

# Competition and public service broadcasting: stimulating creativity or servicing capital?

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In UK public service broadcasting, recent regulatory change has increased the role of the private sector in television production, culminating in the British Broadcasting Corporation's (BBC) introduction of 'creative competition' between in-house and independent television producers. Using the concept of 'cognitive variety', we focus on the increasing role of the independent sector as a source of creativity in the delivery of programming for the BBC. The paper shows that the intended benefit of introducing new competencies has been thwarted by, at the micro-level, a high level of cognitive proximity between in-house and external producers and, at the meso-level, a conflict in values between the BBC and the independent sector, with many of the larger producers responding to a commercial imperative that encourages creativity in profitable genres, but leaves gaps in other areas of provision. Tracing these meso-level institutional effects has implications for micro-level analyses of innovation, notably communities of practice theory.

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**JEL classification:** L14 transactional relationships, contracts and reputation, networks, L22 firm organization and market structure, L23 organization of production

## 1. Introduction

Since the mid-1970s, capitalist societies have been participating in a collective neoliberalist experiment in which the state 'steers' but the market 'rows' (Osborne and Gaebler, 1992). This idea is reflected in the trajectory of UK broadcasting reform: the British Broadcasting Corporation's (BBC) onetime monopoly on production now covers only half of the programmes it broadcasts, while the independent sector's involvement and contractual terms of trade with the BBC continue to improve. This has culminated in the BBC's introduction of the

'Window of Creative Competition' (WoCC), a policy of promoting competition between in-house and independent television producers ('indies'). The UK government argued that competition from indies would raise 'efficiency' (DCMS, 2005a), inject 'creativity and innovation' into programme making (DCMS, 2005b) and 'deliver range and diversity' of output (DCMS, 2006). The regulatory dilemma facing policymakers lies in harnessing the production capabilities of the independent sector, while protecting the public service interests of the BBC. This paper engages with this problem by examining the impact of reform upon the delivery of public service broadcasting: how is greater independent sector involvement influencing the creativity and diversity of programming broadcast by the BBC?

To address this, we focus on the impact of market-based reform on public service broadcasting at two scales: the *micro-level* practices of television producers at the BBC and the *meso-level* regulatory and institutional context that shapes relations between the BBC and the independent sector. The first part of this paper uses the theory of 'Communities of Practice' (CoPs) to trace the effect of regulatory reform on the social organization of television production at the BBC. CoPs theory suggests that an organization's learning capacity is embedded in the activities of its frontline communities, as this is the ontological scale at which individuals make sense of the surrounding environment and engage in interactive processes of knowing and doing (Wenger, 1998). The restructuring of production is likely to affect the reproduction of these CoPs as a growing proportion of programming is outsourced to indies. However, the injection of 'cognitive variety' (Nooteboom, 2008) through new producer relationships may also stimulate creativity, necessitating analysis of how the WoCC arrangement has affected creativity on-the-ground within the BBC's CoPs.

While affording a fine-grained analysis of innovation practices, micro-perspectives on creativity such as CoPs theory have received criticism for neglecting the wider institutional context of industries and its enduring influence on the prospects of firms and communities (Roberts, 2006; Lave, 2008). To evaluate the impact of regulatory reform, it is critical to take account of the institutional environment that shapes relations between the BBC and the wider broadcasting industry. Institutional analysis can highlight the meso-level effects of new regulatory rules on the prospects of different actors within the broadcasting industry. As well as supplying a greater volume of programming to the BBC, new regulatory rules allowed indies to benefit from improved terms of trade with broadcasters. The second part of this paper traces the emergence of these market-based reforms and demonstrates their influence on creativity within the industry as relations between the BBC and the independent television production sector deepen.

Our central claim is that a *micro-level* account of the impact of regulatory change on creativity in the BBC's programming provides only a partial explanation, as it needs to be situated within a *meso-level* institutional framework that acknowledges the effect of regulatory rules on the broader structure and commercial orientation of the industry. The effects of market-based reform were not straightforward. The WoCC was established to facilitate competition, increase 'cognitive variety' and stimulate creativity and diversity in programming. Our evidence shows unintended outcomes resulting from the interaction of *micro-level* practices and *meso-level* rules: television producers and commissioners were able to maintain existing CoPs and reinforce 'cognitive proximity', while regulatory reform unleashed a series of meso-level effects that altered programming conventions within the BBC and the independent sector. The empirical work emphasizes the importance of situating CoPs accounts within a wider institutional framework.

In the next section, the construct of cognitive variety among communities (Section 2.1) and processes of institutional change are described (Section 2.2). The methodology used to conduct the research on the UK broadcasting industry is then described (Section 3), prior to the presentation and evaluation of the findings from the empirical work (Sections 4 and 5).

## 2. Innovation in communities and institutions

### 2.1 *Communities and cognitive variety*

CoPs theory suggests that organizational capabilities are underpinned by 'everyday' social practices taking place within distributed, self-organized and durable communities. Such an approach does not deny the importance of organizational governance, but sees CoPs as a response to formal managerial structures, as the locus of 'lived practice' within organizations (Wenger, 1998, p. 241). This view emerges from a social constructivist theory of knowledge which situates learning within specific social contexts and cultural communities. Social embedding produces variation in practices of knowing: 'If knowledge is contingent upon categories of thought, and these develop in interaction with the physical and social environment, then cognition is path-dependent and idiosyncratic. People will be able to understand each other only to the extent that they have developed their categories in a shared environment and in mutual interaction' (Nooteboom, 1999, p. 140). This means that CoPs are an important source of knowledge for organizations, but, equally, the interactive forms of learning around which they develop can preclude exploration and the benefits of 'cognitive variety' (Nooteboom, 2008).

Cognitive variety represents the level of variation in the interpretive schemes of different individuals. Mutual understanding is promoted among individuals who share similar mental schemas (cognitive proximity), but creativity is more likely to arise from the interaction of individuals with differing competencies (cognitive distance), as ‘the friction of competing ideas can ignite innovation’ (Nooteboom, 2008, p. 129). To overcome cognitive proximity, firms seek access to external knowledge through a variety of interorganizational relationships, from arm’s length contracts through to more collaborative, hybrid or network forms (Powell, 1990; Deakin *et al.*, 2009). This is reflected in the structural reform of the BBC as innovation was theorized to emerge from greater interaction between established CoPs and independent sector producers, in line with market-based reforms of other network industries (Kunneke and Groenewegen, 2010).

