

Beyond Networks and Hierarchies: Latent Organizations in the U.K. Television Industry

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Abstract

Since the mid 1980s, organization theorists have highlighted the emergence of the networked model of organization as a response to global competition and pressures for increased market flexibility. Cultural industries have not been immune from this development. In this paper, we examine the shift from hierarchy to network in the U.K. television industry. We argue that an important result of this disaggregation is the emergence of *latent organization*, groupings of individuals and teams of individuals that persist through time and are periodically drawn together for recurrent projects by network brokers who either buy in programmes for publisher-broadcasters or who draw together those artists and technicians who actually produce them. In conclusion, we note how latent organizations may become increasingly important for *effective* cultural industry production, and in particular how they may provide stable points of reference and recurring work projects for those many individuals now working outside of large, vertically integrated producer-broadcasters.

(Latent Organization; Hierarchy; Networks; Television Industry; Brokers; Knowledge; Trust)

Managers in a wide range of industries are facing the challenges of an increasingly uncertain marketplace. One consequence of this new context of growing uncertainty is a reconsideration of existing forms of organizations and, in particular, a shift away from hierarchy and vertical integration toward more flexible network forms of organization. This entails an increased dependence on outsourcing and external market mechanisms, such as subcontracting and licensing. As Morgan (1989) notes, such network organizations operate in subcontracting mode. A small group of central staff set strategic direction and sustain the network over time. Other individuals and organizations are then bought in on a task-by-task basis.

Networks represent an alternative to hierarchies and

markets. Hierarchies impose high staffing costs, directly through the need to retain personnel, and indirectly through the needs for administration and supervision. Markets are more efficient in reducing costs but are more risky when it comes to ensuring quality. Networks represent an alternative to both hierarchies and markets with some of the advantages of each, but without some of their disadvantages. Networks reduce costs by externalizing in-house activities, and they guarantee minimum quality by holding out the promise of repeat contracting upon satisfactory performance. However, for networks to be viable over the longer term it is necessary that the volume of transactions is sufficient to sustain relationships more or less continuously, an assumption that is problematic in industries organized around intermittent contracting.

In this paper we argue that in industries where transactions focus upon intermittent projects, networks can best sustain their effectiveness if they are sustained between projects by what we call *latent organizations*. Latent organizations are forms of organization that bind together configurations of key actors in ongoing relationships that become active/manifest as and when new projects demand. Because latent organizations offer the means of reuniting key actors for specific projects, they constitute an important source of continuity and of guaranteed quality of output in industries ostensibly characterized by impermanence and change.

We begin the paper with an elaboration of latent organizations as a viable and necessary organizational form. We then examine latent organizations in the U.K. television industry. Our research is based upon field and archival research, which is described in the Appendix. This is followed by a consideration of the factors that explain the survival and durability of latent organizations. In conclusion, we argue that effective cultural industry production benefits from the long-term relationships that underpin the success of latent organizations in coping with a highly uncertain and risky environment.

Defining the Latent Organization

Miles and Snow (1986) identified the emergence of network structures in a number of contexts, including cultural industries. A dynamic network comprises a central core which, through the efforts of individual “brokers,” draws upon the services of different specialist agents as and when productive demands dictate. Miles and Snow further argue that such networks are the most effective organizational arrangement to cope with an increasingly turbulent competitive environment. In this paper, we identify a form of network—the “latent organization”—which, we argue, is of particular relevance to the changing structures and processes that constitute cultural industries.

In contrast to other forms of network, the latent organization persists through time as a form of organization that is periodically made manifest in particular projects. Latent organizations remain dormant until market demand presents an opportunity for them to reanimate themselves as active production systems. Latent organization provides an alternative to hierarchy, market, and other network forms of organization in contexts where relationships are ongoing but projects are episodic and spread unpredictably over time. Latent organizations offer a unique way of managing the key strategic challenges of controlling costs and ensuring quality in this context, as they guarantee that key players who know and trust each other can be brought together for critical projects on a recurring basis.

