this focus of the study and selection of this particular case is derived from the distinction made between two main models for filmmaking, 'High concept' and 'Auteur model' (Mathieu and Strandvad, 2009). The 'High concept' model is a term used to describe the archetypical contemporary Hollywood *producer-centred* filmmaking process (Wyatt, 1994), that is characterized by a largely market driven approach and wide use of so called 'integrated professionals' (Becker, 1982). In contrast to this model, the "Auteur model" for filmmaking is a concept developed to capture the fundamental processes, circumstances, ideals and ideologies behind what is often referred to as "European" *director-centred* filmmaking, marked by a point of departure in an artistically driven logic and mainly influenced by so called 'Mavericks' (Becker, 1982). Europe are claimed to be dominated by the so-called auteur model that originated in the late 1940's Italian development and further was consolidated by the Nouvelle Vague in France and the journal Cahier du Cinema's circles (Alvarez et al. 2005). Unlike the producer-centered Hollywood filmmaking system, where the producer "peoples" the projects (Baker and Faulkner, 1991), the European auteur model pronounces the director as the core (and most powerful) figure in filmmaking. The distinction between these two models is of course ideal-typical and both models for filmmaking (and their variants on this continuum) can be found in US as well as in Europe.

The 'High concept' model is relatively well studied and documented (e.g. Wyatt, 1994; Miller and Shamsie, 1996; DeFillippi and Arthur, 1998; Caves, 2000), whereas studies of the 'Auteur model' are relatively scarce. Following from the claim that the 'High concept' model is dominated by 'integrated professionals', who tend to work within the conventions of the film industry, whereas the 'Auteur model' are more likely to be dominated by 'Mavericks', who are believed to confront and break with conventional wisdom within the film industry, the study of an 'Auteur model' filmmaking company, like

Zentropa, appeared to constitute an interesting case for the study of innovations in creative industries.

Thus, *case selection* was based on the principle of information-oriented selection (Flyvbjerg, 2004; 2006) rather than random selection. The idea behind information-oriented selection is *'to maximize the utility of information from small samples and single cases. Cases are selected on the basis of expectations about their information content'* (Flyvbjerg, 2004:123). The Zentropa case is widely recognized as a successful and innovative filmmaking company, and is, thus, following Flyvbjerg (2004; 2006) and his ideas about information-oriented case selection, supposed to provide an opportunity to study the phenomenon of interest to this study. The case, the film production company Zentropa, was approached with this preliminary theoretical framework derived from the extant literature (Yin, 1994).

The Study

The overall approach to the case study of Zentropa relied on multiple data sources (Stake, 2000; Flyvbjerg, 2004). The research on Zentropa has been carried out over a period of ten years (2000-2009) in several sub-studies and rounds of data generation following among others, Pettigrew (1995) and his recommendations for longitudinal field research. The data sources consist of 23 in depth interviews with informants - 14 interviews with informants from Zentropa and 9 interviews with informants from the Danish film industry (film critics and journalists, representatives from The Danish Film Institute, The National Film School of Denmark, and from other film producing companies in Denmark). Adding to this observational data has been generated and obtained from numerous field visits and occasions for interactions with Zentropa members (at film festivals, press conferences, media launches, working groups, seminars and other types of meetings). These data sources were supplemented by various archival material, such as newspaper articles and documentary material, including: books on Zentropa (e.g. 'Filmbyen' ['The Film Town'] by Vilhelm, 2007); biographies on Zentropa CEO and producer, Peter Aalbæk Jensen, and, Zentropa director, Lars Von Trier; specialized books (e.g. Jakobsen, 2003 on the making of 'Dogville') and videos (e.g., 'The Humiliated' by Jargil, 1998 on the making of 'The Idiots'; 'The Purified' by Jargil 2002, on the Dogma Manifesto); interviews and 'behind-the-scene' extra-material from DVD-films, containing interviews with Von Trier and other Zentropa filmmakers (directors, producers and actors); films on 'the making of ..' (e.g. 'Von Trier's 100 Eyes' and 'Dogville Confessions'). See appendix 1 for an overview of the data for the case study.

Data Analysis

As mentioned above, the study relied on multiple sources of evidence and methods for data generation. Data sources include interviews, company

documents, field visits, press clippings, books, TV interviews and other digital material on Zentropa, *Dogma 95*, and the directors and producers at Zentropa (cf. appendix 1.). Data generation was based on established guidelines along issues of interest related to the research question on the legitimization-innovation relation. Case write-ups and frameworks were analysed by the researcher(s) involved in the particular sub-study in question and then discussed among them at several “interpretative meetings”. Each time a new round of iterations was initiated between theory (to enlighten and to substantiate conceptually an empirically observed pattern) and data sources (to provide missing information for further induction). Secondary information, including books and articles from the business and film press on Zentropa filmmakers as well as other professionals in the film industry (film critics and journalists, National Film School of Denmark and Danish Film Institute representatives, as well as people from other film production companies), helped refine the researcher(s)’ thinking and improve the soundness of inferences.

The Case: Zentropa Productions

Film director Lars von Trier and producer Peter Aalbaek Jensen founded Zentropa Entertainment Productions Company in 1992¹. They created the company to give Lars von Trier artistic freedom to make the films he envisioned. They divided the creative-artistic roles (von Trier) and the commercial-managerial roles (Aalbaek Jensen) between them (Alvarez et al., 2005). The two met at the National Film School of Denmark in the mid 1980s when von Trier had just graduated as a director and Aalbaek Jensen was near graduation as a producer (Stevenson, 2002; Schepelern, 2003). The new company, a 50-50 partnership between the two, produced feature films and earned money primarily from making commercials. The owners split evenly of all profits and had an equal stake in all decisions (Stevenson, 2002). Von Trier and Aalbaek Jensen invested almost all their profits in film equipment, and by 1994 they owned 10 million DKK (around 1.5 million EURO or 2 million USD) in equipment, primarily earned from von Trier’s commercials, many made for German companies (Stevenson, 2002; 2003) together with a few made for Danish companies. By owning their equipment, they were able to reduce costs on their own productions and generate income by renting out the equipment. Furthermore the equipment could function as collateral in co-production arrangements.