This hypothesis can be tested by looking at the effect of regulatory reform on the BBC’s production communities. Specifically, the last two decades of reform in television production appear to signal a shift away from what Amin and Roberts (2008) term ‘professional communities’ to the use of ‘epistemic communities’. In the public sector, professional CoPs learn through social interaction, apprenticeship and mastery of professional knowledge; they tend towards incremental innovation and the preservation of existing skills and they are subject to self-regulation that inhibits radical change, e.g. professional associations. Conversely, epistemic communities produce innovation through distributed project work that brings together a variety of actors; they depend on mobilizing ‘variety, ambiguity, and uncertainty’ (p. 361) and they are held together by peer recognition, project loyalty and adherence to a common language and code. Epistemic communities appear better suited to exploiting new connections and sustaining cognitive distance, while the durable ties characteristic of CoPs makes them more adept at developing a specific domain of knowledge achieved through cognitive proximity and organizational mooring. A CoPs framework can be used to address questions about this shifting logic of production for delivering creativity in the BBC’s programming. Have the BBC’s CoPs declined as independent sector involvement in programming has grown? In what ways has a more flexible production regime supported creativity and diversity in programming production as core objectives of widening independent sector involvement?

In moving away from vertical control of production, the BBC is exposed to a quasi-market system that carries greater relational risk, as private enterprises are not governed by the same public service remit or values. In the absence of co-ordination by hierarchy, what challenges lie in aligning the independent sector with the purposes of public service broadcasting? In such a context, the wider institutional environment becomes important in governing relations between the BBC and the independent production sector. This includes the informal conventions of interaction associated with CoPs, but it also extends to more

systematic arrangements for co-ordinating economic exchange including contracting regimes, legal rules, property rights, and regulation and industrial policy in general (North, 1990). To evaluate the impact of widening independent sector involvement, the processes by which the institutional environment can challenge conventions of production and creativity in network industries such as broadcasting need to be traced.

## 2.2 *Institutional analysis*

New institutional economics draws attention to the institutional arrangements in which the activities of firms and communities are embedded. Institutions are read as ‘the humanly devised constraints that structure human interaction’ (North, 1993, p. 360). These include formal rules and laws as well as informal conventions and norms of behaviour. While the concept of CoPs emphasizes informal learning through mutual interaction, less attention has been paid to the influence of formal institutional mechanisms on the sociology of their practices. Perhaps a feature of the ethnographic methods often used by researchers to describe the social dynamics of CoPs, there remains a tendency to view these groups ‘from within’ (e.g. Gherardi, 2009). In contrast, institutional analysis—in viewing social practices as shot through with institutional rules of varying origin and formality—creates a space for analysing the relationship between economic actors and the institutional environment that shapes their practices.

A starting point for sketching out this environment is to reflect on the trajectory of reform of the UK broadcasting industry. Since the 1980s, the industry has been subjected to marketization processes as competition in television production inside and outside the BBC has been promoted, while new regulatory agencies, interventions and rules for governing marketization have emerged, typifying the ‘regulatory state’ (Moran, 2002). This is the neoliberal paradox identified by regulation theorists, ‘freer markets and *more* rules’ (Vogel, 1996, p. 3). Regulation theory provides a corrective to mainstream economics, which holds a narrow view of markets as promoting competition, which, in turn, raises efficiency and service standards. Instead, we have been encouraged to explore ‘the plurality of aspects and forms in which rule making, rule monitoring and rule enforcement enter into our economic, political and social life’ (Levi-Faur, 2010, p. 24). However, regulatory scholars have tended to focus more on the proliferation of regulation than on how new regimes affect behaviour on the ground (Schneiberg and Bartley, 2008).

The available evidence suggests that the interplay between markets and rules produces a complex range of institutional effects, intended and unintended. Many network industries across the OECD have been reformed to reduce public ownership, increase private sector involvement and facilitate competition,

based on political commitment to improving efficiency or public choice (Kunneke and Groenewegen, 2010). However, the pursuit of 'regulation for competition' involves active intervention by states, including rules covering market entry, boundaries, pricing and protection for incumbents (Schneiberg and Bartley, 2008). To what extent do the emergent institutional arrangements promote the behaviour intended by policymakers? For instance, Levi-Faur and Gilad (2004) note the formalization of governance processes that has accompanied regulation in Britain. This exposed the (mistrusted) model of professional self-regulation to public control, but at the apparent cost of professional discretion, co-operation and trust, as these were jettisoned by technocratic procedures, monitoring and audit (Power, 1997).

Under the guise of promoting competition and entrepreneurship, European television production is now regulated by a complex governance regime: legal rules at EU and national level, e.g. independent production quotas; and civil regulation, e.g. contractual terms of trade and firm-level administrative rules (Venturelli, 1998; Deakin and Pratten, 2000; Deakin *et al.*, 2009). This means that micro-practices of creativity in television production, which are often the intended target of regulatory intervention, are influenced by a complex institutional environment that includes formal rules (e.g. those designed to promote competition) as well as informal conventions generated within and between CoPs. However, little is known about how these arrangements have affected the innovation capacity of the industry. An institutional perspective allows us to trace the impact of formal regulatory rules on economic behaviour, offering a corrective to CoPs analyses which tend to focus on endogenous sources of conventions and learning.

Equally, we suggest that CoPs represent important spheres of economic activity that interact with institutional processes and explain their variegated effects. Formal institutional rules embedded in regulatory reform, legislation and industry-specific terms of trade affect the behaviour of CoPs by shaping existing practices of knowledge formation. It is in this sense that institutional embedding influences practices of creativity. Institutional analysis develops the theory of CoPs by situating the micro-practices of innovation undertaken by communities within a wider institutional framework that structures or orders those practices. In turn, CoPs theory develops institutional analysis by opening up a conceptual space in which the influence of regulatory and institutional change upon micro-practices of economic activity (e.g. innovation) can be studied.

Following an overview of the research context and methods (Section 3), the regulatory and institutional reforms affecting the UK broadcasting industry over the last two decades are reviewed. The empirical material is then presented. In Section 4.1, the reforms are assessed against the aim of exploiting cognitive

variety to bring new competencies to bear on programming commissioned by the BBC. In Section 4.2, the implications of affording a greater role to indies in the delivery of BBC programming are evaluated from an institutional perspective. Concluding remarks on communities and institutions are made in Section 5.