It is our contention, therefore, that a useful way of thinking about emerging forms of organization in a culture industry such as television is as forms of “latent organization”—“latent” in the sense of “existing but not developed or manifest” (*Oxford English Dictionary*). In photography a “latent image” is not yet made visible as it awaits developing. In the same manner, in cultural industries such as television, particular groupings of individuals and teams of individuals exist as latent configurations of individuals and groups of individuals in the minds of brokers who pull the constituent agents together on a recurring project basis.

Latent organizations, therefore, come to exist when a central broker reconstitutes the same creatively unique set of agent partners on a recurring basis. Latent organizations may therefore be conceptualized as snapshots of particular agent–broker relationships that persist *through* time. The brokers act as catalysts reactivating the latent coalition into existence, and within such organizational configurations, quality is maintained via a *specific* broker working with a *specific* set of agents in order to achieve not just cost and flexibility optimization *but in addition*

some competitive output differentiation. The latter is derived by leveraging value from a shared knowledge of recurring working arrangements between talented individuals who have established a track record of working together.

In terms of relationships, latent organizations are clearly distinguished from other forms of dynamic networks due to the enduring nature of the connections that exist between their broker and agents over time. External parties purchasing the services of such a productive structure hence gain the certainty of drawing upon the services of known individuals who have already climbed a combined learning curve. In other words, latent organizations make it possible to maintain a constant configuration of the same members that can be used intermittently over time. Latent organizations can therefore draw from a shared and evolving knowledge base rooted at the level of the organization and not just its component individuals, thus offering the possibility of leveraging learning and talent synergies.

Crucially, what latent organizations offer is the possibility of creating ongoing relationships, if only to reduce the costs and uncertainties of constant network coupling and decoupling. They offer the opportunity to generate competitive advantage from a specific resource mix in an increasingly networked, competitive, and uncertain production environment. They do this because they constitute a permanent structure that offers ongoing benefits—primarily, an assured level of quality at predictable cost—from what are perceived by their customers as optimal production configurations. They are able to do this because they build upon an accumulation of knowledge and trust that develops as a result of ongoing if episodic relationships. This knowledge and trust are specific to the members of this form of organization. Table 1 distinguishes the latent organization from other forms of network.

Latent Organizations in the U.K. Television Division Industry

In U.K. television, historically, the traditional organizational context for this form of production project has been within large, vertically integrated organizations with their own technical, creative, and facilities experts (Tunstall 1993, Curran 1979). Up until the early 1980s, the U.K. television environment was dominated by a few large, bureaucratic organizations which produced programmes in-house for their own captive, terrestrial broadcast channels. The majority of the production flexibility within the above organizations was achieved with internal reconfigurations of personnel in fixed departments, although some

Table 1 Distinguishing Latent Organizations from Other Network Forms

Characteristic	Network	Latent Organization
Relationships	Constantly redefined by dictates of market transactions	Enduring
Resource Base	Fluctuating web of agents facilitated by broker on a project-by-project basis	Constant configuration and reconfiguration of same members
Knowledge Base	Individual and transitory for duration of the project	Shared between specific members and developed over time
Differential Offering	Cost effectiveness delivered through functional and numeric flexibility	Trustworthy track record of working together as guarantee of quality

external parties, mainly in the form of creative staff such as actors and writers, were introduced on an ad hoc basis. More recently, there has been a shift towards programmes that are made by independent producers working outside of the confines of the traditionally dominant organizations.

Since the 1980s, the United Kingdom has witnessed marked changes in the structure of its television industry. The U.K. television industry of the late 1990s contains a complex and diverse array of both independent production companies and an expanded number of suppliers who amalgamate programmes into channels and distribute them to the viewing public. Millions of viewers have access to cable and satellite channels, whilst the traditional BBC and ITV have also been joined by two new publisher-broadcasters, Channel 4 and Channel 5. These two new entrants have become extremely successful at championing independent programme makers as a major new source of innovation, flexibility, efficiency, and competition. In recent years, the BBC and ITV franchise holder companies have also increasingly moved away from a total reliance on in-house production.