After the founding of the company, in 1992, Zentropa soon found a home in a former tobacco factory in Ryesgade in the City of Copenhagen. Soon after that, several other film companies joined them, including Peter Bech Films and Nimbus Films. In the late 1990s they grew out of the facility in Ryesgade

¹ See also appendix 2 for an overview of Zentropa’s history and development.

and in 1999 they moved to an abandoned, former military facility ('Avedoerelejren' ['the Avedoere Base'] in a suburban area South-West of Copenhagen called Avedoere, and established what now is known as the 'Film Town' (Vilhelm, 2007). The 'Film Town' in Avedoere had already, by 2002, grown into a site hosting about 20 different companies with around 200 people working on a day-to-day basis (Stevenson, 2002; 2003).

The Products

Zentropa became known through von Trier's various projects, including some of his most important (and commercially successful) *films*, such as, the Gold Hearted Trilogy: "Breaking the Waves" (1996), "The Idiots" (1998), and "Dancer in the Dark" (2000) and the new Trilogy beginning with "Dogville" (2003) and Manderlay (2005)² and Antichrist (2009) and Melancholia (2011). In addition to this, the company produced *TV series* such as "The Kingdom I and II" (1994 and 1997), "The Teacher's Room" (1994), "Quiet Waters" (1998-99), and "Project D-day" (2000) generated by von Trier. A part from these productions and projects, von Trier was also the prime initiator, together with film director Thomas Vinterberg, in creating the 'Dogma95 Manifesto' that outlined 10 rules for production of films in a 'vow of chastity' (Hjort and MacKenzie, 2003; Stevenson, 2003)³. The Dogma95 Manifesto has inspired a lot of filmmakers in Denmark and abroad (Hjort, 2003), which has led to over 50 Dogma certified films (Dogma95 website, 2005). Thus, the early years in Zentropa was dominated by the creativity and productions associated with von Trier. Later on, other producers, film directors and their films have become known and recognized through awards and box office sales. For example, 'Italian for Beginners' (2000) directed by Scherfig; the Trilogy - 'The Bench' (2000), 'Inheritance' (2002) and 'Manslaughter' (2003) - directed by Fly and produced by Tardini, together with 'Brothers' (2004) and 'After the Wedding' (2006) and 'A Better World' (2010) directed by Bier and produced by Gram Jørgensen, all successful Zentropa productions in artistic as well as commercial terms (see also appendix 2.).

The Company

Zentropa is a full-service organization when it comes to producing feature films. This means that all functions from concept development to pre-production, production and post-production and distribution are done with *within* the company (see appendix 4 for an overview of Zentropa's company structure). In 2002, Zentropa was the owner or co-owner of between 40-50 different companies in Denmark and abroad (Stevenson, 2003). Around 50% of these companies list Zentropa as the exclusive owner. In 2010, Zentropa has

² The third film in this trilogy named 'Washington' has of this writing not been produced and will probably never be made.

³ See appendix 3 concerning the Dogma Manifesto and 'The Vow of Chastity'.

14 international companies (11 of these are 100 % owned by Zentropa and 3 companies are 50% owned by Zentropa) in Europe⁴. These companies cover a wide product line from children's movies, documentaries, TV-productions, Internet and multi-media productions, low budget experimental films, expensive, to high profiled international productions (Darmer, Strandgaard Pedersen and Brorsen, 2003; 2007). Between 1995 and 2007 Zentropa produced over 50 feature films (Strandgaard Pedersen and Mathieu, 2009) and increased further their library by buying the rights for films like, for example, 'Europa' from Nordisk Film with an aim to sell von Trier's films as a package (Stevenson, 2002). Zentropa has since its establishment in 1992 grown to be the largest production company in Scandinavia, when measured by output, with more than 70 feature films produced between 1992 and 2008. Zentropa has a workforce of more than 130 employees and around 700 freelancers, producing a turnover, in 2007, of about 50 million DKK (around 7 million EURO or 10 million USD). In February 2008, it was announced that Zentropa sold 50% of its shares to the Danish based film company, Nordisk Film, but Zentropa continues as an independent company.⁵

Artistic and Commercial Success

Zentropa has been considered a successful filmmaking company in artistic as well as commercial terms. The *artistic success* is signified in the number of national as well as international selections for competitions and awards received by Zentropa and its filmmakers at film festivals and award shows around the world (see appendix 2). Another indicator of Zentropa's artistic success is signified by the global proliferation of 'Dogma95 Manifesto' and 'The Vow of Chastity' (Hjort, 2003) with its ten rules for film production (see appendix 3). The Dogma95 Manifesto and its rules for filmmaking have been considered highly innovative within the film industry in the sense that it represents a breakaway from a number of conventions and traditions for filmmaking (Hjort & MacKenzie, 2003; Schepelern, 2003; Stevenson, 2003). Its success is signified in the awards given to the founding fathers and their Dogma films and further consolidated by the widespread diffusion and adaptation of the rules and ideas of the Dogma95 Manifesto around the world (Hjort, 2003; Stevenson, 2003). The *commercial success* of Zentropa is signified in a number of ways too. First, Zentropa's international breakthrough came with the film 'Breaking the Waves' in 1996 winning the Jury Prix in Cannes and earning 30 million USD worldwide, according to Zentropa's homepage. Second, by not just as a new player establishing itself in the market and but also showing an ability to stay in the market. Third, not just to stay in the

⁴ In Belgium, Estonia, Finland, France, Germany (Berlin and Cologne), Italy, Lithuania, The Netherlands, Norway, Poland, Spain, Sweden and UK.

⁵ Nordisk Film is the oldest continuing film production company in the world founded in 1906 by Ole Olsen and today part of the Egmont Group.

market, but also to exhibit growth to an extent that Zentropa after ten years has established itself as the dominant player in Denmark and Scandinavia (Strandgaard Pedersen and Mathieu, 2009). Finally, in spite of the fact that economic figures for the entire Zentropa conglomerate are considered difficult to get an exact overview of, an indication of the financial performance of Zentropa is evidenced by the officially reported accounts provided by the two founders of Zentropa and their companies ('Element film' owned by von Trier and 'Fortuna film' owned by Aalbæk Jensen) (see table 1).