### 3. Research context and methods

There are four public service broadcasters in the UK: BBC, Welsh Authority (S4C), providers of the licenced public service channels (Channel 3, Channel 4 and Five) and the public teletext provider (Teletext). As defined by statute in the 2003 Communications Act (c. 21, Section 264), public service broadcasting should: deal with a wide range of subject matter; be shown at a time relevant to audiences; be balanced in coverage and be produced with a high standard of content, quality and professional skill and integrity. The television sector is regulated by Ofcom (Office of Communications), an independent authority created under the 2003 Communications Act to replace five separate regulators of the communications sector, including the Independent Television Commission (ITC). Ofcom furthers the interests of ‘citizens’ and ‘consumers’ by maintaining plurality in broadcasting provision and by promoting competition where appropriate. The independent sector’s trade association is PACT (Producers’ Alliance for Cinema and Television). Formed in 1991, PACT represents the interests of its members (over 600 companies) to governmental bodies and negotiates production terms with major broadcasters and other purchasers of media content. With over 25 000 members, BECTU (Broadcasting Entertainment Cinematograph and Theatre Union) is the independent trade union for employees and freelance workers in the broadcasting industry.

The analysis is based on documentary sources and two waves of semi-structured interviews with key stakeholders from the UK television industry: the first wave (20 interviews) was conducted in 2002–2003 (Deakin *et al.*, 2009); the second wave (15 interviews) was conducted in spring 2008 (see Table 1) to capture the implications of the introduction of the 2003 Communications Act and explore their effects in the context of further organizational reform at the BBC (the WoCC).

An interview-based approach affords the collection of in-depth, discursive material from a range of voices, enabling the complex effect of regulatory reform upon the organizational strategies of multiple actors to be described. A wider range of actors was approached for interviews, including a further number of prominent indies and broadcasting professionals, but our requests were either declined or no response was received. However, we feel that the interview data captures the perspectives of the main players within the industry (including a range of indie types). In order to triangulate the evidence generated through

**Table 1** List of interviewees

Organization	Interviewees
Ofcom	Policy director; economic advisor
BBC	Programme commissioner; channel controller; senior producer; R&D manager
BBC Trust	Trustee
Channel 4	Policy director
PACT	Senior executive
BECTU	Secretary
Small indie	Proprietor
Mid-size indie	Managing director; finance director
Large indie	Chairman
Publicly quoted 'super-indie'	Commercial director

the interviews, other forms of data were collected: quantitative information on the evolving composition of the independent production sector, documents mapping the relationships between the BBC and the largest independent suppliers of programming and information on programming trends in the BBC's output.

An aide-memoire was prepared for each interview which acted as a checklist for discussing a number of key issues: the current composition of the UK television industry, the impact of recent regulatory and organizational changes on broadcasters and indies, notably the change in the terms of trade and the introduction of the WoCC, the likely sources of creativity and quality in contemporary programming and the effect of institutional pressures, and the advantages and disadvantages of making programmes through in-house and independent television production teams. The interviews (which lasted an hour on average) were tape-recorded and transcribed. The transcripts were reviewed by the project team and the evidence was categorized into different themes based on our reading of the interview data. It was at this stage that the concept of cognitive variety was recognized to be of value in interpreting the recent regulatory and organizational reforms within UK broadcasting. The process of research adopted a 'grounded theory' approach (Glaser and Strauss, 1967) involving the generation of theory through the conduct of qualitative research, rather than collecting data that merely supports the tenets of extant theory.

#### 4. Regulatory change and UK public sector broadcasting

The BBC was formed under General Manager John Reith in the 1920s with the purpose 'to inform, educate and entertain'. The BBC has an annual income of £5 billion (70% comes from the licence fee) and employs 17 000 in-house staff

members (BBC, 2011). In relation to public value, the BBC's stated mission outlined in the current Royal Charter and Agreement (2006) repeats Reith's mantra and sets out six public purposes, including sustaining citizenship, promoting learning, stimulating creativity and representing the nations, regions and communities of the UK. These public service values continued to motivate the BBC in the 1990s: an 'evolving Reithianism animated the BBC's production cultures, as for decades it had informed the shared craft of British broadcasting . . . it formed part of the collective expertise and implicit knowledge of programme-makers' (Born, 2004, p. 84). In language reminiscent of the literature on CoPs, Born argues that BBC producers identified with a history of programme-making inflected with Reithian ethics and crafted in particular aesthetic styles, such that 'their attempt to forge knowing links between generic pasts and imagined generic futures was their primary mode of professional engagement' (pp. 84–85). The 'public service ideal' was present in the critical, self-reflexive stance of practitioners and debated in editorial and output review meetings: 'So [came about] the desire to innovate in the look or tone of a particular genre, or the inclination to tweak a rival's successful format, or criticism of others for failing to deliver on a necessary BBC commitment to popularity or distinctiveness' (p. 85).

Over the last two decades, regulatory and institutional reform has altered the internal organization of production at the BBC and changed the relationship with the independent sector. Following publication of the Peacock Report in 1986, the BBC was reorganized in accordance with the principles of 'quasi-markets' (Le Grand and Bartlett, 1993) as programme-makers were separated from commissioners to benchmark costs. The 1990 Broadcasting Act introduced a production quota for the BBC and ITV which meant that 25% of programming had to be contracted out to indies. Following a review by the ITC (ITC, 2002), a new wave of reforms addressed a perceived bias towards broadcasters in their relations with the independent production sector. The 2003 Communications Act realigned the contractual 'terms of trade' between broadcasters and indies. This represented the adoption of the ITV terms of trade, and the decline of the BBC convention of awarding fully-funded contracts with the transfer of rights. This regulatory change helped facilitate the transformation of the sector from 'a pure "cottage" industry of talented creatives, beholden to the main broadcasters, to one in which several leading companies now generate significant revenues and profits and have attracted the renewed interest of the City' (Mediatique, 2005, p. 3). In April 2007, the BBC's WoCC extended the involvement of the independent sector by opening up a further 25% of programming to competition from the independent sector.