In no small part this has been due to the 1990 Broadcasting Act, which imposed quotas upon the BBC and ITV companies to source at least 25% of their programming from independent producers by 1993. Local political agendas (Home Office 1988) and increasingly global forces impacting upon the industry have led to the emergence of the “publisher-broadcaster” model, wherein those who provide programmes to viewers increasingly buy in such product from external suppliers. Twenty years ago, integration of a wide range of staff and production facilities under a single monolithic corporate umbrella was the norm. In the late 1990s, such organizations were increasingly becoming publisher-broadcasters at the centre of organizational networks. This new model has

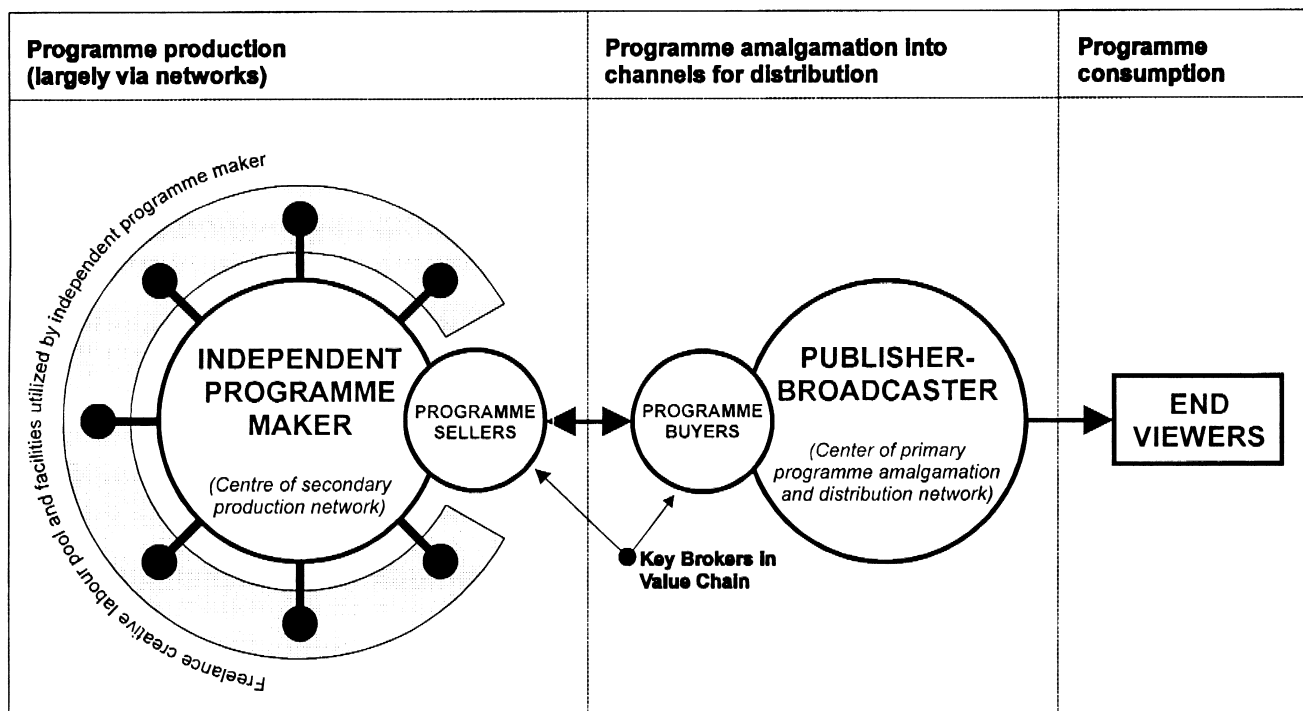
become so pervasive that new entrants to the broadcast television supply marketplace in the U.K. boast no internal production capacity at all.

As a result of the above changes, we are witnessing a significant shift in the architecture of the TV industry in the U.K. BBC and ITV franchise holders, along with the other new entrants, may now all be pictured as the brokers of “primary” programme *amalgamation and supply* networks, with some or all of their production outsourced to independent programme makers who play an increasingly important role in the new architecture. The number of listed independent producers in the U.K. has grown from a handful of firms in the late 1970s to around 1000 companies commercially active in the production of all genres of first-run television programming (PACT 1996).