(Insert table 1 economic figures about here)

The figures in table 1 show that the companies of von Trier and Aalbæk Jensen have generated substantial surpluses over the last four years and this also appear to be case of the figures reported on 'Zentropa Staten Aps' and 'Zentropa Kommunen' ⁶.

The Legitimacy-Innovation Balance

Organizations and leaders in search for performance success through innovation and flexibility are confronted by a series of tensions often perceived as dilemmas or opposing imperatives. Addressing this issue Sanchez-Runde and Pettigrew (2003) point out the following *series of tensions*: 'Hierarchies or networks', 'scale or scope', 'centralizing or decentralizing', 'global or local', 'large scale operations or small scale flexibility'. Studying cultural industries, Lampel, Lant and Shamsie (2000; 2006) identify a similar series of tensions, but frame them as *opposing imperatives*: 'artistic values versus mass entertainment', 'product differentiation versus market innovation', 'demand analysis versus market construction', 'vertical integration versus flexible specialization', 'individual inspiration versus creative systems'; as tensions and opposing imperatives facing leaders and managers operating enterprises within cultural industries. In a similar line of thought, but in more general terms, Hargadon and Douglas (2001) point out, when innovation meet institutions, two social forces collide, one accounting for the stability of social systems (institutions) and the other (innovation) accounting for change.

More specifically, *organizing for innovation* has often been portrayed as a question for leaders of pursuing 'explorative strategies' (March 1991) creating a culture of innovation encouraging risk taking (O'Connor, 1995) new learning approaches (Garvin, 1998) knowledge sharing (Davenport and

⁶ In the case of Zentropa it is no simple task to provide economic figures because of a highly complex ownership structure.

Prusan, 1998) or constructing meaning to create knowledge and make decisions (Choo, 1998).

As a counterpoint to this body of theory and their concerns for innovation and flexibility, the new institutional theory is concerned with the issue of legitimacy. *Organizing for legitimacy* has often been perceived as a question of conforming to existing norms in a given field and equal to serving tradition and convention, rather pursuing 'exploitation' strategies than strategies of 'exploration' (March 1991) and innovation. Legitimacy has been given a central role in institutional theory as the force that constraints change and pressures organizations and their leaders to act alike and pursue strategies of conformity (Meyer & Rowan, 1977; DiMaggio and Powell, 1983; Scott, 2008; Greenwood et al. 2008). Concern over legitimacy forces organizations and their leaders to adopt practices and imitate organizational forms that other organizations have adopted (Tolbert and Zucker, 1983; Suchman, 1995). Concern over legitimacy and 'exploitation' (March 1991) thus forces organizations and their leaders to look alike and not be different, as they fear that they else would lack credibility (Sherer and Lee, 2002) and therefore not will be able to attract the resources necessary for their production. An effect of this search for legitimacy, thus, might be that organizations tend to follow existing practices and conventions, leaving little space for 'exploration' (March 1991), risk taking, norm breaking, new learning approaches and innovation. Thus, whereas the strength of the new institutional theory has been to explain diffusion and circulation of ideas and practices, a point of critique often raised against (and also from within) new institutional theory, has been its relative inability to explain the creation and emergence of innovations (Alvarez, et al. 2005; Strandgaard Pedersen and Dobbin, 1997; 2006; Lawrence and Suddaby, 2006; Glynn, 2008).⁷

Thus, in conceptual terms these theories are addressing what is often portrayed as a paradox or tension. That is, on one hand, innovation is based on incompatibilities, inconsistencies, structural holes, redundancies or ambiguities to either create new combinations or interpret existing ones in a new fashion (Hargadon and Douglas, 2001). On the other hand, and simultaneously, attempts to obtain legitimacy by organizing innovation on different levels of action or in different domains and dimensions, tend to be aiming at reducing uncertainties, risk and ambiguities. In more general terms, this paradox or tension has also been discussed by March (1991) as a tension between 'exploration' and 'exploitation' and by Weick and Westley (1996) as an 'oxymoron' constituted by 'learning' and 'organizing'. In line with these ideas, this paper will, however, perceive this paradox as *a balance to strike*

⁷ New institutional theory proponents tend to perceive it as a challenge for theoretical advancement that has resulted in an interest in for example 'institutional entrepreneurship' (see e.g. *Academy of Management Journal*, 2002) and 'institutional work' (Lawrence and Suddaby, 2006).

between legitimacy and innovation. Based on the ethnographic case study of Zentropa, it will be discussed how this company approaches the legitimacy-innovation balance and the aforementioned tensions and imposing imperatives.

The paper will outline and discuss how Zentropa has approached the balance between legitimacy and innovation. This means to identify and discuss elements in the Zentropa model by referring to a selection of the aforementioned tensions and opposing imperatives formulated by Lampel, Lant and Shamsie (2000; 2006) and Sanchez-Runde and Pettigrew (2003) and the suggestions provided by the innovation literature, on risk sharing (O'Connor, 1995), on new learning approaches (Garvin, 1998), on knowledge sharing (Davenport and Prusan, 1998), and on constructing meaning to create knowledge and make decisions (Choo, 1998).

The discussion will in particular focus on three issues: 1) The art-business tension, 2) Vertical integration versus flexible specialization and 3) individual inspiration versus creative systems. During the discussion of these three issues, it will be debated to what extent Zentropa has followed or diverted from this existing body of knowledge and thus, gained or compromised legitimacy through their various activities.

Discussion

Art-Business

The *art-business imperative* mentioned by Lampel, Lant and Shamsie (2000) and other studies (Caves, 2000; Hirsch, 2000), Zentropa has approached through their creation of a *dual partnership* between the director von Trier and producer Aalbæk Jensen. In this dual partnership they have made a division of labour (or 'role play'), so that that the highly artistic von Trier, known as the 'Scandinavian enfant terrible', primarily is occupied with artistic endeavours and innovations, whereas Aalbæk Jensen, has taken upon himself to take care of managerial and business related issues, performing a role of the archetypical studio-producer, smoking large Cohiba cigars and wearing expensive Armani suits. Aalbæk Jensen is nicknamed 'The Eel', partly because 'Aal' (in Aalbæk) in Danish means 'Eel', and partly with reference to his leadership style and managerial skills. This division of labour or role-play, does not solve all problems and issues in relation to the tension between artistic and commercial values. But what it does is to set expectations (internally as well as externally) about behavior and responsibilities, creating possibilities for each of the two to focus on one particular set of issues while neglecting the other domain (respectively artistic or commercial concerns). Furthermore it makes it acceptable for both parts to address different sets of stakeholders without having to address the other sets of issues. This dual

partnership structure is not exclusive to Zentropa, but has been observed in other creative and innovative companies (Alvarez et al. 2005) and can be seen as a legitimised model.