Since the late 1990s, however, a decline in the diversity of programming in UK broadcasting has been detected (Ofcom, 2004). From 1999–2003, the volume of new UK-made programmes on terrestrial television fell in education (down 53%), and, at peak-time, in current affairs (down 22%), arts (down 23%) and

religion (down 12%). Ofcom's review suggested that BBC1 was adopting a 'ratings-driven approach' to peak-time programming, whilst BBC2's volume of light entertainment and factual programmes (especially 'leisure' shows) grew at the expense of arts and drama programming. The review also gathered the views of broadcasting professionals on innovation and quality, with many feeling that 'they are having to adopt an increasingly copycat approach in search of ratings' (p. 32), whilst viewers were found to 'resent being repeatedly presented with similar versions of the same format' (p. 59). Despite these trends, the BBC is still rated highly by audiences compared with other UK broadcasters, as BBC channels score highest on quality, originality and being engaging, with only C4 rated better on innovation (Ofcom, 2009, pp. 64–65).

However, the growing influence of indies in the provision of BBC programming creates new uncertainties regarding the corporation's ability to deliver creativity and diversity in its output. In particular, concerns have been raised that extending the role of the independent sector beyond the 25% quota may threaten the sustainability of the BBC's own production capability. The Work Foundation (2005) claims that, once the independent sector becomes larger than in-house production at the BBC, a 'tipping point' will be reached whereby 'independents will increasingly dictate the terms over what kind of programmes they want to make' while the BBC 'risks a serious hollowing-out as a creative organization by a rapidly growing and newly empowered independent sector' (p. 7). The institutional changes may threaten the reproduction of the BBC's CoPs and the sociology of innovation of the broader television production community in which they are situated. The consequences of reform are now assessed from CoPs and institutional perspectives.

#### 4.1 Cognitive variety

Following the 1990 Broadcasting Act, policymakers' attempt to create an external market for programme supply encountered a number of social and institutional effects that promoted a tendency towards cognitive proximity, marked by the reproduction of a media CoP that extended beyond the BBC's boundaries. First, there was an outflow of 'indie trailblazers' from the BBC during the 1990s as 'Ex-BBC producers now operating as independents were offered more generous returns than had they remained in-house, raising program costs' (Born, 2002, p. 72). Of the top 10 indies the BBC used in 2007, only Tiger Aspect Productions and Wall to Wall Television were neither founded nor headed by former staff of the BBC or other UK broadcasters (see Table 2). Second, the high concentration of media companies in London,<sup>1</sup> the majority of which are located in Soho,

<sup>1</sup>A survey by Ofcom (2005) found that around 85% of the revenue generated by the independent sector was accounted for by production companies based in London.

**Table 2** Top ten independent suppliers to BBC Vision by spend in 2007

<b>Production company</b>	<b>Founded</b>	<b>Programme genre(s)</b>	<b>Key staff</b>	<b>Biography</b>
Kudos	1992	Drama, Comedy, Factual	Stephen Garrett (Executive Chairman) and Jane Featherstone (Creative Director)	Left Channel 4 to co-found Kudos
Tiger Aspect Productions	1988	Children, Comedy, Drama, Entertainment, Factual	Peter Bennett-Jones (Chairman)	Managing Director of Talkback Productions prior to founding Tiger Aspect
Endemol	1994	Entertainment, Factual, Comedy	Tim Hincks (CEO, Endemol UK)	Former producer of BBC programmes
Hat Trick Productions	1986	Comedy, Drama, Entertainment	Jimmy Mulville (Managing Director)	Worked in BBC radio and television before co-founding Hat Trick
Talkback Thames	2003	Drama, Comedy, Entertainment, Factual	Lorraine Heggsey (CEO)	Controller of BBC1 prior to becoming Talkback Thames' CEO in 2005
Lion Television	1997	History	Richard Bradley, Nick Catliff, Jeremy Mills (Managing Directors)	Left the BBC to co-found Lion
Shed Productions	1998	Drama	Eileen Gallagher, Brian Park, Ann McManus, Maureen Chadwick	Left Granada Television (part of ITV productions) to co-found Shed
Wall to Wall Television	1987	Factual, Drama	Alex Graham (CEO)	Worked in press before co-founding Wall to Wall
12 Yard Productions	2001	Game shows	David Young	Left position as BBC's Head of Light Entertainment to found 12 Yard
Carnival Films	1978	Drama, Comedy	Gareth Neame (Managing Director)	Left post as BBC's Head of Drama Commissioning for Carnival in 2005

Sources: BBC (2008, p. 13) for suppliers; biographical information derived from search of company websites and press articles.

affords informal interaction outside work in the district's pubs and cocktail bars that engenders common 'norms of thinking and ways of doing which [not only] transcend individual firms and industry boundaries but characterise the cluster as a whole' (Nachum and Keeble, 1999, pp. 30–31). Third, the mobility of freelance workers, who represent the majority of employees in the independent sector and over a quarter of those in broadcasting, generates spillovers as workers carry new ideas and tacit knowledge between firms. Finally, the BBC has shown a preference for developing long-term relationships with a limited range of producers, citing the benefits of secure relationships for stimulating creativity and risk-taking among programme makers, while causing 'considerable disquiet among those independents who perceived that they were unfairly penalized by such a system' (Deakin and Pratten, 2000, p. 343). In summary, the commissioning system remained embedded in a set of social conventions familiar to broadcasting professionals, favouring indies set up by former employees with internal experience and an established reputation.

These processes supported the reproduction of existing CoPs united by imagined Reithian values which regulated the trajectory of programme making by encouraging producers to steer away from as much invention as that which they engendered. Television producers shared a mutual understanding of aesthetic styles and ethics, cognitive proximity in other words, which was not confined to producers within the BBC, as 'their output formed part of these histories, connecting them to a wider professional world beyond the BBC and to common, genre-specific concerns' (Born, 2004, p. 84). This outcome could be read as an attempt by commissioners to maintain the CoPs composed of broadcasters and commissioners formerly situated in the BBC, despite regulatory reform. While CoPs produce learning through apprenticeship and socialization (Lave and Wenger, 1991), they can preclude cognitive diversity and thereby hinder radical learning or innovation. How has the injection of diversity intended by the WoCC affected the production communities?