The primary network of amalgamation and supply is supported by a secondary programme production network. This consists of independent producers who typically pull in their resources on a project basis, with performing artists, technical services, writers, directors, and other freelancers coupled to the productive centre as and when required. In turn, these independent programme makers buy in freelance labour resources and production facilities from the marketplace within “secondary” networks at the *production* level. The emergent, multinet-work value chain of programme production, amalgamation and distribution in the television industry can be represented as in Figure 1.

For many years, the leveraging of established teams in the creation of new programme materials has been common within vertically integrated producer broadcaster organizations. For example, the BBC had few reservations commissioning the successive and successful situation comedies *You Rang M'Lord* and *Oh, Doctor Beeching!* from Jimmy Perry and David Croft, as they were not only

Figure 1 Multilevel Networks across the Television Value Chain



delivered from the same writer/producer team, but in addition featured the same cast, and were even set in an identical 1950s setting, as was their previous success *Hi Di Hi!*. However, with the shift towards more external sourcing of programmes from the external marketplace, many feared that the ability of large organizations to constantly draw and redraw from the same successful and specific production teams would be lost. It is therefore within the above context that our concept of latent organization, as detailed in Table 1, becomes both identifiable and of critical value.

For example, the commission of any new situation comedy is a risky business. However, a publisher-broadcaster will perceive a far lesser risk in commissioning a new situation comedy if it comes from the pen of the same writer, features the same cast, and is under the same direction as a previous smash hit. Whilst success can never be guaranteed in such a programming genre, the existence of a latent organization that has successfully worked in this genre will allow the leveraging of an existing knowledge base and network of interpersonal relationships.

In particular, the learning curve climbed by all members of the production team of the new show will be less steep. Writers, artists, directors, and other production staff, like most individuals, prefer to work in the same

productive and social groupings over time, particularly when these prove successful. Similarly, those looking to source new programmes—especially from the external programme marketplace—feel more comfortable when commissioning them from known organizations, characterized by knowledge and trust, rather than new webs of unknown individuals. A sense of partnership is crucial. As explained by one programme seller:

Some people don't appreciate that when they get a commission for television it is a partnership. They are not simply going to be funding your idea—we want to make a programme with you, not we want to pay you to make a programme—and that therefore they have got to coordinate, they have got to cultivate, to actually have a dialogue, and know where they are strong, and then to listen. It is really those [independent programme makers] that can do that get commissions again.

Individuals and companies develop a reputation for their ability to satisfy these criteria. For example, Hat Trick Productions has become an established source of comedy chat and quiz television programmes, some of which—such as *Clive Anderson Talks Back*, *Clive Anderson All Talk*, and *Whose Line is it Anyway?*—bring together the same production staff, writers, and regular guests/panellists, and, of course, the same host (Clive Anderson). Thus, companies build up a reputation in particular market segments. Another example, Bazal Productions, has an ongoing relationship with the BBC to

produce new home improvement and lifestyle shows following its early successes in this recent mass genre and, in particular, its ability to guarantee output from an established group of collaborators which persists, between commissions, as a latent form of organization awaiting remanifestation.

Sustainability of Latent Organizations

Latent organizations within the television industry are highly dependent on “brokers” that connect the “programme buyers” to the “programme sellers” within the context of an amalgamation and supply network. These two key sets of actors are primarily responsible for maintaining the latent organization upon which the TV networks depend. Firstly, there are the “programme buyers” (commissioning editors and other managers) who work for the publisher-broadcaster, and who have the ultimate responsibility for buying in programme product. Secondly, there are the “programme sellers” who work for the independent programme maker, and whose role is to promote their company’s ideas, to respond to broadcast tenders, and to engage in commission negotiations related to the same.

For the “programme sellers,” who represent the production talent base, fostering and managing a knowledge of and relationships with the relatively few programme buyers (and their organizations) therefore proves critical. In the words of one independent television producer, “We don’t think up ideas and then try to flog them to broadcasters. We start from finding out what broadcasters want. So we are not really in the business of selling programmes, we are in the business of selling scheduling solutions.” They then have to convince buyers that they can deliver the quality of programme that is required through access to the best mix of knowledge and skills for particular projects through the medium of latent organization.