Another example concerning the artistic values versus mass entertainment issue, wherein Zentropa has proven innovative is in relation to their products and, first and foremost illustrated by the *Dogma 95 Manifesto*. The Dogma 95 Manifesto and its ten rules for film production that must be followed in order to be certified as a 'Dogma film' provides one of the best examples for not just balancing, but also combining artistic values with commercial values (cf. appendix 3).

The *philosophy* or '*credo*' underlying the Dogma 95 Manifesto and the ten rules can be expressed as '*the smaller the cost the more creativity*' ('more for less'), which is counter-intuitive to the majority of innovation thought. The ten rules in the Vow of Chastity (see appendix 3) meant, in commercial terms, that costs in producing a Dogma film were reduced substantively, while these rules, in artistic terms, broke with existing filmmaking conventions, creating a new artistic expression. On top of this, the philosophy (more for less) was intelligently branded and marketed by von Trier and associates (the so-called 'Dogma brothers') at Odeon in Paris celebrating the 100 years anniversary of filmmaking and followed by the idea of certification by the Dogma brothers and their Dogma office. In order to be a 'Dogma film', the production of the film has to follow the ten rules in the Vow of Chastity and afterwards be certified by the Dogma office in the Film Town in Avedøre. The certification document is then showed in the introduction to the film.

Vertical integration versus flexible specialization

Another imperative mentioned among others by Lampel, Lant and Shamsie (2000) and Sanchez-Runde and Pettigrew (2003) is the balance between *vertical integration versus flexible specialization*. In the case of Zentropa, this issue has been approached and handled in various ways. First of all, the two partners and leading figures (von Trier and Aalbæk Jensen) have established their *own production company* (Zentropa Productions) originally in order to provide maximum freedom for von Trier to produce the art-films he wished to make. Having one's own production company means being able to bundle and manage artistic and business inputs from within, thus providing control over the process and and product ('final cut') resulting in increased artistic freedom. It is also an inclusion mechanism because production companies as formally registered entities are recognized as legitimate players in the field and are entitled to get bank loans or subsidies, and to negotiate and sign binding contracts with other players in the field. Hence, production companies become a vehicle for both exclusivity and inclusion of the creative players.

Over the years, as the company grew larger, they created new independent firms, often with 50-50% ownership, resulting in a kind of *'federated structure'* (cf. appendix 4.). In order to provoke Aalbæk Jensen often names it a 'Cell structure' referring to former communist or terrorist cells. Furthermore, Zentropa and its leaders has physically gathered its own companies (the 'cell structure') and invited other independent filmmaking companies to set up their operation in the 'Film Town' and share the facilities (and costs). This has several effects in relation to the issue of vertical integration and flexible specialization, because Zentropa and its leaders hereby seems to get the best of both worlds. On one hand, Zentropa gets flexible specialization in the form of the many small independent firms, which have specialized in certain parts of the filmmaking production process. On top of this Zentropa, manages to share and minimize its risk (O'Connor, 1995), because all firms are separate entities and a collapse of one entity is isolated to that single firm and will do little harm to the overall structure⁸. On the other hand, Zentropa gets the advantages from vertical integration without actually integrating 100%, but benefiting from the physical proximity, shared identity and up to 50% ownership of the firms. The structure that Zentropa and its leaders have created over the years, thus, could be perceived as a concretisation of what Orton and Weick termed 'loosely coupled systems' (Orton and Weick, 1990). Another example of how Zentropa and its leadership approach the issue of risk sharing (O'Connor, 1995) is signified in its way of financing films. Zentropa operates from a model where it creates a 'patchwork' of many small co-producers. The idea behind this is on one hand to provide risk sharing (no single financial source is hit seriously if the project fails) and on the other hand to gain and maintain maximum freedom for Zentropa because no single financing partner can claim 'ownership' to the film project in question.

Individual inspiration versus creative systems

The last point that will be discussed in relation to Zentropa and its leaders is, in general terms, concerned with the tensions between *individual inspiration versus creative systems* (Lampel, Lant and Shamsie, 2000) and the tension between *centralizing or decentralizing* (Sanchez-Runde and Pettigrew (2003)). Specifically it will be related to the issue of creating a *culture of innovation, knowledge sharing* (Davenport and Prusan, 1998) and the link between *knowledge creation and decision-making* (Choo, 1998).

As previously mentioned Zentropa is built around a 'federated structure' of the organization. But contrary to Zald and Denton's study of YMCA (Zald and Denton, 1963), where they identified a *low* level of ideological

⁸ Examples of failed activities, which Zentropa has closed is for example, 'Puzzy Power' (a failed attempt to produce high quality porn movies), and Tvropa, together with a number of their films that did generate the necessary income.