In the year following the WoCC's introduction, the BBC commissioned programmes from 211 different indies, including 59 newly commissioned, a moderately higher number than in the two preceding years. However, new production relationships were interpreted cautiously by the BBC Trust (2008): 'independent production companies were often set up by key figures from other companies, or by people who have recently left the BBC. As such, these production companies might already have established personal relationships with commissioners' (p. 65). Television producers working within both the BBC and indies were perceived to share similar characteristics, as a BBC programme commissioner explained:

now we just regularly get them all together and actually the in-house discovers that actually they are just like them. They are all about the

same age, they generally come from the same social background, and actually the only difference is one is outside the BBC and one is inside.

In addition to possessing similar social characteristics to incumbents, it is not evident that awarding commissions to indies necessarily implies working with a new set of actors. The BBC's preference for maintaining relationships with established contacts appears to have continued since the WoCC was introduced, as the commercial director of a 'super-indie' indicated:

the other key ingredient that I think all of us indies have is that we're looking for people out there who have got good relationships with the right people at Channel 4, Channel 5, BBC, and can therefore pick up the phone, walk in the door, even mention over lunch we've got a great idea. It also means that the broadcasters come to you first or come to these people first for things and that makes a huge difference.

Maintaining durable relationships with indies seeds mutual understanding and trust but, at the same time, recommissioning existing producers may reproduce the same routines, to the detriment of exploratory practices that could be achieved by working with breakthrough companies. The WoCC's second biennial review confirmed gate keeping, 'some independent producers, generally those who are smaller and those who do not frequently work with the BBC, find it difficult to access the BBC's commissioning process' (BBC Trust, 2010, p. 5). This highlights the stubbornness of the social relations constitutive of CoPs in the midst of regulatory reform.

While the participants in the production CoPs straddling the BBC and indies remained similar, the WoCC did affect the structure of the BBC's in-house production teams. Specifically, the changing relationship with the independent sector signals a shift away from what Amin and Roberts (2008) term 'professional CoPs' to the use of epistemic communities in television production. The purpose of the latter, as described by the BBC, is to generate innovation through a 'mixed ecology' of production that extends beyond the formal boundaries of the corporation (BBC, 2004). Accordingly, the BBC responded to the WoCC by restructuring: the capacity of in-house production teams fell by 15%, with almost 600 redundancies made between 2005 and 2008 (BBC Trust, 2008). The WoCC regime pressures the BBC to mimic indies' flexible labour practices as in-house commissions will vary from year to year, as the chairman of a large indie observed:

there's some wastage of staff [at the BBC] because you've got some staff who are sitting around developing things hoping they're going to get a WoCC commission and that's not a very clever use of resources. We are much leaner and meaner because we only staff up when we get

production, you know, where we have as many people as we need to service what we make.

Views diverge on the consequences of flexible production for creativity. In the literature on business networks, creativity is theorized to result from interaction within flexible project teams that extend beyond the boundaries of any one firm. Novelty or innovation is, or so corporate executives argue, the product of ‘learning by switching ties’ (Grabher, 2004). This intentionally ‘disruptive’ approach to project work is designed to exploit cognitive variety, as described by an art director based in London: ‘You work with your favourites... but you also try new people, because of new ideas, new approaches... you look for freshness’ (quoted in Grabher, 2004, p. 1501). In this view, flexible teams carry the advantage of brokering new relationships based on the bespoke needs of each project. However, the BBC’s use of freelance staff to reduce costs in the 1990s appeared to inhibit learning: short working relationships undermined participation in ‘creative dialogue’; opportunities for apprenticeship learning were stifled as junior staff were unable to see projects through; commitment to training and professional development for casual employees declined and production staff became wary of sharing new ideas as these were the currency by which future employment was secured (Born, 2004).

In broadcasting, negative assessments of flexible production centre on firms’ use of short-term employment contracts to reduce costs, with innovation being secondary. Our research suggests that the use of routinized programme formats by larger indies allows them to strip the epistemic content away from many roles beyond the ‘core team’. Temporary staff can perform quite mundane roles within a flexible production system, as described to us by a senior BBC producer:

very frequently in an indie now the director is brought on after the pre-production work has been largely done, they’re brought on just before the shoot. They do the shoot, they take the material into the edit where, because it’s a highly formatted piece, they stay for the first two thirds of the edit and then leave for it to be completed by the series producer and editor. You may only be on contract to that production for eight, ten weeks; you will never see your programme completed. You are absolutely a gun for hire to do a job and the job’s not a very creative one.

Rather than creating new opportunities for knowledge development, the practices of these specific indies appear to reflect a ‘core–periphery view of the flexible workforce’ (Tempest and Starkey, 2004, p. 509). For the BBC, as a policy director from C4 told us in an interview, the restructuring due to WoCC highlights the balance needed between fostering a secure environment designed for experimentation that ‘allows for making mistakes and getting it wrong and learning from

the mistakes and moving on' and maintaining a competitive tension which ensures that production teams do not 'settle down into comfort zones just repeating what you have been doing for years'.

We have described the micro-level effects of regulatory reform from the perspective of CoPs within broadcasting. The WoCC does not appear to have injected the variety of new competencies into programming intended by policymakers. This is partly due to the maintenance of existing CoPs associated with the BBC: knowledge spillovers, spin-off companies and durable supply relationships worked against the cognitive variety desired when the WoCC was introduced. However, regulatory reform also led to structural change at the BBC: restructuring for flexibility reduced the capacity of in-house production which might, in turn, impinge on CoPs by stifling opportunities for interactive learning within the corporation. The balancing act for policymakers lies in facilitating independent sector involvement, while maintaining CoPs that continue to coalesce around 'public service values'. Otherwise, as suggested by the [Work Foundation \(2005\)](#), the injection of variety may tip over optimal cognitive distance and undermine in-house collaboration and commitment of staff to the BBC.

The foregoing analysis of reform highlights the importance of CoPs in sustaining informal conventions of creativity, but also indicates that their social dynamics are influenced by wider processes of regulatory and institutional change. We suggest that micro accounts of creativity such as CoPs theory can gain explanatory power by acknowledging this wider context. We now explore this proposition by providing a meso-level institutional account of the effects of reform on the UK broadcasting industry.

