

**Role Play**

**The Prince:**

Confidential Instructions for Oskar Cheng

06/2024-6921

This role play was written by Radhika Goel, Nico Dehnert, Varun Goel, Arra Khararjian, and Giovanni Nati, INSEAD MBA Alumni, under the supervision of Martin Schweinsberg, Associate Professor of Organisational Behaviour at ESMT Berlin, Horacio Falcão, Professor of Management Practice of Decision Sciences at INSEAD, and Eric Uhlmann, Professor of Organisational Behaviour at INSEAD. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

The authors gratefully acknowledge funding from the Hoffmann Institute.

To access INSEAD teaching materials, go to <https://publishing.insead.edu/>.

Copyright © 2024 INSEAD

Copies may not be made without permission. No part of this publication may be copied, stored, transmitted, translated, reproduced or distributed in any form or medium whatsoever without the permission of the copyright owner.

General Information

After the massive success of the critically acclaimed live-action film adaptation of the book “The King,” Now Coming Good Studio (NCG) is enjoying hugely positive press and popularity with audiences. NCG has been widely praised for the creative and technical work they did to bring the fantasy classic to life. The film won all 9 academy awards that it was nominated for, including Best Picture, Best Director, and Best Adapted Screenplay, and grossed $1 billion worldwide in revenues despite a budget of only $60 million. Although the studio who makes the film receives about half the total grosses (in other words $500 million, with the theatres that show the movie receiving the other half), for an investment of just $60 million that is still an extraordinary business success.

Most industry observers agree this achievement would not have been possible without Ghang Chang’s work as a director (Ghang became an overnight celebrity in his own right) as well as his creative team. Both critics and hardcore fans of the book series were amazed by Ghang’s visionary adaption of the book to the movie screens, helping NCG build a reputation for a studio to watch out for. Industry experts predict NCG will rival its much more established competitors over the next few years.

There are now widespread calls among fans for NCG to adapt the epic 900 page prequel book, “The Prince,” into a live-action movie. Analysts believe that although the prequel budget would be higher, most likely $100 million to make a 2-hour film, given the intense fan interest across the world expected revenues could be comparable to those for The King.

However, NCG was unable to purchase the intellectual property (IP) rights to The Prince prior to making The King. For many years, two rival studios, Intellectual Tiger Studio (ITS) and Roaring Lion Studio (RLS), have fought over who owns the full IP rights for the movie version of The Prince. The current legal situation is that ITS owns the creative rights to produce the movie but RLS has the distribution rights for any film version of The Prince. Crucially, nobody can produce a movie without **both** these rights.

NCG wants to resolve the IP issue and make the live action version of The Prince. Naomi Jing, the CEO of NCG has called a meeting with the heads of the other two studios to find a mutually agreeable solution.

Confidential Instructions for Oskar Cheng, CEO of Intellectual Tiger Studio (ITS)

You are Oskar Cheng, the newly appointed CEO of Intellectual Tiger Studios (ITS) of Beijing, China. Your studio has been a minor player in the movie industry since the 1950s, and it is now your job to ensure its further survival by turning ITS around from its recent financial disasters at the box office. Fortunately, you are the best person to do this. You have spent the better part of the last decade learning the ins and outs of the movie industry and have become renowned for your strong negotiation skills and drive to get the best deal possible for your company. Your main challenge at the moment is the desperate financial straits ITS is in after a string of box office failures: you need to generate as much cash as you can as soon as possible for ITS.

You are well aware of your studio’s history with the novel The Prince and its previous film adaptation. The two-book series of The Prince and The King was first published in the 1950s by Michael Andersson. Shortly after Andersson’s death in 1962, the rights to the production of The Prince were divided into creative and distribution rights and the distribution rights fell into the hands of Andersson’s wife and the creative rights were left to the children. In an attempt to make the most money out of the rights as possible, these were subsequently sold separately. His children sold the creative rights to ITS and his wife sold the distribution rights to Roaring Lion Studio (RLS). At the time of the purchase both parties believed to have purchased the entire rights for the movies, both only later they found out they purchased separate rights instead of the entire package as the family built a complex structure around the rights. Since then, the companies have been fighting each other in court to obtain the other rights as they believe their purchase was for both rights. Since you negotiated directly with the children, whom are rightful heirs under Anderssen’s will, ITS assumed you purchased both full creative and distribution rights. However, you later found out that due to the complex structure of the way the agreement was written, you only technically have control of creative rights, even though you believe you have a legitimate claim to distribution rights as well since you have an agreement with the children, whom on paper are the legitimate owners of Anderssen’s work. Your company believes therefore that the rival RLS claim on the intellectual property is invalid.

In the late 1970s, the two studios temporarily put aside their differences and produced and distributed a cartoon movie under the title “The Prince – An Animated Adventure.” Although the animated film floundered in the box office, it still touched a special place in viewers’ hearts. The movie has been shown on TV regularly since it was released and many consider it an unfairly neglected classic. Personally, you consider it one of ITS’s very best films, indeed the only one that is internationally known. After the release of the animated version of The Prince in 1977, RLS and ITS resumed their protracted legal battle over film rights and distribution of profits that has remained unresolved to this day.