commitment in relation to a federated structure, this and other studies (e.g. Stevenson, 2002; Reff Pedersen and Strandgaard Pedersen, 2008; Alvarez et al., 2005) find that Zentropa and its members are marked by a *high level of ideological commitment* signified by a unique culture and shared identity. This is, for example, signified in Zentropa members – leaders, managers as well as employees – referring to themselves as being members of a ‘cult’. Zentropa’s two founding fathers and partners, von Trier (the director) and Aalbæk Jensen (the producer) have played and still play a major role in the creation of the ideological commitment and unique culture in Zentropa – also referred to as ‘Zentropology’. Both of them are charismatic and constitute the top management in Zentropa together with a small group of senior people. Contrary to what is typical and expected in creative and cultural industries (see e.g. Eikhof and Haunschild, 2006), their *leadership style* is, characterized by a top down approach. Aalbæk Jensen has himself on several occasions characterized the leadership style as ‘*enlightened despotism*’. One aspect of this is that Zentropa has no or very few information systems and a substantial part of the knowledge in Zentropa is centralized to and around Aalbæk Jensen. Knowledge sharing takes place in a few arenas. In the monthly meetings when Aalbæk Jensen meets with a handful of senior Zentropa members (a kind of management team) by Aalbæk Jensen named ‘*The Junta*’; and in weekly meetings when all Zentropa members meet in what is known as ‘*Monday Morning Sing-along*’, beginning with a song and followed up by sharing knowledge about Zentropa’s economy, on-going film projects etc. The meetings are conducted by Aalbæk Jensen and, knowledge sharing is primarily provided by him too. As no (or at least very few) information systems appears to exist in Zentropa an obvious question has been how Aalbæk Jensen keeps himself informed about the various film projects, activities and economic situation in the huge number of firms that exists in Zentropa’s ‘federated structure’. Aalbæk Jensen exercises a kind of self-invented ‘management-by-walking-around’ practice, spending a lot of time talking to people in the organization and, lacking traditional information systems that could provide him with financial information. Instead he bases his knowledge on a ‘*hugging-and-kissing*’ practice, meaning that ‘if I sense that they have sweaty hands, I know that something is wrong and I keep an eye on them’, as he expressed it during a site visit. This kind of leadership style – ‘the benevolent despot’ – is a well-known leadership style for founders and entrepreneurs in start-ups. Yet, in relation to the cultural-creative industries and ‘the creative class’ (Florida, 2002) this leadership style may be more controversial.

Conclusion

Taking a point of departure in a series of tensions and dilemmas for organizations and leaders in search for innovation, the discussion was framed as a balance between legitimacy and innovation. Focusing the discussion on

three opposing imperatives suggested by the literature: 1) The art-business tension, 2) Vertical integration versus flexible specialization and 3) individual inspiration versus creative systems, a discussion was carried out of how the filmmaking company Zentropa and its shared leadership has approached these three opposing imperatives.

This paper has depicted how Zentropa and its leaders, confront the legitimacy-innovation tension, by combining the two opposing imperatives and base their activities on a) *a highly centralized organization*, b) *relying on tacit rather than explicit knowledge structures*, c) *visible (top-down) leadership rather than team leadership*, d) *supported by ritualised ceremonies and shared values*, e) *resulting in a highly innovative culture* embracing and imposing constraints in their path breaking activities.

Thus, this organization and its leaders operate contrary to much mainstream managerial knowledge and contemporary management consultancy advice and balance at times between being a rebel or an outlaw. In their model they embrace 'out-of-fashion' and contra-intuitive actions in their search for solutions and combine them with more conventional managerial and organizational practices.

In artistic as well as commercial terms Zentropa has been (and still is) a highly successful company. Nevertheless an obvious question to ask is if and how Zentropa and its founders can keep up the work necessary for handling the legitimacy-innovation balance? In many respects Zentropa is a unique company, as outlined above, however, it also resembles some of the classic challenges of start-ups. For example it became clear from the discussion that Zentropa is highly dependent on the two founding fathers and thus, they face a challenge in relation to succession of the company. As previously mentioned, Aalbæk Jensen is responsible for the business side of his Zentropa partnership with von Trier, whereas von Trier constitutes the artistic-creative force in their partnership. In spite of this von Trier's ideas and philosophies, generated in an artistic context, often appears to underlie many of the managerial and organizational initiatives taken in Zentropa. In an interview, von Trier emphasises the philosophy behind the *Dogma 95* Manifesto and its rules: "...[B]y limiting freedom in this way [by enforcing these rules], we can acquire greater freedom within the set limits." (Hjort and Bondebjerg, 2000:229). This philosophy seemingly is not restricted to the artistic endeavours in Zentropa, but underlies a lot of the organizational and managerial practices carried out in Zentropa creating a unique culture of innovation. This philosophy and its counter-intuitive message is a likely frame of reference for how they will perceive and approach the abovementioned challenges in the future.

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APPENDIX 1: Economic Figures for Zentropa (2002-2008):

	01/07-2002	01/07-2003	01/07-2004	01/07-2005	01/07-2006	01/07-2007
	30/06-2003	30/06-2004	30/06-2005	30/06-2006	30/06-2007	30/06-2008
	'000 DKK					
Zentropa Staten ApS						
<u>Consolidated Financial Statements</u>						
Revenue	41.582.317	52.808.816	51.572.387	45.111.732	50.938.336	63.111.111
<i>Change in percent</i>		27%	-2%	-13%	13%	23%
Costs						
Other external costs	-10.949.793	-9.437.062	-11.954.722	-12.862.639	-13.327.477	-14.111.111
Personel costs	-10.555.178	-13.345.908	-15.578.349	-18.181.956	-18.051.853	-18.111.111
Total costs	-21.504.971	-22.782.970	-27.533.071	-31.044.595	-31.379.330	-32.222.222
<i>Change in percent</i>		-6%	-21%	-13%	-1%	-3%
Revenue - Costs	20.077.346	30.025.846	24.039.316	14.067.137	19.559.006	30.888.889
<i>Change in percent</i>		50%	-20%	-41%	39%	50%
Net profit	6.843.309	15.146.937	13.909.939	7.084.574	25.369.341	15.111.111
<i>Change in percent</i>		121%	-8%	-49%	258%	100%
Zentropa Kommunen ApS						
<u>Consolidated Financial Statements</u>						
Revenue	41.582.317	52.808.816	51.572.387	44.889.919	50.582.842	63.111.111
<i>Change in percent</i>		27%	-2%	-13%	13%	23%
Costs						
Other external costs	-10.949.793	-9.437.062	-11.949.722	-12.773.929	-12.751.011	-13.111.111
Personel costs	-10.555.178	-13.345.908	-15.578.349	-18.180.072	-18.051.853	-18.111.111
Total costs	-21.504.971	-22.782.970	-27.528.071	-30.954.001	-30.802.864	-31.222.222
<i>Change in percent</i>		-6%	-21%	-12%	0%	-3%
Revenue - Costs	20.077.346	30.025.846	24.044.316	13.935.918	19.779.978	31.888.889
<i>Change in percent</i>		50%	-20%	-42%	42%	50%
Net profit	8.840.299	18.432.128	16.873.160	5.348.438	7.938.023	15.111.111
<i>Change in percent</i>		109%	-8%	-68%	48%	100%

⁹ Please note that Zentropa sold 50 % of the shares in one of their companies to the Egmont Foundation in February 2008. It is not known how this exactly affected the accounts and thus the 2007/2008 figures should be disregarded here.