#### 4.2 *Institutional analysis*

Regulatory reform unleashed a series of meso-level effects that altered the composition of the UK broadcasting industry. The reforms widened the statutory quota for independent programming and allowed indies to benefit from improved terms of trade with broadcasters. This made the independent production sector more lucrative: revenue doubled to over £2 billion between 2000 and 2008 ([Mediatique, 2009](#)). However, the sector also consolidated: the top 10 indies' market share increased to 67% by 2008 ([Mediatique, 2009](#)), while the share of small indies (with revenue <£2 million) fell to 2% from 61% in 1993 ([Mediatique, 2008](#)). The larger companies acquired small to medium sized indies (see [Table 3](#)), leading to the emergence of heavily capitalized 'super-indies' fuelled by private equity or stock market floatation. Meanwhile, the BBC's public funding diminished, its management increasingly emphasized efficiency over innovation and its supply base became dominated by the 'super-indies' just described.

**Table 3** Merger activity since 2006

Holding company	Production companies
All3Media	South Pacific Pictures, North One TV, Lion TV, Lime Pictures, IDTV, Company Pictures, ARG TV, Cactus Films, All3Media International, Bentley Productions, Maverick Media, MME Movement
IMG	TWI, Tigress Productions, Tiger Aspect, Darlow Smithson Productions
RDF Media Group	Touchpaper Television, RDF Media, RDF International, Radar TV, IWC Media, The Comedy Unit, Presentable, Foundation TV Productions
Southern Star Group	Oxford Scientific Films, Darrall Macqueen, Carnival Films and Television
Tinopolis	Venner TV, Mentorn, Folio, Sunset & Vine Productions, Music Box, Tinopolis, Video Arts Group, APP Broadcast
Shed Productions Plc	Shed Productions, Ricochet, Outright Distribution, Twenty Twenty Vision, Wall to Wall
ITV Productions	12 Yard Productions
Endemol UK	Endemol, Cheetah, Initial, Zeppotron, Brighter Pictures, Showrunner, Hawkshead, Victoria Real
Fremantle Media (RTL Group)	Fremantle Media, Talkback Thames, Grundy Productions, Regent Productions
DCD Media	Box TV, Done and Dusted, Iambic Productions, Prospect Pictures, September Films, West Park Pictures
Hit Entertainment	Hit Entertainment, Gullane Entertainment, Hit USA Productions, Guinness World of Records
Mediaset, de Mol	Endemol
Ten Alps Plc	Blakeway/3BM, Brook Lapping, Ten Alps TV, Production Co
The Zodiak Group	Bullseye TV, Diverse Productions UK and US
Two Way Traffic	Celador International
Shine	Shine, Firefly, Kudos, Princess

Notes: Since its publication there have been changes to the data displayed: IMG sold Tigress Productions, Tiger Aspect and Darlow Smithson Productions to Endemol UK; Southern Star Group sold Carnival to NBC Universal; Sony Pictures Entertainment acquired Two Way Traffic; News Corporation acquired Shine.  
Source: PACT data (Perspective, 2009).

These effects can be related to the UK government's marketization of the broadcasting industry. The creation of the 2003 Communications Act exemplifies this. A Draft Bill was published in May 2002. This proposed simplifying the regulation of the media through the creation of a single regulator (Ofcom) and by relaxing rules on media ownership. A joint parliamentary committee, chaired by Lord Puttnam, conducted a pre-legislative review of the Draft Bill that summer. The inquiry heard evidence on the proposed reforms from the government, PACT and the BBC. The government's culture secretary argued that the BBC's public funding should support a wider creative economy, opening up new regulatory terrain at the interface between the BBC and the independent sector:

In relation to the broader position of the independent producers, we would look very closely at ways in which independent producers would be disadvantaged or discriminated against. I have said on

many occasions that I see, for instance, one of the functions of the licence fee, the £2.5 billion which is available to the BBC, as being in a sense venture capital for the nation's creativity, and the use of certainly part of that resource to drive a healthy independent sector is very important indeed. ([Joint Committee on the Draft Communications Bill, 2002b](#), response to Q. 1012)

PACT called for a code of practice that would, in their view, rebalance relations between broadcasters and indies. The committee agreed with PACT's assertion that the needs of indies had been neglected:

The draft Bill is almost wholly concerned with the interests of broadcasters, channels and platform owners and has little to say about the need to create a competitive market producing high quality content which can appeal domestically and internationally. (quoted in [Joint Committee on the Draft Communications Bill, 2002a](#), p. 82)

The Puttnam report led to a review of the relationship between television broadcasters and the independent sector by the incumbent regulator ([Independent Television Commission, 2002](#)). The government accepted the majority of the findings of this review, including the need for 'terms of trade between broadcasters and independent producers [that] are fair and foster an economically sound independent production industry' ([DCMS, 2003](#)). The reforms were informed by a market ideology, but shaping the market for television production meant deploying new regulatory rules. The institutional 'rules of the game' ([North, 1990](#), p. 3) governing the production and commissioning of programming changed. We now describe their effects on innovation.

The improved prospects of the independent sector encouraged profit-oriented stakeholders to invest in the larger production companies. These 'super-indies' then 'experience pressure to create programming that delivers a return' ([Faulkner et al., 2008](#), p. 306). Our interviews shed light on the resulting tension between focusing on creativity or servicing capital. The commercial director of a publicly quoted 'super-indie' indicated that the likely response of the stock market was taken into account in programme decision-making:

you've got to satisfy the shareholders and promise things to the City and then deliver them. So, yes, of course it affects a lot of things in terms of driving the figures... it's probably one of the things that informs the policy: that we should have more returning series and formatted shows because they have more commercial value longer term. There are probably people here who would love to make more beautifully crafted documentaries on very interesting subjects but there's just not the money in it.

The strategies of ‘super-indies’ are shaped by shareholder interests in three ways. First, product merchandizing is encouraged. For example, children’s television producer HIT Entertainment generates half of its income through television revenue, while ‘the other half comes from consumer product licensing of dolls, models and other products that feature the character’ (Faulkner *et al.*, 2008, p. 307). Second, programmes within returnable genres are favoured, for example, entertainment formats rather than current affairs programmes or documentaries that have little ancillary value. The *Work Foundation (2005)* suggests that, to maintain a low-cost base, fewer indies now carry specialist departments; furthermore, a desire for longer programme runs has reduced interest in making one-off films for broadcasters. Third, programme formats that have international appeal are desired. *Shed Media plc (2008)* reports that 30% of its gross profit comes from the US market, led by the commissioning of formats that have been successfully broadcast in the UK, including the BBC programmes *Who Do You Think You Are?* and *World’s Strictest Parents*. Some indies have constructed transatlantic networks to exploit revenue opportunities in both markets, as the commercial director of a ‘super-indie’ stated:

we have people here who are creating ideas for new shows, new formats; if we can get those commissioned, particularly in the UK, (a) it drives production business in the UK, (b) it then delivers programmes and formats that we can sell internationally and market through the international division and (c) we can then take them to the US where we’ve got a very good chance of selling them into the US networks and then producing again through [the US subsidiary].