Successful programme buyers need to foster a strong knowledge of any programme seller’s ability to consistently develop and access talent in a given latent organization. Partnership and knowledge develop in tandem. In terms of the skills necessary to develop a latent organization, this means that both programme buyers and sellers will become most successful by obtaining and maintaining the best knowledge of each other. The ability to realise differential advantage from a programme idea relies to a large extent upon pulling together key creative specialists, often at relatively short notice, to meet the demands for cost and quality of the programme buyers. By having particular knowledge combined with relational affiliations, programme sellers with mental maps of latent

organizations derive powerful competitive advantage over other programme makers in a talent-driven industry like television. Mental maps of possible organizational configurations are not enough, however, on their own, to realize the value of a latent organization. It is only through effective ongoing relationships that programme buyers can fulfil their broker role to reconvene freelance talent and, thus, make a latent organization manifest for the duration of a particular project.

In situations where buyers expect innovative, quality programming, the creative and financial risks are often high for both programme buyer and seller. Firms seeking differentiation advantage aim to build upon the benefits accruing from repeat contracting with key freelance workers and the ability to reconvene proven production teams. Programme sellers who can transform their knowledge of latent organizations into manifest production teams have competitive advantage over production firms that combine production workers on a more piecemeal basis when pitching for commissions. Programme buyers are more willing to work with production firms that can offer good programming ideas if this is combined with the knowledge and relationships to broker a creative team with a proven track record.

The broker within the production firm, therefore, derives differentiation advantage from the ability to make a latent organization manifest. This is particularly important in high budget cultural work such as drama production. As one manager expressed it, “Each time we have got the same crew back, the same production manager, the same producer, the same two writers etc., and that is really of the essence.” The ability to reconvene a successful production team in a fluid environment where the majority of workers are essentially “nomadic” is key to firms seeking advantage from innovative programming. Issues of continuity of the production team seem particularly relevant where mutual understanding of a complex programme concept is the key to realizing the creative potential of the programme idea.

All of the above processes depend on the development of networks of relationships in which the main currencies are knowledge and trust. Such relationship qualities are key defining characteristics in our segmentation of latent organizations from more generic brokerage productive structures. The persistence of latent organizations is not possible without the interaction and coevolution of knowledge, trust, and organization. It is the accumulation of knowledge and trust that determines the enduring nature of latent organizations. For managers of production firms, building up trust relationships with potential programme buyers is crucial for the survival of latent organizations:

... really I think that our best asset is the ideas; the creative bit really and the fact that people now know that we can do it and trust us to do it. I mean the fact that we have got three in the eight [proposals submitted], that are still in the hat. I mean I am really pleased with that, but it is partly to do with the fact that when they were sent in, the person that was reading them knew us and that we could do it, and we targeted them very, very specifically.

There is a specificity of competence which is aligned with a specificity of knowledge and relationship. What is created in such an ongoing relationship is a sense of mutual commitment. This is how the manager of a production firm describes the evolving relationship between a programme buyer and its core suppliers:

... what [name of channel] are doing is choosing to work with only five to ten companies. So basically, they are honing it down so that they serve ten production companies well, rather than serving 60 to 70 badly ... which means that again those ten companies will have the knowledge that they have; they will have a constant supply of work; [the channel] will be confident that they will be able to deliver the work because they will know the work that they do and the standards that they work to. So there is the kind of mutual trust on both sides.

The catalysts of latent organization therefore trade upon the back of a detailed knowledge of the capabilities of practitioners who have worked within a community of shared norms knowing not just what to do, but how, and to what standard. In the past, such communities were nurtured internally within by vertically integrated production giants. However, more often than not, today they have to survive as latent organizations reliant upon key brokers to once again make their talents and achievements manifest in the marketplace.

Conclusions

In U.K. television, we have witnessed major changes in organizational form, due partly to a fragmentation in programme supply due to new channels, and—in the early 1990s at least—as a result of direct political interventions in the programme supply marketplace forcing the BBC and ITV companies to source 25% of output externally. What traditional, vertically integrated producer-broadcasters like the BBC did provide were environments within which production teams with strong knowledge bases, embedded in relationships established and maintained in durable organizational contexts, could be sustained. We contend that the role of such relationships and the durability of these knowledge bases has been largely ignored by those who have advocated networks as the most suitable form of organization for future television production.