Over the past few decades, ITS has been fighting in courts with RLS to obtain the full uncontested distribution rights as well, but the dispute remains unresolved and the rights divided between your two companies. Your studio has more or less cut off communication and working arrangements with RLS due to the history of court battles and rivalry.

It is something of a David-and-Goliath conflict. Roaring Lion Studies (RLS) is a major movie studio founded in the 1930s in Shanghai. The company was among the earliest studios in the Asian film industry and have been well known for a wide range of movies over the years. In the early years the company produced the classics “Kung Fu Kid” and “Kaito and the Mochi Factory,” which many children and young adults around the world grew up with. In the eighties and nineties the studio was famous for academy awards winners “The Legend of the Golden Kahn,” “The Last Empress,” and “The Hidden Palace.” However, for the last eight years under CEO Jin Zang RLS has witnessed great financial success but also a severe creative decline. Particularly notable is the block buster series “Mega-Robots” of which 4 carbon-copy sequels were produced. Although the films made billions of dollars at the box office and billions more in merchandising, they were panned by critics for their poor scripts and crass commercialism. The reputation of RLS took a beating and in artistic circles the studio has become the butt of jokes.

Given your smaller size and financial resources relative to RLS, no one at ITS had the will to push your legitimate legal claim forward, acquire the full rights, and remake The Prince. And so, ITS focused on other projects over the years. However, although sometimes critically well received, the studio’s recent movies have been unsuccessful at the box office and ITS has been struggling financially. In fact, ITS is on the verge of financial ruin and it needs to make something happen quickly, or else it will have to file for bankruptcy protection.

From afar, you watched the success of the movie adaptation of The King, the novel that is in fact a sequel to The Prince, brought to the public by Now Coming Good Studio (NCG) and its CEO Naomi Jing, director Gang Chang, and screenwriter Chee Hong. As the head of a smaller studio, NCGs rapid rise as the underdog in a legacy industry has greatly impressed you. The King generated $1 billion in worldwide revenues on a very small budget of only $60 million. You know that NCG is looking to build on its momentum and produce its next movie. Naturally, they will want to create a live-action film version of The Prince, the prequel to the King. This could be your chance to save ITS from bankruptcy and further solidify your status as the company’s new CEO.

However, legally, creating a new movie version of The Prince will require both your company (ITS) and RLS to agree to a deal. NCG is not legally necessary to make a film adaptation of The Prince. However you must respect that the red-hot upstart studio does brings the hype about their director’s “Ghang Chang style” of film and massive fan interest surrounding The King and its creative team to the table. You know that The King’s director Gang Chang and screenwriter Chee Hong are close friends with NCG Naomi Jing and will not make the film with another studio. Besides, NCG owns the rights to all the designs for The King, which audiences will want to see again in The Prince. You firmly believe The Prince would make 100% more (in other words double) the money at the box office if NCG and their creative team had full creative control to ensure quality film making, instead of another hack job like Mega-Robots from Roaring Lion Studios.

To agree to a live-action adaptation of The Prince going forward, you would want ITS to have as high a percentage as possible of the profits. If the film version of The Prince generates similar revenues to The King, a 50% profit share will more than put your studio on its path to financial success again. However, due to the expected revenue mark, having at least 10% of the profits would stop the immediate cash bleed and at least enable ITS to avoid filing for bankruptcy. Due to ITS’s financial situation, you ideally want to contribute nothing to the film’s budget, but you would be willing to finance half (50%) of the film if you receive a majority (60%) percentage of the profits. This would be more than fair, since you would be providing not only half the financing but are also the rightful owner of the rights to The Prince. Due to your cash situation, you cannot finance more than $50 million of the likely $100 million budget of the live action version of The Prince.

Although you own the creative rights, you would be willing to let NCG assume full creative control of the film if that means limiting ITS’s financial exposure and increasing your share of the profits. At the same time, there is some push from the producers and screenwriters within your company to obtain some margin of creative control over The Prince. They believe the studio’s low profile will increase considerably if they can put their name alongside NCG as co-creators of the movie. Thus, it would provide some value to ITS to retain a significant role in the creative process, especially since it would improve the morale of the creative teams at the studio who have had to endure repeated audience rejections of their work.

**In sum, there are three main issues you intend to negotiate a deal on:** **% profit sharing, % financing of the film, and % creative control.** Your primary goal is to bring ITS out of financial distress by taking as much profit out of the film as possible with the least amount of involvement in financing and an upper limit of $50 million (50%) in financing. Further, you really want to reach a deal as the risk of not getting involved in the potential profits of the film could spell bankruptcy for ITS. The last thing you need right now is any more costly litigation with RLS in the courts delaying this crucial payday for ITS. However, you know that RLS’s claim to the IP is invalid and you feel like they are only coming to the table because they want to piggyback off the success of The King. The movie cannot proceed without your approval and you head into the negotiation with that mindset.

Please prepare your negotiation with NCG and RLS.