¹⁰ N/A: Not available

APPENDIX 2: OVERVIEW OF DATA SOURCES.

Interviews: 23 in depth interviews (14 with Zentropa informants and with 9 informants from the film industry).

Company visits: Several company visits over the ten-year timeframe (2000-2009).

Archival Material:

Books:

'The Director's View', a book of interviews with four generations of Danish directors (including von Trier), by Mette Hjort and Ib Bondebjerg (2000)

'Lars von Trier - World Directors', a book on von Trier and Zentropa, by Stevenson (2002)

'Moviemakers' Master Class - Private lessons from the world's foremost directors', a book of interviews with 20 internationally recognized film directors (including Zentropa director von Trier), by Tirard (2002)

'Dogme Uncut - Lars von Trier, Thomas Vinterberg and the Gang That Took on Hollywood', on the Dogma Manifesto, the individuals and institutions involved and the movies, by Stevenson (2003)

'Diary from Dogville', diary from the making of Dogville by Kirsten Jacobsen (2003)

'Purity and Provocation - Dogma 95', reader on the Dogma 95 by Hjort and MacKenzie (eds.) (2003)

'Filmbyen' [The Film Town] a book on the Film Town in Avedoere by Vilhelm (2007).

Biographies:

'The Films by Lars von Trier - Coercion and Liberation', a book on the life of Lars von Trier and his films by Peter Schepelehn (2000).

'Without Cigar - The Father, the Son and Film Monger Peter Aalbæk Jensen', biography on Zentropa producer Peter Aalbæk Jensen by Kirsten Jacobsen (2001)

Video material:

'De ydmygede' ['The Humiliated'] by Jargil (1998) a documentary on Lars von Trier and the making of the Dogma film 'The Idiots'.

'The Purified' by Jargil (2002) on the Dogma Manifesto

DVD extra material:

'Von Trier's 100 eyes' (documentary on the making of 'Dancer in the Dark')

'Dogville Confessions' (documentary on the making of 'Dogville')

'Mandalay' (behind the scenes documentary on the making of 'Dogville')

'The Boss of Everything' (behind the scenes documentary on the making of 'The Boss of Everything' and on von Trier's filming technique 'Automation')

Interviews with Zentropa filmmakers (producers, directors and actors) and festival press conferences on DVD extra material

News clippings: Newspaper articles obtained from INFOMEDIA database

APPENDIX 3: EVENTS IN THE HISTORY OF ZENTROPA

1992

Producer Peter Aalbaek Jensen and Director Lars von Trier found Zentropa Entertainments A/S. Zentropa is also the American title of Lars von Trier's prizewinning film *Europa*, which won the Grand Prix at the Cannes Film Festival in 1991.

1995

The Dogma 95 Manifesto and 'The Vow of Chastity' (with the 10 Dogma Rules), are presented by Lars Von Trier at the Odeon Theatre in Paris.

1996

Breaking the Waves by Lars von Trier (first film in The Gold Hearted Trilogy) receives the 'Grand Prix' for most originality at the Cannes Film Festival.

Portland by Niels Arden Oplev is selected for the official competition at the International Film Festival in Berlin.

1997

Breaking the Waves by Lars von Trier wins the Danish film critics' award 'Bodil' for Best film and the Danish Film Academy's award 'Robert' for 'Best Film'.

1998

Dogma #2: The Idiots by Lars von Trier (second film in The Gold Hearted Trilogy) is selected for the official competition at the Cannes Film Festival.

Puzzy Power (production of pornographic movies) is established (and later closed in 2001).

1999

Zentropa moves from the center of Copenhagen to the new Film Town in suburban Avedoere.

2000

Dancer in the Dark (third film in von Trier's The Gold Hearted Trilogy) receives the Golden Palms and a prize for 'Best Actress' at the Cannes Film Festival.

'Tossegod' Aps and new company structure is launched.

Distribution contract is signed with Nordisk Film.

Production contract is signed with Fine Line (Time-Warner group).

TVropa.com (Internet TV) is established.

Production contract is signed with Sigma Films and Antoine Films in Scotland.

Dogma 95 administrative office is established (51 films are certified).

2001

Italian for Beginners by Lone Scherfig receives a Silver Bear a.k.a. 'Jury Prize', and three independent prizes (The Berliner Morgenpost Audience Award; the FIPRESCI Prize and the Prize of the Ecumenical Jury) at the International Film Festival in Berlin.

Three Zentropa producers (Aalbaek Jensen, Tardini and Windeloew) receive an 'Honorary Bodil' – a special Danish film award.

The Bench by Per Fly receives a 'Robert' for 'Best Film'.

ZentAmerica Entertainment (Hollywood based) is established.

Trust Films Sales marketing contract with Independent Digital Entertainment (IDE).

Zentropa, Nimbus Film, M&M Productions and Grasten Film establish a TV sales company called 'OS'.

2002

Minor Mishaps by Annette K. Olesen receives a Blue Angel for 'Best European Film' in the competition at the International Film Festival in Berlin.

Zentropa celebrates its 10-years anniversary.

Zentropa produces radio theatre for DR (Danish Broadcasting).

'Dogumentary' manifesto is presented.

2003

Open Hearts by Susanne Bier receives both a Robert and a Bodil for 'Best Film'.

Dogville by Lars Von Trier is selected for the official competition at the Cannes Film Festival.

The children's film *Wallab be* by Pia Bovin wins for 'Best Children's Film' at the International Film Festival in Berlin.

2004

Dogville by Lars von Trier wins the Danish Film Critic's prize (Bodil) for 'Best Film'.

Inheritance by Per Fly wins a Robert for 'Best Film'.