What networked production arrangements across the TV industry have created has been an environment of high uncertainty and high creative risk. Dynamic networks certainly can provide an *efficient* (cost-effective) form of network production structure and they are, therefore, suitable for some production genres. But there is a danger that the perpetual reconfiguration of such networks might compromise production *effectiveness* due to the continual learning curves that new production teams constantly have to renegotiate. We, propose, therefore, that it is only when network structures sacrifice some degree of functional and numeric flexibility by becoming latent organizations that they become capable of delivering the lower-risk and higher-certainty production output that programme buyers increasingly demand to “guarantee” customer viewing choice.

Effective cultural industry production usually benefits from a combination of those talent synergies, shared knowledge development activities, and production continuity that can best be sustained within a set of relationships that persists and develops over time. This suggests that cultural industry organizational catalysts will prove most successful in trading their wares in the long term if they identify a specific and potentially optimal mix of productive agents whom they seek to hold together as a latent organization over time. This will enable them to offer not just programmes to purchasers thereof but, and *in addition*, programmes to be produced by known teams with proven track records of quantifiable success.

Within this paper, the existence and importance of “latent organization” as an emerging production structure has been surfaced in our analysis of the U.K. television industry. The trend to sustain and continually reanimate successful latent forms of production network is likely to proliferate for at least three distinct reasons. Firstly, as the commercialization of the cultural industries continues, the risks of costly projects will have to be managed in disaggregated industry structures. Secondly, from the perspective of content sellers, the need to recapitalize on past successes, if only in order to survive in increasingly harsh market conditions, cannot be ignored. Indeed, it might be creatively foolhardy not to reanimate a network from a latent to a manifest state and to start again with a new and untried configuration. Finally, in an industry characterised by great uncertainty and mass unemployment, the desire for on- and off-screen talent to belong to a durable community as a psychological home beyond the death of the vertically integrated company should not be underestimated. Latent forms of organization, therefore, seem likely to persist as points of stability in a dynamic industry, illustrating the value of a shared, sustained, and sustaining social network in achieving cultural industry success.

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Appendix: Methodology

The research presented in this paper is based upon three sources of qualitative data: a series of 32 interviews with managers and relevant third parties concerned with television production or its performance outcomes; the experience of one of the authors as a freelance programme maker in the television industry; and site visits to observe television workers in action and the functioning and atmosphere of different television firms. Conceptually driven sequential sampling was used whereby those interviewed and events observed unfolded with the emerging concepts and ideas (Miles and Huberman 1994, p. 27). Informants were drawn from firms that were regional, national and global in scope. The aim of the study was to maximise the range in order to explore the variation of issues across the sample (Weiss 1994). Informants were sought from firms recognised for their innovative programme production and commercial success in attracting buyers and viewers for their programmes. To locate these firms and the informants within them various television industry directories were consulted (for example BFI 1995, PACT 1996). As the fieldwork progressed, a snowball technique of asking informants who else in the industry was particularly worth talking to was selectively employed (Goodman 1961).

Informants were sought from the independent production companies that supply the publisher-broadcasters, the larger television companies that both supply and buy programming to fill their schedules, and relevant third parties that have a regulatory or human resource development role within the industry. At the independent production companies informants were sought at the level of managing director, director, or senior partner. Such individuals played a key strategic role in the establishment and/or development of the firm. These individuals frequently retained key hands-on executive producer or director roles on productions, enabling them to offer both strategic and operational insights on the issues surrounding network production in practice. In the larger television companies, informants were drawn from various levels and functions, including senior executive, director of programmes, executive producer, commissioning editor, or human resource manager. Because of the rapid and recurring reorganization occurring in the industry, interviewees were able to draw on a range of experience in different organizational contexts. For example, the majority of those working in now independent production firms had worked previously in large producer-broadcasters, enabling them to draw on that prior experience in discussing the changes occurring in the industry. The

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formal interviews were conducted during site visits in 1996 and 1997 and supplemented with informal and ongoing discussion with a range of industry contacts. Informants were drawn from two of the three large independent television companies, publisher-broadcasters, 17 independent production firms, and various third-party organizations central to the development and regulation of the industry. Unless otherwise attributed, the quotations in the paper are drawn from these interviews.

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