This company possessed two overseas divisions, including one dedicated to the US market, as most new formats produced for UK broadcasters were also marketed and sold internationally. We were informed that, in the fortnightly meetings between the executive producers and commercial directors of this company, intelligence regarding commissioning opportunities with UK and US broadcasters would be shared, and ideas for formats with potential in both markets would be encouraged by the commercial actors present.

While reform improved the commercial prospects of larger indies, the independent sector contains a range of organizations, from the ‘super-indies’ just described through to ‘lifestyle companies’ sustained by ‘winning one or two commissions a year’ (*Mediatique, 2005*, p. 8). PACT, who lobbied for reform, is oriented towards the interests of larger indies: the association’s subscription fees are a fixed percentage of members’ revenue, thereby rising with firm size. A former member of PACT’s governing council, Nick Rosen, claimed that he was suspended in 2007 for championing the interests of smaller producers. In an article for *The Guardian* newspaper, *Rosen (2007)* summarized the issue facing smaller indies: ‘In recent

years, the large number of small, powerless production companies have seen their access to broadcasters diminish and a handful of large, powerful companies have strengthened their relationships considerably' (p. 6). Regulatory change did not reflect the interests of all firms. Fully-funded contracts, the alternative model of commissioning content sidelined in the reforms, carried the advantage of covering cost shortfalls that threaten smaller independents lacking the financial reserves of their larger counterparts (Deakin *et al.*, 2009). A manager working for C4's talent development programme '4Talent'—which invests £10 million per year to help create opportunities for individuals and small companies to make progress in the television industry (Channel Four, 2008)—also highlighted the diversity of indies within the sector. He confirmed that the main concern of small companies lay in gaining access to programme commissioners and competing with more established independents that have cultivated strong relationships with commissioning departments. Although regulatory reform has supported the growth of the independent production sector, its variegated effects on firms may have caused a decline in the industry's overall capacity for innovation and creativity (Mediatique, 2005).

We now turn to the consequences of the reform for the BBC. The BBC was exposed to a swathe of 'super-indies' driven by new production values based on creating programmes with ancillary value in the UK and internationally. Of the top ten indies used by the corporation in 2007, seven are owned or controlled by parent companies with annual revenues over £100 million.<sup>2</sup> As well as having strategies for maximizing returns on programming (as described above), profit-oriented indies may also carry greater relational risk to the BBC when commissioned, as cases like 'Crowngate' seem to show.<sup>3</sup> The BBC should counteract tendencies towards market failure in profit-making firms through a production and commissioning strategy which supports the public interest. As a member of the

<sup>2</sup>These are: Kudos (acquired by Shine Group for £35 million in 2006); Tiger Aspect (acquired by Endemol for £40 million in 2009); Endemol; Talkback Thames; Lion Television (acquired by All3Media in 2004); 12 Yard Productions (acquired by ITV plc for £35 million in 2007) and Carnival Films (acquired by NBC Universal for £30 million in 2008). AIM listed Shed Media plc, owner of Shed Productions and Wall to Wall Television (ranked 8 and 9, respectively, in the BBC's top 10), had an annual income of £82 million in 2008. The revenue of the other indie making up the top 10, Hat Trick Productions Ltd, is not known although a 45% stake in the business was sold to venture capitalists August Equity for £23 million in 2003.

<sup>3</sup>'Crowngate' refers to an incident that happened in 2007 involving the promotion of the documentary *A Year with the Queen*, produced for the BBC by the independent company RDF Media. The promotional footage was misleading regarding the Queen's behaviour, and at the time some suspected that it had been wrongly edited deliberately to attract viewers. Although the investigation concluded that there had not been an intention to defame or misrepresent the Queen, it also pointed out that the incident revealed misjudgements, poor practice and ineffective control mechanisms (Wyatt, 2007).

BBC Trust told us, a critical mass of in-house production remained important to deliver the more reflexive elements of public service broadcasting, as this requires 'a culture and career set of options that plays to serious, thoughtful values. The commercial market, we see, in some of these more challenging areas just won't do it'. However, regulatory reform also reflects the declining status of the BBC as a producer of programming. The retention of ancillary rights by indies was perceived to be placing downward pressure on the tariff paid by the BBC for primary licencing rights. The chairman of a large indie told us that establishing partnerships with production companies competing in other television markets may become necessary to cover the perceived shortfall in revenue:

we're having to invest upfront more of our ancillary revenue to cover the cost of production which means the shows become less profitable, are harder to make, harder to finance, and that's going to impact on things because it'll be harder to take the risks we've taken in the past because actually, if you like, our margin is going to thin. I think what you might start seeing, certainly in our area drama, and I imagine in reality as well, are shows that are structured with an eye on both sides of the Atlantic. In other words, that will only be possible to be made if you have an American partner, which we've never done before but may have to do in the future.

Public funding for the BBC is under considerable scrutiny, especially in a recessionary context where budgetary cuts are being reported by other terrestrial broadcasters (Mediatique, 2009). The corporation's main source of income is the annual licence fee, a levy on all UK households that use a television receiver. In 2007, a diminished licence fee settlement triggered a 6-year restructuring plan dubbed 'Delivering Creative Future' by Mark Thompson, the BBC's Director-General. The BBC would become a more efficiency conscious corporation that would produce 'fewer, higher quality, programmes'. A freelance producer suggested to us that the downward pressure on the programming budget meant that the BBC wanted 'certainty in their output' and therefore 'tended to go for the certain middle ground' of programming.<sup>4</sup> The preference of programme commissioners for a stock of reliable, efficiently produced programmes was stifling innovation, as the chairman of an independent production company stated in an interview:

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<sup>4</sup>From 2004 to 2008, programme investment on BBC1 and BBC2 declined by 13% (Ofcom, 2009). The BBC's budget for investing in new content has also come under pressure from the need to invest in the development of new delivery mechanisms, including i-Player, HDTV, Freesat and digital switchover support (Oliver and Ohlbaum, 2009).

we're the ones who kind of champion weird and wonderful ideas and we don't give up but it's the, as George Bush would describe it, the deciders within the broadcasting organizations who are risk averse and who kind of have the attitude, 'ohh, we haven't seen something like that before therefore it doesn't work', who make life very difficult.