In Your Hands by Annette K. Olesen is selected for the official competition at the International Film Festival in Berlin.

2005

Brothers by Susanne Bier receives the Audience Award at Sundance International Film Festival. *Manderlay* by Lars von Trier is selected for the official competition at the Cannes Film Festival.

Manslaughter by Per Fly receives The Nordic Council Film Prize

Zentropa receives the prestigious Douglas Sirk Award at the Film Festival in Hamburg

2006

We Shall Overcome by Niels Arden Oplev receives a Crystal Bear (Best Children's Film) at the International Film Festival in Berlin.

The Boss of Everything by von Trier is selected as opening film at the Copenhagen International Film Festival.

2007

After the Wedding by Susanne Bier is nominated and selected for competition in 'Best foreign film' at the Oscar awards in Hollywood.

'Filmfabrikken' ['The Film Factory'] a joint venture between Zentropa and Grasten films, aiming at giving new talent an opportunity to make films, is established.

2008

Zentropa sells 50% of their shares to Nordisk Film.

2009

Antichrist by Lars Von Trier is selected for the official competition at the Cannes film festival and receives an award for 'Best Actress'.

December 2009, Zentropa announces a change in ay-to-day management (Aalbaek Jensen is replaced by a younger management team of three individuals) and lay-offs are announced at Zentropa.

2010

A Better World by Susanne Bier wins Golden Globe for Best Foreign film.

A Family by Pernille Fischers Christensen wins Firpresci Award at Berlin film festival.

2011

A Better World wins Oscar for Best Foreign Film at the Oscars' Awards in Hollywood

Melancholia by Lars Von Trier is selected for competition in Cannes and Kirsten Dunst wins for Best Actress.

Lars von Trier is banned from Cannes after his press conference and accused of anti-semitic comments

Appendix 4: The Dogma 95 Manifesto and The Vow of Chastity

DOGME 95

... is a collective of film directors founded in Copenhagen in spring 1995.

DOGME 95 has the expressed goal of countering 'certain tendencies' in the cinema today.

DOGME 95 is a rescue action!

In 1960 enough was enough! The movie was dead and called for resurrection. The goal was correct but the means were not! The new wave proved to be a ripple that washed ashore and turned to muck.

Slogans of individualism and freedom created works for a while, but no changes. The wave was up for grabs, like the directors themselves. The wave was never stronger than the men behind it. The anti-bourgeois cinema became bourgeois, because the foundations upon which its theories were based was the bourgeois perception of art. The auteur concept was bourgeois romanticism from the very start and thereby ... false!

To DOGME 95 cinema is not individual!

Today a technological storm is raging, the result of which will be the ultimate democratisation of the cinema. For the first time, anyone can make movies. But the more accessible the medium becomes, the more important the avant-garde. It is no accident that the phrase 'avant-garde' has military connotations. Discipline is the answer ... we must put our films into uniform, because the individual film will be decadent by definition!

DOGME 95 counters the individual film by the principle of presenting an indisputable set of rules known as THE VOW OF CHASTITY.

VOW OF CHASTITY

I swear to submit to the following set of rules drawn up and confirmed by DOGME 95:

Shooting must be done on location. Props and sets must not be brought in. (If a particular prop is necessary for the story, a location must be chosen where this prop is to be found).

The sound must never be produced apart from the images or vice versa. (Music must not be used unless it occurs where the scene is being shot.)

The camera must be hand-held. Any movement or immobility attainable in the hand is permitted. (The film must not take place where the camera is standing: shooting must take place where the film takes place.)

The film must be in colour. Special lighting is not acceptable. (If there is too little light for exposure the scene must be cut or a single lamp be attached to the camera.)

Optical work and filters are forbidden.

The film must not contain superficial action. (Murders, weapons etc. must not occur.)

Temporal and geographical alienation is forbidden. (That is to say that the film takes place here and now.)

Genre movies are not acceptable

The film format must be Academy 35 mm.

The director must not be credited.

Furthermore I swear as a director to refrain from personal taste! I am no longer an artist. I swear to refrain from creating a “work”, as I regard the instant more important than the whole. My supreme goal is to force the truth out of my characters and settings. I swear to do so by all the means available and at the cost of any good taste and any aesthetic considerations.

Thus I make my VOW OF CHASTITY.’

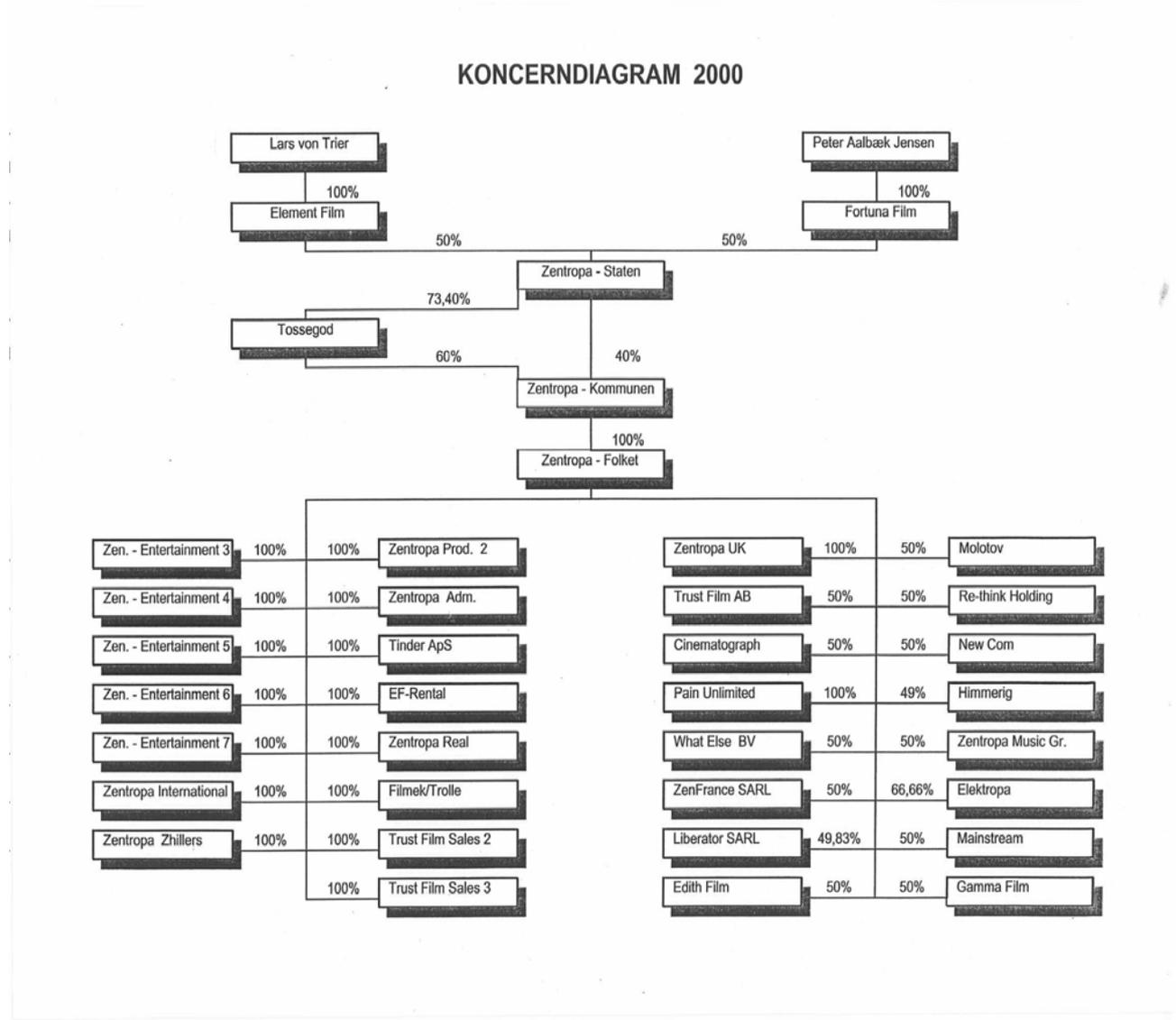
Copenhagen, Monday 13 March 1995

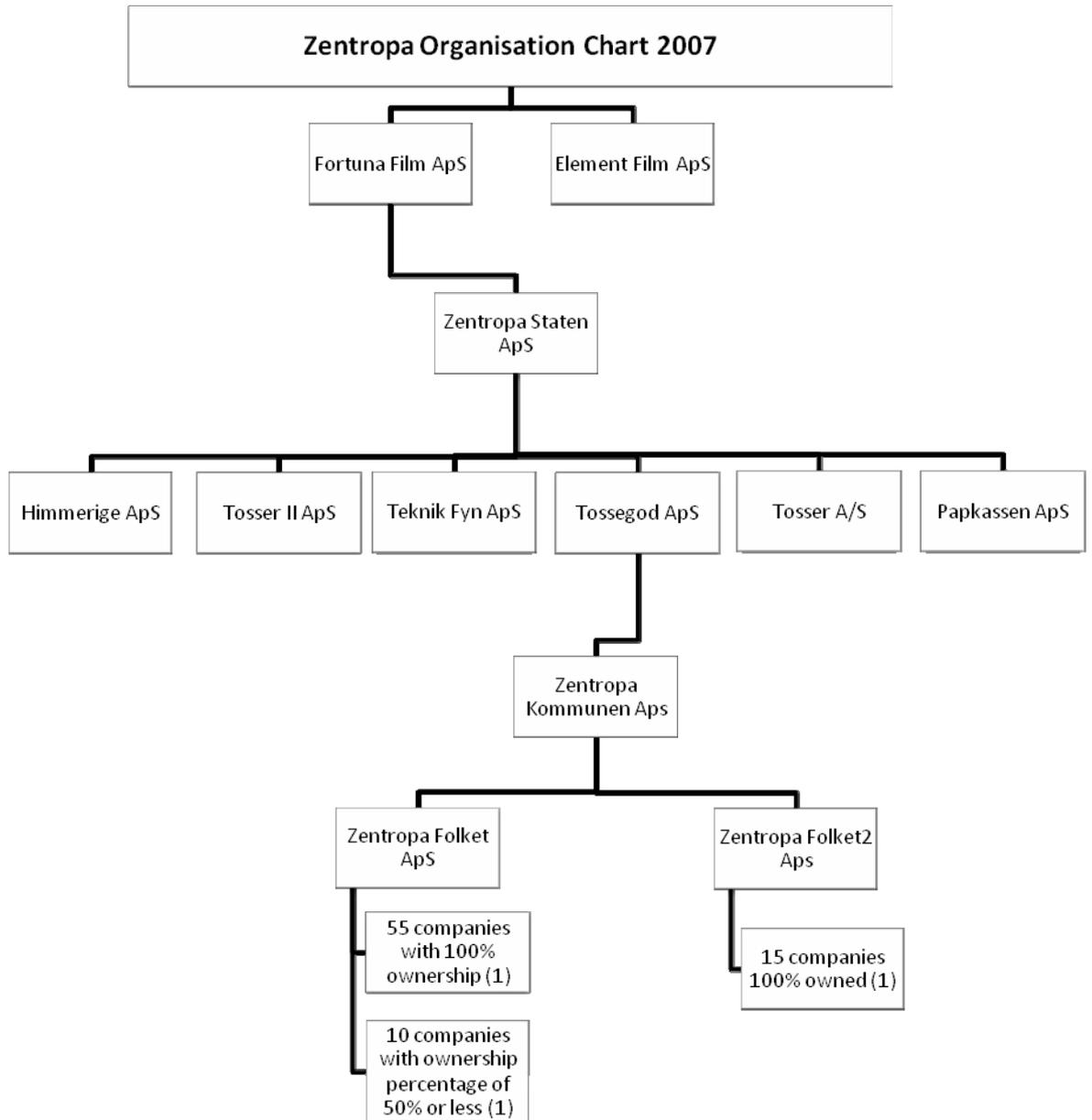
On behalf of DOGME 95

Lars von Trier

Thomas Vinterberg

Appendix 5. Organizational Structure of Zentropa





(1) These include production companies (Zentropa establishes a company for each new feature film), distributions companies, sales companies, editing companies, foreign subsidiaries etc.