If the BBC has become 'risk averse' when making commissioning decisions, it is problematic to only attribute the perceived drift of formulism and repetition into programming to the commercial imperative facing larger indies. A senior BBC producer told us that in the current environment only a handful of BBC producers are given autonomy over the production of ideas, suggesting that the primacy of 'bottom-up' creativity belonged to a bygone era:

I think those 10 years, about '85 to '95; there was an intense period of self-awareness and experimentation going on. In those years, and probably up to the late '90s, it was common for a commissioning editor to pull in a talented director and say, 'What would you like to do? I want to hear your ideas'. That doesn't really happen anymore. You'll get called in to ask whether you are interested in working on a particular project, which has already been pretty well defined by a commission.

The last two decades of regulatory reform have embedded the BBC in a market-based context, with the consequence that this is increasingly the frame through which the BBC's output is judged. This casts the BBC's management of competition between in-house and independent production teams in a different light, one in which the efficiency imperative of the commissioning function becomes as important as the creative cognitive frames of television producers, whether developed inside or outside the BBC.

Finally, we can reconsider the meso-level effects of reform on the production communities serving the BBC. These have taken on a different complexion to the CoPs identified by Georgina Born in the 1990s. Then, the producers were shaped by an institutional environment dominated by the BBC, which created a space for exploring shared aesthetic values in a non-market context. This facilitated the formation of durable CoPs geared towards reproducing public service values in programming. The shoehorning of the BBC into a market-based structure, from the internal market through to the WoCC, interfered with this logic of production, replacing producer autonomy with 'choice' and injecting 'efficiency' values into programming. The indie spin-offs that emerged possessed, yes, some of the cognitive traits of the parent organization, but also new 'business-like' values that mirrored the competitive market environment they were entering. These 'commercial' values carry the potential to disrupt the social norms of creativity to which the pre-reform CoPs adhered when engaged in production. This highlights

that, although cognitive variety may be a significant source of creativity, its successful enactment depends on a favourable institutional environment that prizes innovation in the co-ordination of relations between television broadcasters and producers. We believe that micro accounts of innovation, such as CoPs theory, would benefit from acknowledging these broader issues of institutional design.

## 5. Conclusion

This paper has examined the changing relationship between the BBC and the independent television production sector. A series of regulatory and organizational reforms over the last two decades has shifted the balance of power in favour of the independent production sector as a whole, with revenue doubling since 2000 on the back of new opportunities to produce programming for domestic broadcasters and to acquire greater export income based on the exploitation of ancillary rights. The issue at stake was how far institutional reform was having an impact upon the delivery of public service broadcasting. More specifically, the intention was to examine the growing influence of independent sector producers through institutional reform, whether their greater involvement in programming production supported creativity, and to what extent CoPs in programme production declined with the increase of the independent sector's involvement in programming. For the independent sector, there have been both winners and losers. The change in the terms of trade has attracted City money into the sector, favouring the growth of 'super-indies' able to export lucrative programme formats worldwide. Equally, capitalization has encouraged the consolidation of the sector, such that the interface with broadcasters is increasingly dominated by a handful of large indies, as lamented by critics who associate the decline of the small or 'lifestyle' indie with a loss of creativity and diversity in programming. For the BBC, the introduction of competition between in-house and external production teams seems to be undermining the reproduction of its own production communities, as commercial-like imperatives and norms take on greater precedence in the production and commissioning of programming.

According to the concept of cognitive variety, the injection of variety into the activities of CoPs should be no bad thing. Left alone, the innovative capacity of these groups is questionable (Wenger *et al.*, 2002; Nooteboom, 2008). With regard to new competencies, extending the role of the independent sector does not seem to have introduced the novelty intended due to the embeddedness of the BBC's production capabilities in broader CoPs that already embrace producers working within the independent sector (supported by their concentration in the media district of Soho). Instead, it is from an institutional perspective that greater distance between the BBC and the independent sector was detected. Notably, the profit motive facing 'super-indies' encourages new forms of

organizational behaviour quite detached from the Reithian values still reified in the BBC's Royal Charter. The need to deliver year-on-year growth to satisfy investors encourages these companies to produce innovative programmes within profitable genres, but leaves gaps in other areas of provision. Thus, retaining a significant in-house production team at the BBC that shares an ethos of public service seems to remain critical. But the BBC's growing preference for using staff on freelance contracts brings the corporation steadily into line with the flexible working practices of the independent sector, and serves to hinder the reproduction of CoPs that are committed to the public or aesthetic qualities of television.

Hence, the challenge for the BBC lies in maintaining cognitive diversity in the current programming schedule. To maintain variety, the BBC may need to provide greater support to the 'tail' of smaller independents, helping them to get access to its commissioners via projects such as, for example, C4's talent development programme '4Talent'. To use [Nooteboom's \(1999\)](#) terminology, brokering novel relationships such as these would lay down 'cognitive bridging' mechanisms between small independents and commissioners, opening up a space through which the mutual understanding and knowledge of both parties could be enriched. This may also engender a commissioning dynamic that is less commissioner-dominated, in favour of one in which the producer's own ideas are given greater precedence as a source of cognitive variety.

The enactment of this scenario, however, also presents a challenge to the literature on learning through communities, which often privileges micro-scale processes at the expense of broader structural concerns, such as the regulatory and institutional context that shapes the behaviour of organizations in different industrial sectors. With regard to the recent reform of the UK broadcasting industry, institutional analysis illustrates the direct bearing that the regulatory context has on practices of innovation, altering the strategies of organizations and communities as they respond to the new environment produced by institutional reform. Analysis of CoPs—groups regularly depicted as the locus of adaptation and innovation in the knowledge-based economy—should also consider the institutional constraints imposed upon these groups through structural mechanisms. While insightful, describing the activities of CoPs 'from within' is likely to provide an inadequate explanation of industrial performance. Instead, a multi-level approach that explores the interplay between the micro-practices of learning communities and the import of wider institutional and regulatory processes in shaping their dynamics represents a promising avenue for further research.

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